April 26, 2012

Supplement to the Official Statement

CITY OF MILWAUKEE, WISCONSIN

$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2012 R1
$113,430,000 General Obligation Promissory Notes, Series 2012 N2
$8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3
$6,085,000 Taxable General Obligation Promissory Notes, Series 2012 T4
$3,540,000 Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5

On page 3 of the Official Statement dated April 18, 2012, the Maturity Date in the tables for the T4 Notes and T5 Bonds references an incorrect date. The correct date should be May 1 of each year. The tables on page 3 of the Official Statement are modified as follows:

$6,085,000 TAXABLE GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2012 T4

Maturing (May 1)	Amount	Interest Rate	Yield	CUSIP [1] Base 602366
2013	$435,000	4.00%	0.50%	PT7
2014	435,000	4.00	0.60	PU4
2015	435,000	4.00	0.80	PV2
2016	625,000	4.00	1.05	PW0
2017	670,000	4.00	1.30	PX8
2018	675,000	4.00	1.60	PY6
2019	685,000	4.00	1.90	PZ3
2020	700,000	4.00	2.15	QA7
2021	710,000	4.00	2.40	QB5
2022	715,000	2.70	2.70	QC3

$3,540,000 TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2012 T5

Maturing (May 1)	Amount	Interest Rate	Yield	CUSIP [1] Base 602366
2023	$300,000	2.90%	2.90%	PH3
2024	310,000	3.10	3.10	PJ9
2025	330,000	3.25	3.25	PK6
2026	345,000	3.40	3.40	PL4
2027	365,000	3.50	3.50	PM2
2028	380,000	3.60	3.60	PN0
2029	400,000	3.70	3.70	PP5
2030	350,000	3.80	3.80	PQ3
2031	370,000	3.90	3.90	PR1
2032	390,000	4.00	4.00	PS9

NEW ISSUES	**RATINGS**:	Moody's	Standard & Poor's
BOOK ENTRY ONLY	R1 Notes:	"MIG-1"	"SP-1+"
	N2 Notes, B3 Bonds, T4 Notes and T5 Bonds:	"Aa2"	"AA"
	(See "Ratings" herein.)		

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C, Bond Counsel, in connection with the issuance of the ***General Obligation Cash Flow Promissory Notes, Series 2012 R1, the General Obligation Promissory Notes, Series 2012 N2,*** *and* ***the General Obligation Corporate Purpose Bonds, Series 2012 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 Tax-Exempt Obligations and the Taxable Obligations (collectively referred to herein as, the "Offered Obligations") is not exempt from Wisconsin income taxes.*

In the opinion of Hurtado, S.C., Bond Counsel, in connection with the issuance of the ***Taxable General Obligation Promissory Notes, Series 2012 T4 and the Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5 (the "Taxable Obligations"),*** *under existing law, interest on the Taxable Obligations* ***IS*** *includable in gross income of the owners for federal income tax purposes.*

CITY OF MILWAUKEE, WISCONSIN

$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2012 R1
$113,430,000 General Obligation Promissory Notes, Series 2012 N2
$8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3
$6,085,000 Taxable General Obligation Promissory Notes, Series 2012 T4
$3,540,000 Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5

Dated: Expected Date of Delivery (May 3, 2012) **Due:** As shown herein

The $100,000,000 General Obligation Cash Flow Promissory Notes, Series 2012 R1 (the "CFNs" or "R1 Notes"), the $113,430,000 General Obligation Promissory Notes, Series 2012 N2 (the "N2 Notes"), the $8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3 (the "B3 Bonds") (the R1 Notes, N2 Notes and B3 Bonds, collectively, the "Tax-Exempt Obligations") and the $6,085,000 Taxable General Promissory Notes, Series 2012 T4 (the "T4 Notes") and the $3,540,000 Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5 (the "T5 Bonds") (the T4 Notes and T5 Bonds, collectively, the "Taxable Obligations"). The Tax-Exempt Obligations and the Taxable Obligations (collectively referred to herein as the "Offered Obligations") are direct general obligations of the City of Milwaukee, Wisconsin (the "City" and the "State" respectively), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount.

The CFNs will be dated the Expected Date of Delivery, and will be payable on December 4, 2012. The CFNs 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 shared revenue payments. Interest on the CFNs shall be payable at maturity. The CFNs are not subject to optional redemption prior to maturity.

The N2 Notes, B3 Bonds, T4 Notes and T5 Bonds will be dated the Expected Date of Delivery, will bear interest payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2012 at the rates, and will mature on May 1, in the years and amounts, as detailed herein. The N2 Notes, B3 Bonds, T4 Notes and T5 Bonds are being issued for the purpose of financing various public improvements and fiscal requirements of the City, and for the purpose of refunding of certain outstanding obligations of the City. The N2 Notes and T4 Notes are not subject to optional redemption as provided herein. The B3 Bonds and T5 Bonds are subject to optional redemption on any date on or after May 1, 2022 as provided herein.

The Offered Obligations have been offered for sale by competitive bid in accordance with the Official Notices of Sale dated April 11, 2012 and other conditions specified in the Official Notices of Sale. The Tax-Exempt Obligations are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, and the Taxable Obligations are being issued subject to the legal opinion of Hurtado, S.C., 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 3, 2012 (the "Expected Date of Delivery").

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:
Michael J. Daun, Deputy City Comptroller and Secretary to Public Debt Commission
City Hall, Room 404, 200 East Wells Street - Milwaukee, WI 53202 - Phone (414) 286-3321

April 18, 2012

MATURITY SCHEDULES

$100,000,000 GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2012 R1

The CFNs will be dated the Expected Date of Delivery, and will mature on December 4, 2012 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] Base 602366
$60,000,000	1.25%	0.12%	RE8
40,000,000	3.00	0.13	RF5

$113,430,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2012 N2

The N2 Notes will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2012 and will mature on May 1 in the years and in the amounts shown below. The N2 Notes are **not** subject to optional redemption.

Maturing (May 1)	Amount	Interest Rate	Yield	CUSIP [1] Base 602366	Maturing (May 1)	Amount	Interest Rate	Yield	CUSIP [1] Base 602366
2013	$22,925,000	3.00%	0.18%	QU3	2018	$11,655,000	5.00%	1.24%	QZ2
2014	14,525,000	4.00	0.35	QV1	2019	13,210,000	5.00	1.49	RA6
2015	5,960,000	5.00	0.53	QW9	2020	9,125,000	5.00	1.73	RB4
2016	12,610,000	5.00	0.79	QX7	2021	7,300,000	5.00	1.97	RC2
2017	11,920,000	5.00	1.02	QY5	2022	4,200,000	5.00	2.15	RD0

$8,455,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2012 B3

The B3 Bonds will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2012 and will mature on May 1 in the years and in the amounts shown below. The B3 Bonds are subject to optional redemption on any date on or after May 1, 2022, as provided herein.

Maturing (May 1)	Amount	Interest Rate	Yield	CUSIP [1] Base 602366
2023	$1,670,000	5.00%	2.30%	QP4
2024	1,680,000	5.00	2.44	QQ2
2025	1,690,000	5.00	2.58	QR0
2026	1,700,000	5.00	2.70	QS8
2027	1,715,000	5.00	2.79	QT6

{MATURITY SCHEDULES FOR THE T4 NOTES AND T5 BONDS ON NEXT PAGE}

[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

$6,085,000 TAXABLE GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2012 T4

The T4 Notes will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2012 and will mature on May 1 in the years and in the amounts shown below. The T4 Notes are **not** subject to optional redemption.

Maturing (May 15)	Amount	Interest Rate	Yield	CUSIP [1] Base 602366
2013	$435,000	4.00%	0.50%	PT7
2014	435,000	4.00	0.60	PU4
2015	435,000	4.00	0.80	PV2
2016	625,000	4.00	1.05	PW0
2017	670,000	4.00	1.30	PX8
2018	675,000	4.00	1.60	PY6
2019	685,000	4.00	1.90	PZ3
2020	700,000	4.00	2.15	QA7
2021	710,000	4.00	2.40	QB5
2022	715,000	2.70	2.70	QC3

$3,540,000 TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2012 T5

The T5 Bonds will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2012 and will mature on May 1 in the years and in the amounts shown below. The T5 Bonds are subject to optional redemption on any date on or after May 1, 2022, as provided herein.

Maturing (May 15)	Amount	Interest Rate	Yield	CUSIP [1] Base 602366
2023	$300,000	2.90%	2.90%	PH3
2024	310,000	3.10	3.10	PJ9
2025	330,000	3.25	3.25	PK6
2026	345,000	3.40	3.40	PL4
2027	365,000	3.50	3.50	PM2
2028	380,000	3.60	3.60	PN0
2029	400,000	3.70	3.70	PP5
2030	350,000	3.80	3.80	PQ3
2031	370,000	3.90	3.90	PR1
2032	390,000	4.00	4.00	PS9

[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.

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:

$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2012 R1 (the "CFNs" or "R1 Notes")
$113,430,000 General Obligation Promissory Notes, Series 2012 N2 (the "N2 Notes")
$8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3 (the "B3 Bonds")
$6,085,000 Taxable General Obligation Promissory Notes, Series 2012 T4 (the "T4 Notes")
$3,540,000Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5 (the "T5 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-CFNS

Issuer:	City of Milwaukee, Wisconsin
Issue:	$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2012 R1
Dated Date:	The Expected Date of Delivery, which is anticipated to be May 3, 2012
Maturity:	December 4, 2012
Principal:	$100,000,000
Interest Payment Date:	Payable at maturity. Interest is calculated on the basis of 30-day months and a 360-day year (term of 211 days assuming a May 3, 2012 delivery date).
Denominations:	$5,000 or integral multiples thereof.
Purpose:	The CFNs 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:	Principal and interest on the CFNs will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City. The City has also 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 CFNs. 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 Notes and which are not otherwise pledged or assigned. (See "THE CFNs - SECURITY FOR THE CFNs" herein).
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the CFNs in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.12(12) of the Wisconsin Statutes.
Form of Issuance:	The CFNs 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 CFNs. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the CFNs 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 CFNs 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 CFNs 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 CFNs is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).	
Redemption Feature:	The CFNs are not subject to redemption prior to maturity.	
Official Statement:	The City will provide the original purchaser of the CFNs with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the CFNs.	
Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Paying Agent:	City Official:	City of Milwaukee, Comptroller's Office Milwaukee, Wisconsin
Record Date:	December 3, 2012 (whether or not a business day).	
Delivery:	Delivery of the CFNs will be on or about May 3, 2012 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 CFNs are set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).	

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SUMMARY STATEMENT-N2 NOTES

Issuer:	City of Milwaukee, Wisconsin
Issue:	$113,430,000 General Obligation Promissory Notes, Series 2012 N2
Dated Date:	The Expected Date of Delivery, which is anticipated to be May 3, 2012
Principal Due Date:	May 1 of the years 2013 through 2022.
Interest Payment Date:	Interest on the N2 Notes is due each May 1 and November 1 commencing November 1, 2012. 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, fiscal requirements of the City, and to refund certain outstanding obligations 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 N3 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 "BOOK-ENTRY-ONLY SYSTEM" 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 "TAX MATTERS" herein).
Redemption Feature:	The N2 Notes are <u>not</u> subject to redemption prior to maturity. (See "REDEMPTION PROVISIONS" herein.)
Official Statement:	The City will provide the original purchaser of the N2 Notes with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the N2 Notes.

Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
		Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
	Paying Agent:	City of Milwaukee, Comptroller's Office Milwaukee, Wisconsin
	Escrow Agent:	The Bank of New York Mellon Trust Company, N.A. Milwaukee, Wisconsin
Record Date:	April 15 and October 15 (whether or not a business day).	
Delivery:	Delivery of the N2 Notes will be on or about May 3, 2012 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.	
Reoffering:	The public reoffering price or yield of the N2 Notes are set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the N2 Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).	

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SUMMARY STATEMENT-B3 BONDS

Issuer:	City of Milwaukee, Wisconsin.
Issue:	$8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3.
Dated Date:	The Expected Date of Delivery, which is anticipated to be May 3, 2012.
Principal Due Dates:	May 1 of the years 2023 through 2027.
Interest Payment Dates:	Interest on the B3 Bonds is due each May 1 and November 1 commencing November 1, 2012. 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 and to current refund certain outstanding obligations 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 "BOOK-ENTRY-ONLY SYSTEM" 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 "Code"), 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 "TAX MATTERS" herein).
Redemption Feature:	The B3 Bonds are subject to optional redemption on any date on or after May 1, 2022. (See "REDEMPTION PROVISIONS" herein.)
Official Statement:	The City will provide the original purchaser of the B3 Bonds with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the B3 Bonds.

Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
		Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
	Paying Agent:	City of Milwaukee, Comptroller's Office Milwaukee, Wisconsin
Record Date:	April 15 and October 15 (whether or not a business day).	
Delivery:	Delivery of the B3 Bonds will be on or about May 3, 2012 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 B3 Bonds are set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the B3 Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).	

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SUMMARY STATEMENT-T4 NOTES

Issuer:	City of Milwaukee, Wisconsin.
Issue:	$6,085,000 Taxable General Obligation Promissory Notes, Series 2012 T4
Dated Date:	The Expected Date of Delivery, which is anticipated to be May 3, 2012
Principal Due Dates:	May 1 of the years 2013 through 2022
Interest Payment Dates:	Interest on the T4 Notes is due each May 1 and November 1 commencing November 1, 2012. 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 Notes 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 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 Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The T4 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 T4 Notes. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Tax Status of Interest:	Interest on the T4 Notes ***IS*** 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 Code contains a number of other provisions relating to the taxation of the T4 Notes (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. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE T4 NOTES. (See "TAX MATTERS" herein.)
Redemption Feature:	The T4 Notes are <u>not</u> subject to redemption prior to maturity. (See "REDEMPTION PROVISIONS" herein.)
Official Statement:	The City will provide the original purchaser of the T4 Notes with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the T4 Notes.

Professionals:	Bond Counsel:	Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Paying Agent:	City Official:	City of Milwaukee, Comptroller's Office Milwaukee, Wisconsin
Record Date:	April 15 and October 15 (whether or not a business day).	
Delivery:	Delivery of the T4 Notes will be on or about May 3, 2012 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 T4 Notes are set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the T4 Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).	

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SUMMARY STATEMENT-T5 BONDS

Issuer:	City of Milwaukee, Wisconsin.
Issue:	$3,540,000 Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5
Dated Date:	The Expected Date of Delivery, which is anticipated to be May 3, 2012
Principal Due Dates:	May 1 of the years 2023 through 2032
Interest Payment Dates:	Interest on the T5 Bonds is due each May 1 and November 1 commencing November 1, 2012. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	$5,000 or integral multiples thereof.
Purpose:	The T5 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 T5 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 T5 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 T5 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Tax Status of Interest:	Interest on the T5 Bonds ***IS*** 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 Code contains a number of other provisions relating to the taxation of the T5 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. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE T5 BONDS. (See "TAX MATTERS" herein.)
Redemption Feature:	The T5 Bonds are subject to optional redemption on any date on or after May 1, 2022. (See "REDEMPTION PROVISIONS" herein.)
Official Statement:	The City will provide the original purchaser of the T5 Bonds with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the T5 Bonds.

Professionals:	Bond Counsel:	Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Paying Agent:	City Official:	City of Milwaukee, Comptroller's Office Milwaukee, Wisconsin
Record Date:	April 15 and October 15 (whether or not a business day).	
Delivery:	Delivery of the T5 Bonds will be on or about May 3, 2012 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 T5 Bonds are set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the T5 Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).	

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THE CFNs

AUTHORITY AND PURPOSE

The Common Council of the City has authorized the issuance and sale of the CFNs 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 December 20, 2011 in accordance with the provisions of Chapters 67.12(12) of the Wisconsin Statutes.

SECURITY FOR THE CFNS

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

Under and by virtue of Sections 67.05(10) and 67.12(12) (7)(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 CFNs as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

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

The City also has pledged, and will irrevocably segregate upon receipt, State Aid Payments due in November, 2012 in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged other General Fund Revenues included in the budget for the current calendar year which are due to the City, but which have not been received as of the date of delivery of the CFNs.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit the amount of direct general obligation debt the City may issue. The CFNs are within these limitations. (See "DEBT STRUCTURE" herein for further details).

THE N2 NOTES, B3 BONDS, T4 NOTES and T5 BONDS

AUTHORITY AND PURPOSE

The N2 Notes, B3 Bonds, T4 Notes and T5 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, and to pay the associated financing costs. The Common Council of the City adopted Resolutions on December 12, 2006, January 15, 2008, January 16, 2009, January 20, 2010, December 21, 2010, January 19, 2011, November 2, 2011, December 20, 2011, February 28, 2012 and April 11, 2012 which authorize the issuance of the N2 Notes, B3 Bonds T4 Notes, and T5 Bonds. In addition, various initial Resolutions have been adopted authorizing purposes for the B3 Bonds and T5 Bonds that have been combined into the corporate purpose bond issues.

Proceeds of the sale of the N2 Notes, B3 Bonds, T4 Notes and T5 Bonds are anticipated to be used for various public improvements of the City as follows:

Purposes (including commercial paper to be refunded)	
Renewal and Development	$5,634,418
Library	923,400
Public Buildings	10,279,439
Harbor	307,796
Fire	664,680
Police	3,324,495
Bridges	3,844,470
Streets	197,693
Parks	138,059
Parking	1,010,550
Financing Receivables	31,590,000
Tax Incremental Districts	7,450,000
Refunding of long-term bonds	71,875,000
Less: Premium applied to Purposes	(5,730,000)
Total	$131,510,000

The purposes shown in the table reflect the refunding of $14,000,000 of Commercial Paper.

PLAN OF REFUNDING

In addition to providing long-term financing for $14,000,000 of outstanding Commercial Paper, the City is also refunding the following Bonds:

City Bonds to be Refunded

Dated Date	Series	Amount	Maturities	Redemption Date
03/15/02	W	$1,270,000	2018-2019	03/15/12 [(1)]
09/01/02	Y	5,750,000	2013-2014	09/01/12
09/01/02	Y	6,975,000	2016-2019	09/01/12
04/03/03	2003 B1	7,195,000	2014-2020	03/15/13
05/06/04	2004 B1	20,060,000	2016-2021	02/15/14
03/23/05	2005 B2	9,660,000	2018-2022	02/15/15
12/01/05	2005 B10	8,965,000	2019-2022	08/15/15
120/1/05	2005 V8	12,000,000	2025	05/21/12

(1) The Series W Bonds were refunded on 3/15/2012 with a temporary borrowing, which, in turn, will be refunded with the N2 Notes.

The current refunding proceeds for the Commercial Paper, the Series W refunded temporary borrowing and the Series 2005 V8 Bonds, will be deposited in the City's General Obligation Debt Service Fund pending redemption of the refunded obligations.

The refunded Series Y, 2003 B1, 2003 B6, 2004 B1, 2005 B2, and 2005 B10 Bonds constitute the "Advanced Refunded Bonds." Upon delivery of the N2 Notes, the City will create and establish the 2012 Escrow Account with Bank of New York Mellon, Milwaukee, Wisconsin, for the payment of the Advanced Refunded Bonds, and a portion of the proceeds of sale of the N2 Notes shall be credited to such 2012 Escrow Account in the sums required for the payment of principal and interest on such Advanced Refunded Bonds until their redemption on their respective redemption dates, and payment of the redemption price of par plus accrued interest.

SECURITY FOR THE N2 NOTES, B3 BONDS, T4 NOTES AND T5 BONDS

The N2 Notes, B3 Bonds, T4 Notes and T5 Bonds shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the N2 Notes, B3 Bonds, T4 Notes and T5 Bonds.

Under and by virtue of Sections 67.05(10) and 67.12(12)(7)(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, T4 Notes and T5 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, T4 Notes and T5 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, T4 Notes and T5 Bonds are to be dated the Expected Date of Delivery, and will bear interest from that date at the rates, and shall mature each May 1 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, T4 Notes and T5 Bonds will be payable commencing November 1, 2012 and thereafter semiannually on May 1 and November 1 of each year and is calculated on the basis of 30-day months and a 360-day year.

REDEMPTION PROVISIONS

The N2 Notes and T4 Notes are not subject to call and redemption prior to maturity. The B3 Bonds and T5 Bonds will be subject to redemption prior to their maturity, at the option of the City, on any date on or after May 1, 2022 at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding B3 Bonds and T5 Bonds are called for redemption, the B3 Bonds and T5 Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the B3 Bonds and T5 Bonds of the same series and maturity are called for redemption, the particular B3 Bonds and T5 Bonds of such series and maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, no less than 30 days and no more than 60 days prior to the redemption date, to the owners of any B3 Bonds and T5 Bonds to be redeemed in whose name such B3 Bonds and T5 Bonds are registered as of a record date, which shall be 60 days 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, T4 Notes and T5 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 (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed $500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments; and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Group, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

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

The State of Wisconsin Investment Board ("SWIB") provides the Local Government Investment Pool ("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, 2011, the City had approximately 44.59% ($315,985,037) of its' and MPS 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 of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

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

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City 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 595,525 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, in the counties of Milwaukee, Ozaukee, Waukesha and Washington, counties, 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, 2012
(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)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

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

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 6,400 people on a full time basis plus others in a seasonal capacity, is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City-owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to 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 State legislation, which oversees construction/operation of the Frontier Airline Center (formerly, Midwest Airline Center), the City's major convention complex. This complex also includes the US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA." The Frontier Airline 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 Frontier Airline 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 Auditorium which was renamed 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 Bradley Center, located in the heart of downtown. This facility serves the National Basketball Association Milwaukee Bucks, the Marquette University Golden Eagles basketball team and the Milwaukee Admirals International Hockey League club. 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 College and the Milwaukee School of Engineering.

EMPLOYEE RELATIONS

The City has approximately 6,400 full-time employees, 2,900 of which, in 5 bargaining units, are covered by labor agreements. One labor agreement covering 112 members expires on May 31, 2012, and another labor agreement covering 38 members expires on July 31, 2012. Those two agreements cover non-public safety officers, and pursuant to 2011 Act 10, the unions may only negotiate wages. Three other agreements, covering 2,700 public safety members, expires on December 31, 2012. 2011 Act 10 did not affect the ability of public safety unions to negotiate most issues.

On March 30, 2012, a Federal Court declared null and void a provision of 2011 Act 10 that requires non-public safety public employee unions to hold certification elections each year. Approximately 3,000 full-time City employees in 14 bargaining units with contracts that expired on December 31, 2011, and 2 bargaining units that have unexpired labor agreements, are affected by the ruling. The City is not a party to the litigation, and anticipates an appeal of the ruling. Prior to the ruling, 9 of the 16 bargaining units representing approximately 855 employees filed for annual certification. The City does not know which, if any, of the remaining bargaining units will choose to remain a bargaining unit if the ruling is upheld.

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

	Population		Adjusted
Year	Department of Administration	U.S. Census	Gross Income Per Return
2011	595,525		Not Available
2010	580,500	594,833	$32,753
2009	584,000		32,492
2008	590,870		33,144
2007	590,190		33,225
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 2006 through December 2011.

General Total

Year	Value	Permits Issued
2011	$269,386,167	2,340
2010	283,026,280	2,065
2009	290,326,431	1,723
2008	249,992,533	2,067
2007	336,748,300	2,405

Residential Building

	Single Family		Multi-Family		Total		Permits
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Issued
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
2009	7,269,207	59	37,354,152	409	44,623,359	468	72
2008	15,632,811	90	63,975,007	509	79,607,818	599	104
2007	24,940,117	160	$123,505,408	677	148,445,525	837	187

Commercial Building

Year	Value	Permits Issued
2011	$58,518,315	47
2010	53,319,884	67
2009	127,122,466	37
2008	59,502,236	74
2007	82,501,318	105

Public Building

Year	Value	Permits Issued
2011	$49,456,901	256
2010	22,238,704	129
2009	10,808,648	107
2008	9,107,611	85
2007	19,791,921	140

Alterations and Additions

Year	Value	Permits Issued
2011	$101,191,071	1,815
2010	107,888,101	1,751
2009	107,771,958	1,506
2008	101,774,868	1,804
2007	86,009,536	1,973

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.

Employer	2011 Employment Estimates	Type of Business or Service
Aurora Health Care	22,000 [1]	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800 [2]	Government
Milwaukee Public Schools	9,142	Education
Wheaton Franciscan Healthcare	8,356	Health care provider
Froedtert Memorial Lutheran Hospital and Community Health	8,000	Health care provider
Kohl's Corporation	7,700	Specialty department stores
Wal-Mart Stores	7,360	Discount retail stores and warehouse clubs
Roundy's Supermarket	6,800	Retail grocer
Quad Graphics	6,700	Commercial printing
City of Milwaukee	6,400	Government
Milwaukee County	5,457	Government
Northwestern Mutual Life	5,000	Insurance
GE Healthcare Technologies	3,000	Medical imaging, healthcare services
Medical College of Wisconsin	4,877	Medical school/academic/health care
Children's Hospital of Wisconsin	4,604	Health care provider
ProHealth Care, Inc.	4,302	Health care provider
Columbia-St. Mary's	4,190	Health care provider
WE Energies	4,060	Electric/natural gas utility
BMO Financial Group [3]	3,924	Holding company banking/finance and data services
University of Wisconsin-Milwaukee	3,881	Education
Walgreens Co.	3,521	Retail drugstore chain
U. S. Bank	3,467	Finance, banking
Briggs and Stratton	3,000	Manufacturer, small engines, automotive locks and keys
Target Corporation	3,000	Discount department store chain
Rockwell Automation	3,000	Industrial automation, power and control

[1] *Aurora's employee number includes four hospitals, rehabilitation, homecare and hospice facilities and their corporate office within a six-county area in and around the City of Milwaukee.*

[2] *Preliminary.*

[3] *Formerly M&I Marshall & Ilsley Bank, acquired by Toronto-based BMO Financial Group. The acquisition was completed in July, 2011.*

Source: The 2012 Business Journal Book of Lists, Employer contacts March 2012 and the U.S. Bureau of Labor Statistics February 2012.

EMPLOYMENT AND INDUSTRY

During 2011, the City's unemployment rate averaged approximately 10.6%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2007 through December 2011.

ANNUAL UNEMPLOYMENT RATES
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee - Waukesha-West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2011	10.6%	7.9%	7.5%	8.9%
2010	11.5	8.7	8.3	9.6
2009	11.4	8.9	8.7	9.3
2008	6.6	4.8	4.7	5.8
2007	7.2	5.1	4.9	4.6

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

RECENT MONTHLY UNEMPLOYMENT RATES
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee - Waukesha-West Allis Metropolitan Statistical Area	State of Wisconsin	United States
January, 2012	10.3% [(1)]	7.7% [(1)]	7.6% [(1)]	8.8%

[(1)] *Preliminary.*

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

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69% of the workforce. Manufacturing firms employ 17% 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 2011 ESTIMATED EQUALIZED VALUATIONS

US Bank Corporation	$ 249,092,565
Northwestern Mutual Life Ins.	$ 193,493,375
Mandel Group	$ 106,732,616
Marcus Corp/Milw City Center/Pfister	$ 97,387,873
Metropolitan Associates	$ 94,846,441
NNN 411 East Wisconsin LLC	$ 89,724,353
100 E. Wisconsin-CW Wisconsin Ave. LLC	$ 79,822,218
Towne Realty	$ 75,787,573
Flanders Westborough	$ 56,704,469
875 East Wisconsin-875 East Sponsor LLC	$ 54,442,335

Source: City of Milwaukee, Assessor's Office February, 2012.

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DEBT STRUCTURE

The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City issued any refunding securities for the purpose of preventing default in principal or interest on its debt obligations.

LEGAL DEBT LIMITATIONS

Section 67.03 of the Wisconsin Statutes, as supplemented and amended, limits direct general obligation borrowing by the City to an amount equivalent to five percent of the equalized valuation of taxable property within the City. Section 119.49 of the Wisconsin Statutes, as supplemented and amended, further authorizes referendum approved-bonding in an additional amount equivalent to two percent of the equalized taxable property within the City for school capital purposes.

DEBT MARGIN

(Includes the Offered Obligations to be issued by the City)

2011Equalized Value of Taxable Property in the City		$27,954,669,900
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,397,733,495
General Obligation Debt Outstanding subject to 5% Limit as of 05/01/12	$864,810,000	
Plus: 2012 R1, N2, B3, T4, T5	231,510,000	
Less: Provision for current year maturities	(54,920,000)	
Less: Refunded Long-term Debt	(71,875,000)	
Plus: 2012 Extendable Variable Rate	30,000,000	
Less: Refunded Commercial Paper	(24,000,000)	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 05/01/12		$975,525,000
Total Debt Margin for City Borrowing (in Dollars)		$422,208,495
(As a percentage)		30.2%
(As a percentage excluding Cash Flow Notes)		37.4%
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$559,093,398
General Obligation Debt Outstanding subject to 2% Limit as of 05/01/12	$14,774,150	
Less: Provision for current year maturities	-	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 05/01/12		$14,774,150
Total Debt Margin for School Purpose Borrowing (in Dollars)		544,319,248
(As a percentage)		97.4%

DEBT REFUNDED

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

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

None of the refunded debt is reflected in the "DEBT MARGIN" presentation above.

ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF MAY 1, 2012

Tax Increment Districts	$187,777,992
Public Buildings	149,514,478
Schools (5% City Borrowing)	111,469,469
Schools (2% School Purpose Borrowing)	14,774,150
Streets	119,119,833
Sewers	80,567,916
Finance Real & Personal Property Tax Receivables	41,451,000
Police	31,205,933
Bridges	27,998,345
Blight Elimination/Urban Renewal	27,275,758
Water	21,965,561
Fire	18,681,090
Library	14,334,720
Parking	11,492,602
Local Improvement Projects/Special Assessments	10,424,199
Playground/Recreational Facilities	8,059,494
Harbor	2,849,244
Grant & Aid Improvements (City Share)	611,908
Economic Development	4,572
Industrial Land Bank	3,207
Milwaukee Exposition and Convention Center	1,238
Resource Recovery	1,043
Lakefront Development	398
Total	$879,584,150

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 5/1/12 [1]		Series 2012 N2/B3/T4/T5					Total
			New Money [4]		Refunding [5]		Extendable	Requirements
Year	Principal [2]	Interest [3]	Principal	Interest	Principal	Interest	Variable Rate [6]	After Issuance
2012	$56,920,000	$23,492,401		$1,278,661	$0	$1,613,817	$1,687,500	$84,992,378
2013	92,555,000	34,678,072	$19,495,000	2,291,455	3,865,000	3,205,925	2,700,000	158,790,452
2014	80,139,504	31,457,395	9,705,000	1,802,755	5,255,000	3,042,850	2,700,000	134,102,504
2015	77,228,467	28,655,812	4,015,000	1,510,455	2,380,000	2,878,250	2,700,000	119,367,984
2016	67,363,434	25,348,425	3,735,000	1,322,005	9,500,000	2,581,250	2,700,000	112,550,114
2017	59,880,239	23,066,338	2,990,000	1,160,355	9,600,000	2,103,750	2,700,000	101,500,681
2018	94,608,544	17,179,886	2,305,000	1,034,705	10,025,000	1,613,125	2,700,000	129,466,260
2019	44,916,727	14,192,857	2,320,000	925,880	11,575,000	1,073,125	2,700,000	77,703,589
2020	42,876,322	12,668,008	2,340,000	816,305	7,485,000	596,625	2,700,000	69,482,260
2021	35,578,148	10,802,354	2,360,000	705,855	5,650,000	268,250	2,700,000	58,064,608
2022	30,474,005	10,332,853	2,375,000	599,253	2,540,000	63,500	2,700,000	49,084,611
2023	29,823,761	8,970,633	1,970,000	502,000	—	—	2,700,000	43,966,395
2024	24,265,000	4,363,690	1,990,000	409,095	—	—	2,700,000	33,727,785
2025	20,410,000	3,432,094	2,020,000	314,678	—	—	2,700,000	28,876,772
2026	13,385,000	2,629,538	2,045,000	218,700	—	—	2,700,000	20,978,238
2027	9,620,000	1,281,134	2,080,000	121,073	—	—	2,700,000	15,802,207
2028	3,665,000	87,894	380,000	64,970	—	—	2,700,000	6,897,864
2029	—	—	400,000	50,730	—	—	2,700,000	3,150,730
2030	—	—	350,000	36,680	—	—	2,700,000	3,086,680
2031	—	—	370,000	22,815	—	—	2,700,000	3,092,815
2032	—	—	390,000	7,800	—	—	32,700,000	33,097,800
	$783,709,150	$252,639,385	$63,635,000	$15,196,223	$67,875,000	$19,040,467	$85,687,500	$1,287,782,725

[1] *Excludes debt to be refunded.*
[2] *Assumes Sinking Fund Deposits in year due*
[3] *Assumes: the maximum interest rate of 12.0% on $42,000,000 of variable rate debt (the tax levy requirement).*
[4] *Includes new money, and refunding of commercial paper.*
[5] *Refunding of outstanding long-term debt.*
[6] *Assumes the maximum interest rate of 9.0%. Preliminary, subject to change.*

TRENDS OF GENERAL OBLIGATION DEBT
(THOUSANDS OF DOLLARS)

Year 12/31	Total GO Debt	Self-Sustaining GO Debt *	Levy Supported GO Debt
2007	$747,298	$294,952	$452,346
2008	788,579	291,317	497,262
2009	804,474	293,039	511,435
2010	916,034	342,400	573,634
2011	934,004	373,059	560,945

* 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	Sewer [2]	Total Self-Sustaining
2007	$143,886	$11,733	$16,458	$28,320	$19,895	$74,661	$294,952
2008	165,217	10,743	14,631	34,136	17,049	49,541	291,317
2009	164,106	11,616	12,994	40,508	17,049	46,766	293,039
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

[1] Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.
[2] Includes 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	AV	Total GO Debt	GO Debt /Net EV	GO Debt /AV	GO Debt /capita
2007	$590,190	$31,887,192,100	$29,374,372,962	$747,298,112	2.34%	2.54%	1,266
2008	590,870	32,257,525,000	30,431,675,204	788,579,150	2.44	2.59%	1,335
2009	584,000	31,266,329,200	28,994,573,372	804,474,150	2.57	2.77%	1,378
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

[1] Population estimate from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

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
2007	$50,824,739	2.18%	1,180
2008	50,916,679	2.29	1,248
2009	50,444,955	2.41	1,291
2010	55,453,164	2.92	1,482
2011 [1]	55,453,164	3.14	1,475

[1] 12/31/11 balance is unknown at this time. Assumes balance is unchanged for the year.

COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
MAY 1, 2012

Governmental Unit	Debt Outstanding As of May 1, 2012	Percentage Applicable	Milwaukee's Share of Debt As of May 1, 2012
City of Milwaukee [1]	$990,299,150	100.00%	$990,299,150
Area Board of Vocational, Technical and Adult Education, District No. 9	80,060,000	37.34	29,894,404
County of Milwaukee	614,819,152	45.75	281,279,762
Milwaukee Metropolitan Sewerage District [2]	928,417,875	46.78	434,313,882
TOTAL NET DIRECT AND OVERLAPPING DEBT	$2,613,596,177		$1,735,787,198

[1] Includes $126 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.

[2] Includes approximately $928,417,875 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the MMSD.

FUTURE FINANCING

Prior to the issuance of the Offered Obligations, the City has $470 million authorized unissued general obligation debt for various corporate and capital improvement purposes, which can be issued at any time. In addition, the City has $400 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes.

The City intends to issue approximately $30 million of long-term extendable variable rate debt for street purposes, and to permanently finance approximately $10 million of outstanding commercial paper issued for street purposes.

The authorized unissued general obligation debt includes $67 million for sewer purposes. In addition, there is currently outstanding $42 million of General Obligation Commercial Paper that was issued on a temporary basis for sewer purposes. Most of the sewer purpose debt will be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund Program. The remaining portion will be financed on a long-term basis with general obligation debt.

See “FINANCIAL INFORMATION — CITY CAPITAL IMPROVEMENTS PLAN” herein for information on potential future capital needs.

CITY CAPITAL IMPROVEMENTS PLAN

The City’s 2012-2017 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 $988 million. About $652 million, or 66% of the planned spending, is intended to preserve the City’s existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). Approximately 66% ($654 million) is anticipated to be borrowed with General Obligation debt, with the balance ($334 million) being borrowed with revenue debt.

Purpose	Amount ($Millions)
Transportation	$323
Environment	334
Economic Development	179
Public Safety	64
Miscellaneous	88
Total	$988

COMMERCIAL PAPER PROGRAM

The City has authorized the issuance of Commercial Paper ("CP") with the General Obligation Commercial Paper Promissory Notes, 2008 Program Series C2, Series R3, and Series T4 (Taxable) (the "Series C2 Notes", "Series R3 Notes", and "Series T4 Notes" respectively, and together, the "CP Notes"). Any combination of Series C2 Notes, Series R3 Notes, and Series T4 Notes, up to an aggregate total of $125,000,000, is authorized to be outstanding at any time. The CP Notes are general obligation debt of the City and are additionally secured by a direct pay letter of credit from State Street Bank that expires on December 1, 2012. The CP Notes are authorized to be outstanding until January 31, 2018.

The CP Notes may be issued at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the CP 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 December 31, 2011, the City had $66,000,000 of Series C2 Notes outstanding.

The City is in the process of creating a new Extendable Commercial Paper Program to provide for future needs. The Extendable Municipal Commercial Paper 2012 Program Series, is intended to replace future commercial paper needs that would have been financed with the 2008 Program Series

AUCTION RATE AND OTHER VARIABLE RATE EXPOSURE

The City has no outstanding Auction Rate securities. The City's CP Notes are additionally secured by a direct pay letter of credit that expires on December 1, 2012 provided by State Street Bank. The $12,000,000 outstanding Series 2005 V8 is a 7-day variable rate demand bond secured by a Stand-By Bond Purchase Agreement provided by State Street Bank that expires on December 1, 2012.

The $12,000,00 of outstanding Series 2005 V8 are being refunded with the proceeds of the N2 Notes. 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. See "FUTURE FINANCING" herein for a description of the City's plans for future variable rate debt.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the MPS, 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 MPS 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by MPS, 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, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 1, 2011, the outstanding balance was $7.5 million.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of $29,095,000 of Sewerage System Revenue Bonds, and in 2003, the City issued an additional $33,885,000 of Sewerage System Revenue Bonds. In 2011, the City issued $52,565,000 of refunding and new money Sewerage System Revenue Bonds. As of December 31, 2011, total outstanding Sewerage System Revenue Bonds was $62 million with a final maturity in 2031.

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 December 31, 2011, the City had $80.5 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, 2011, the Housing Authority issued revenue bonds of approximately $149 million, of which approximately $8.990 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 December 31, 2011, the Redevelopment Authority had outstanding: two bond issues with $36,490,000 outstanding that have a Moral Obligation Pledge of the City; and $253,939,122 in six bond issues for MPS, one secured by a lease, and five 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. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

The 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, 2011, the Milwaukee Economic Development Corporation, itself, or through a related entity, funded loans for 1,080 small businesses and redevelopment projects utilizing $260.9 million to leverage a total of $1.299 billion in investment. 954 loans have been enrolled in the Capital Access Program with covered loan amounts totaling $53.1 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration's Section 503 and 504 loan programs in the amount of $9.5 million as of December 31, 2011.

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, 2011, $193 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 $42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of $20 million, has the Moral Obligation Pledge of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2011 Assessed Tax Rate for Milwaukee Public Schools is $11.11 per thousand dollars of assessed value, down from $15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TID cash flow deficiencies with other City revenues. In connection with the change in the School Aid formula, the State Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TlDs, 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 28th of each year. This budget includes the Comptroller's anticipated non-property tax revenues. Subsequent to receipt of the budget by the Common Council, its Committee on Finance and Personnel reviews the Mayor's proposed expenditure budget. The Mayor and Common Council hold a public hearing on the entire budget no later than the 30th day of October. The Common Council subsequently adopts a property tax levy, but cannot change the Comptroller's anticipated revenues budget. The final budget must be adopted by the 14th of November. The City is under no State or local levy limits with respect to General Obligation Debt Service.

ADOPTED BUDGET - COMBINED REVENUES - 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	$115,230,737	—	$68,736,570	$1,025,000	—	$184,992,307
Provision for Empl Retirement [1]	58,016,150	—	—	—	—	58,016,150
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	178,246,887	—	68,736,570	1,025,000	—	248,008,457
Revenues						
Taxes	16,147,300	—	—	—	—	16,147,300
Licenses and Permits	12,647,600	—	—	—	—	12,647,600
Intergovernmental Revenues	259,851,500	63,846,247	—	—	—	323,697,747
Charges for Service	133,120,514	—	—	—	—	133,120,514
Fines and Forfeitures	5,304,000	—	—	—	—	5,304,000
Miscellaneous Revenues	3,710,825	12,300,000	—	—	—	16,010,825
Fringe benefits [2]	25,000,000	—	—	—	—	25,000,000
Parking	22,410,157	—	2,170,000	5,000,000	15,866,843	45,447,000
Water Works	—	—	5,870,907	630,000	78,356,093	84,857,000
Sewer Maintenance Fund	12,734,075	—	11,408,929	6,440,000	25,219,115	55,802,119
Retained Earnings	—	—	—	—	9,734,527	9,734,527
Sinking Fund	—	—	64,058,277	—	—	64,058,277
Cash Flow borrowings	—	—	125,000,000	—	—	125,000,000
Special Assessments	—	7,703,639	—	1,065,600	—	8,769,239
Capital Revenue	—	—	—	15,058,000	—	15,058,000
Total Revenues	490,925,971	83,849,886	208,508,113	28,193,600	129,176,578	940,654,148
Tax Stabilization						
Transfer from Reserves	13,767,000	—	—			13,767,000
Sale of Bonds and Notes						
General City	—	—	—	96,308,100	—	96,308,100
Enterprise Funds	—	—	—	46,990,000	—	46,990,000
Grand Total	$682,939,858	$83,849,886	$277,244,683	$172,516,700	$129,176,578	$1,345,727,705

[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 – 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	$ 9,480,298	—	—	$600,000	—	$10,080,298
Assessor's Office	4,627,225	—	—	—	—	4,627,225
City Attorney	7,629,058	—	—	—	—	7,629,058
City Treasurer	3,063,379	—	—	—	—	3,063,379
Common Council - Clerk	8,555,215	—	—	40,000	—	8,595,215
Municipal Court	3,505,745	—	—	—	—	3,505,745
Comptroller	5,652,900	—	—	—	—	5,652,900
Dept of City Development	4,682,014	—	—	29,176,000	—	33,858,014
Election Commission	2,912,189	—	—	—	—	2,912,189
Employee Relations, Dept of	4,541,064	—	—	—	—	4,541,064
Fire and Police Commission	1,300,016	—	—	—	—	1,300,016
Fire Department	105,025,041	—	—	3,424,000	—	108,449,041
Health Department	13,161,487	—	—	450,000	—	13,611,487
Library Board	22,699,974	—	—	2,577,000	—	25,276,974
Mayor's Office	1,215,279	—	—	—	—	1,215,279
Neighborhood Services	17,236,668	—	—	—	—	17,236,668
Police Department	236,229,306	—	—	1,502,000	—	237,731,306
Port of Milwaukee	5,018,503	—	—	225,000	—	5,243,503
DPW-Administration	4,533,496	—	—	1,220,000	—	5,753,496
DPW-Infrastructure	39,508,604	—	—	52,981,700	—	92,490,304
DPW-Operations	79,476,499	—	—	10,239,000	—	89,715,499
Water Works	—	—	5,870,907	9,320,000	82,125,061	97,315,968
Sewer Maintenance Fund	—	—	11,408,929	43,950,000	26,592,120	81,951,049
Special Purpose Accounts	163,659,514	—	—	—	—	163,659,514
Pension Funds	87,566,061	—	—	—	—	87,566,061
Debt Service - City	—	—	132,794,847	—	—	132,794,847
Debt Service - Schools	—	—		—	—	—
Debt Service - Cash Flow	—	—	125,000,000	—	—	125,000,000
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	12,300,000	—	—		12,300,000
Parking	—	—	2,170,000	5,790,000	20,459,397	28,419,397
Grant & Aid Fund	—	63,846,247	—	—	—	63,846,247
Special Capital Projects	—	—	—	11,022,000	—	11,022,000
Economic Development	—	7,703,639	—	—	—	7,703,639
Fringe Benefit Offset [1]	(153,339,677)	—	—	—	—	(153,339,677)
Grand Total	$682,939,858	$83,849,886	$277,244,683	$172,516,700	$129,176,578	$1,345,727,705

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2010
(Thousands of Dollars)

Revenues:	2006	2007 [1]	2008	2009	2010
Property Taxes	141,102	137,253	141,573	156,410	168,031
Other Taxes	5,202	5,311	4,839	3,504	5,097
Licenses and Permits	13,729	13,704	12,918	12,186	12,948
Intergovernmental	272,417	272,539	271,100	272,337	270,939
Charges for Services	73,528	76,496	86,410	91,057	97,146
Fines and Forfeitures	5,541	5,800	5,277	4,802	5,422
Other	17,353	18,883	12,864	19,967	20,323
TOTAL GENERAL FUND REVENUES	528,872	529,986	534,981	560,263	579,906
Tax Stabilization Fund Withdrawals	16,328	23,175	29,457	22,379	13,070
Other Financing Sources and Equity Transfers (Net)	37,761	43,224	40,234	46,896	49,640
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	582,961	596,385	604,672	629,538	642,616
Expenditures:					
General Government	178,004	201,021	199,004	202,066	253,328
Public Safety	250,672	257,137	266,370	276,060	264,067
Public Works	86,482	93,956	103,149	97,093	94,482
Health	10,428	10,359	10,118	10,446	9,996
Culture and Recreation	17,882	17,548	16,782	17,329	15,656
Conservation and Development	3,217	3,279	3,456	4,230	3,747
TOTAL EXPENDITURES	546,685	583,300	598,879	607,224	641,276
SOURCES OVER (UNDER) EXPENDITURES	36,276	13,085	5,793	22,314	1,340
Fund Balance - January 1 (excludes reserved for use during the year)	68,899	82,000	65,628	49,042	58,286
Fund Balance - December 31	105,175	95,085	71,421	71,356	59,626
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	15,616	21,376	22,865	21,919	8,144
Reserved for Inventory	6,886	6,252	7,248	6,827	7,220
Reserved for Mortgage Trust	280	218	173	141	135
Reserved for Environmental Remediation	303	303	303	303	303
Reserved for Next Year's Budget	23,175	29,457	22,379	13,070	14,600
Reserved for Subsequent Years' Budget	58,915	37,479	18,453	29,096	29,224
TOTAL FUND BALANCE	105,175	95,085	71,421	71,356	59,626

[1] In 2007, balances presented on a Budget Basis do not match balances presented on a Generally Accepted Accounting Principles ("GAAP") basis due to borrowing for certain expenditures authorized in the current fiscal year but not completed until the subsequent fiscal year. Budget Basis recognizes the revenues and expenditures in the same fiscal year, whereas GAAP does not recognize the revenues until the year the borrowing actually occurs. On a GAAP basis, the balances for "Reserve for Subsequent Years' Budget" and "Total Fund Balance" in 2007 were $33,247 and $90,853, respectively.

CITY OF MILWAUKEE
GENERAL FUND - PROJECTED CASHFLOW SUMMARY
(MILLIONS OF DOLLARS)
JANUARY 1, 2012 TO DECEMBER 31, 2012

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	**81.374**	**118.797**	**21.050**	**(16.657)**	**5.872**	**82.196**	**16.041**	**39.470**	**9.133**	**10.852**	**(0.470)**	**136.679**	
RECEIPTS													
Property Taxes	2.764	8.067	5.098	6.733	7.629	8.184	52.481	10.440	14.434	13.513	1.237	83.302	213.882
State Aids													
Shared Revenue	-	-	-	-	-	-	41.090	-	-	-	185.717	-	226.807
Highway Aids	6.176	-	-	6.170	-	-	6.960	-	-	6.170	-	-	25.476
Payment Muni. Services	-	1.912	-	-	-	-	-	-	-	-	-	-	1.912
Computer Exemption Aid	-	-	-	-	-	-	3.900	-	-	-	-	-	3.900
Other	9.550	5.674	14.152	7.474	10.236	13.117	13.005	15.185	9.282	14.076	9.477	9.580	130.808
Delinquent Taxes Transfer	31.404	-	-	-	-	-	-	-	-	-	-	-	31.404
Pension Fees	2.234	-	0.487	-	2.392	3.154	1.018	2.632	1.695	0.879	2.691	1.163	18.345
City Services Fees	3.075	2.340	2.432	1.846	2.376	1.805	2.147	2.556	2.128	3.093	4.927	3.180	31.905
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	12.668	12.668
Parking Transfers	-	-	-	-	-	10.205	-	-	-	-	-	10.205	20.410
Summerfest Lease	-	-	-	-	-	-	-	-	-	-	-	1.351	1.351
Street Sweeping	-	-	-	-	-	6.070	-	-	-	-	-	6.070	12.140
Vehicle Registration Fee	0.378	0.630	0.378	0.378	0.630	0.630	0.630	0.567	0.567	0.567	0.567	0.378	6.300
Potawatomi PILOT	-	-	-	-	-	-	-	5.500	-	-	-	-	5.500
Year End Transfers	34.218	-	-	-	-	-	-	-	-	-	-	-	34.218
Note Proceeds [1]	-	-	-	50.000	100.000	-	-	-	20.000	-	-	-	170.000
TOTAL RECEIPTS	**89.799**	**18.623**	**22.547**	**72.601**	**123.263**	**43.165**	**121.231**	**36.880**	**48.106**	**38.298**	**204.616**	**127.897**	**947.026**

Maximum deficit occurs in July and November.

[1] *Includes the CFNs, and anticipated commercial paper for cash flow purposes.*

CITY OF MILWAUKEE
GENERAL FUND - PROJECTED CASHFLOW SUMMARY (MILLIONS OF DOLLARS)
(MILLIONS OF DOLLARS) (CONTINUED)
JANUARY 1, 2012 TO DECEMBER 31, 2012

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
DISBURSEMENTS													
Salaries & Benefits	39.205	42.281	51.381	38.019	37.720	38.222	38.530	51.528	38.728	39.121	38.718	39.896	493.349
Services & Supplies	13.171	12.650	8.873	12.053	9.219	11.470	9.272	15.689	7.659	10.499	8.749	6.980	126.284
Employer Pension Contribution	-	25.000	-	-	-	-	-	-	-	-	-	-	25.000
Purchase Tax Delinquents	-	36.439	-	-	-	-	-	-	-	-	-	-	36.439
Contractual Tax Payment	-	-	-	-	-	59.628	-	-	-	-	-	-	59.628
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	29.300	29.300
Note Principal Repayment [1]	-	-	-	-	-	-	50.000	-	-	-	20.000	100.000	170.000
TOTAL DISBURSEMENTS	**52.376**	**116.370**	**60.254**	**50.072**	**46.939**	**109.320**	**97.802**	**67.217**	**46.387**	**49.620**	**67.467**	**176.176**	**940.000**
BALANCE	**118.797**	**21.050**	**(16.657)**	**5.872**	**82.196**	**16.041**	**39.470**	**9.133**	**10.852**	**(0.470)**	**136.679**	**88.400**	

[1] *Includes the CFNs, and anticipated commercial paper for cash flow purposes.*

CITY OF MILWAUKEE
GENERAL FUND
PROJECTED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(MILLIONS OF DOLLARS)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Excluding RAN and CP
January	$81.374	$89.799	$52.376	$118.797	$118.797
February	118.797	18.623	116.370	21.050	$21.050
March	21.050	22.547	60.254	(16.657)	($16.657)
April	(16.657)	72.601	50.072	5.872 [1]	($44.128)
May	5.872	123.263	46.939	82.196 [1]	($67.804)
June	82.196	43.165	109.320	16.041	($133.959)
July	16.041	121.231	97.802	39.470 [2]	($60.530)
August	39.470	36.880	67.217	9.133	($90.867)
September	9.133	48.106	46.387	10.852 [1]	($109.148)
October	10.852	38.298	49.620	(0.470)	($120.470)
November	(0.470)	204.616	67.467	136.679 [2]	$36.679
December	136.679	127.897	176.176	88.400 [2]	$88.400
		$947.026	$940.000		

[1] Balance includes RAN and CP principal receipts.

[2] Balance includes RAN and CP principal repayments.

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(MILLIONS OF DOLLARS)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)
January	$56.982	$102.292	$54.588	$104.686
February	104.686	17.354	94.906	27.134
March	27.134	40.496	64.999	2.631
April	2.631	25.228	51.376	(23.517)
May	(23.517)	68.323 [1]	48.413	(3.607)
June	(3.607)	142.293 [1]	157.288 [2]	(18.602)
July	(18.602)	123.021	49.036	55.383
August	55.383	36.321	58.615	33.089
September	33.089	28.648	58.766	2.971
October	2.971	38.956	67.931	(26.004)
November	(26.004)	212.644	50.829	135.811
December [3]	135.811	130.275	184.712 [2]	81.374
		$965.851	$941.459	

Notes:

[1] $46 million of CP were issued in May, and $100 million of RANs were issued in June
[2] $46 million of CP were repaid in June, and $100 million of RANs were repaid in December
[3] Estimated.

CITY OF MILWAUKEE
SCHEDULE OF CASH AND INVESTMENT
BALANCES - ALL FUNDS
2011
(MILLIONS OF DOLLARS)

	General Fund [1]	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds [2]	Total
January	$104.686	$261.005	$40.899	$145.688	$552.278
February	27.134	192.825	41.305	106.365	367.629
March	2.631	173.592	41.746	203.221	421.190
April	(23.517)	170.602	42.270	95.520	284.875
May	(3.607)	162.758	42.606	10.568	212.325
June	(18.602)	227.212	43.105	95.736	347.451
July	55.383	224.261	43.493	58.282	381.419
August	33.089	218.555	43.910	40.074	335.628
September	2.971	209.228	44.372	46.374	302.945
October	(26.004)	257.359	44.866	47.378	323.599
November	135.811	235.933	45.315	137.465	554.524
December (estimate)	81.374	215.476	46.201	425.808	768.859

[1] Balances include proceeds from the sale of the RANs and subsequent principal payment.
[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 MILWUAKEE
PROJECTED SCHEDULE OF CASH AND INVESTMENT BALANCES - ALL FUNDS
2012
(MILLIONS OF DOLLARS)

	General Fund [1]	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds [2]	Total
January	$118.797	$220.975	$43.080	$148.072	$530.924
February	21.050	207.381	53.858	99.887	382.176
March	(16.657)	200.944	54.183	189.090	427.560
April	5.872	211.513	55.729	87.572	360.686
May	82.196	194.319	55.415	8.381	340.311
June	16.041	196.103	66.941	89.786	368.871
July	39.470	197.283	73.891	55.994	366.638
August	9.133	181.864	73.549	37.707	302.253
September	10.852	150.006	71.826	43.631	276.315
October	(0.470)	176.555	65.039	44.578	285.702
November	136.679	169.426	55.195	129.630	490.930
December	88.400	182.420	50.034	414.060	734.914

[1] Balances include proceeds from the sale of the RANs and subsequent principal payment.
[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 2007 For 2008 Purposes	Year 2008 For 2009 Purposes	Year 2009 For 2010 Purposes	Year 2010 For 2011 Purposes	Year 2011 For 2012 Purposes
Real Property					
Residential	$18,753,914,925	$19,173,232,823	$17,743,825,065	$17,156,626,561	$17,069,535,250
Industrial (Manufacturing)	726,692,200	772,959,900	732,007,800	732,279,700	746,955,100
Mercantile (Commercial)	8,950,205,395	9,483,547,328	9,485,580,238	9,202,213,459	9,191,348,932
Total Real Property	$28,430,812,520	$29,429,740,051	$27,961,413,103	$27,091,119,720	$27,007,839,282
Personal Property	943,560,442	1,001,936,153	983,160,269	957,344,628	909,803,701
Total Assessed Valuations	$29,374,372,962	$30,431,676,204	$28,944,573,372	$28,048,464,348	$27,917,642,983
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	$31,887,192,100	$32,257,525,000	$31,266,329,200	$29,520,783,200	$27,954,669,900
Ratio of Assessed to Equalized Valuation	92.12%	94.34%	92.57%	95.01%	99.87%

CITY OF MILWAUKEE
ASSESSED TAX RATES
(Per $1,000 of Assessed Valuation)

Levy Year	2007	2008	2009	2010	2011
Collection Year	2008	2009	2010	2011	2012
Unit of Government					
City Government	$7.99	$8.01	$8.09	$9.12	$9.25
Milwaukee Public Schools	8.04	8.84	9.82	10.85	11.11
Milwaukee County	4.37	4.41	4.38	4.87	4.89
Milwaukee Area Technical College	1.89	1.92	1.94	2.02	1.95
Milwaukee Metropolitan Sewerage District	1.39	1.39	1.37	1.52	1.51
Gross Tax Rate Per $1,000	23.68	$24.57	$25.60	$28.38	$28.71
Less: State Tax Credit	($1.27)	($1.43)	($1.57)	($1.81)	($1.81)
Net Tax Rate	$22.41	$23.14	$24.03	$26.57	$26.90

CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
($ Amounts in Thousands)

Budget	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
Year	Levy	Collections	% of Levy	Amount	% Collected
2006	$261,685	$255,823	97.76%	$5,566	99.89%
2007	265,319	257,350	97.00	7,433	99.80
2008	286,180	277,119	96.83	7,830	99.57
2009	276,186	265,691	96.20	5,300	98.12
2010	291,943	281,099	96.29	0	96.29

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 15th.

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.

The rate of current tax collections continues at an historically high level. Current collections for 2010 were approximately 96.3% percent of the total tax levied.

INSURANCE

The City has property insurance with the State of Wisconsin Local Government Property Insurance Fund. This insurance is subject to a $25,000 deductible. The City is uninsured for liability. Under Wisconsin law, the City's exposure in tort liability is limited to $50,000 in non-automobile cases and $250,000 in automobile cases. The City 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.

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PENSION SYSTEM SUMMARY

EMPLOYES' RETIREMENT SYSTEM

The Employes' Retirement System (ERS) of the City is established pursuant to Section 36 of the Milwaukee City Charter. Membership in the ERS includes some classes of part-time employees, all full-time employees, and elected officials.

ERS Membership
As of December 31, 2010

Class	Vested	Non-Vested	Inactive	Retired
General & Elected	6,807	1,572		8,160
Police	1,711	275		2,182
Firefighters	793	89		1,200
Certain pre-1996				26
Total	9,311	1,936	4,158	11,568

Source: Table 5 of the Actuarial Valuation Report as of January 1, 2011.

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	2.0%	70%	5.5%
Elected Officials, excluding the Mayor	2.5%	None	7.0%
Police	2.5%	90%	7.0%
Firefighters	2.5%	90%	7.0%

* For employees hired prior to January 1, 2010, in addition to paying the actuarially-required employer contribution, the City makes the Member contribution on behalf of the employee. 2011 Wisconsin Act 10 provides that all state and local public employees make an employee contribution, except as otherwise provided under collective bargaining agreements. The City Attorney and independent outside counsel have advised the City that the City's Home Rule status, a 2000 Global Pension Settlement, and prior state statutes, create contractual pension rights for City employees which supersede the employee contribution requirement of 2011 Wisconsin Act 10. As a result, the City has continued to make the Member contribution on behalf of City employees hired prior to 2010.

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
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
2006	4,899,721	3,846,481	-	127.4	528,854	0.0

Schedule of Employer Contributions
($ amounts in thousands)

Year Ended Dec 31	Annual Actuarially Required Contribution	Percentage Contributed
2010	$1,450	0%
2009	60,098	100%
2008	-	n/a
2007	-	n/a
2006	-	n/a

Source: Tables 11a and 11b of the Actuarial Valuation Report as of January 1, 2011.

Actuarial Assumptions and Methods include:

Actuarial Cost Method: Projected Unit Credit
Amortization Method: Closed; Level Percent of Pay; Pay assumed to grow 3% per year
Remaining Amortization Period: 23 years
Asset Valuation Method: 5-year smoothed market, 20% corridor
Investment Rate of Return: 8.5% average
Projected Salary Increases: General: 3.5-8.5%; Police and Fire: 4.0-15.4%
Inflation Assumption: 3.0%
Cost of Living Adjustments: Varies by Employee Class

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see http://www.cmers.com

FIREMEN'S ANNUITY AND BENEFIT FUND

The Firemen's Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen's Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989. There are approximately 60 members or their spouses currently receiving benefits under the Fund program.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to members and spouses, exclusive of duty disability benefits, beginning in February 1990 in consideration of a single premium payment on January 31, 1990 in the amount of $20,419,207. The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board ceased its activities and the Firemen's Annuity and Benefits Fund was dissolved. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the annuity policy. The estimated value of those benefits is under $3,000,000.

POLICEMEN'S ANNUITY AND BENEFIT FUND

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to July 29, 1947. As of December 31, 2010, there were 25 members and 56 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.

Schedule of Funding and Contributions

Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Percent Contributed
2010	$1,584,173	$2,945,917	$1,361,744	53.8%	$268,667	100%
2009	1,935,745	3,686,621	1,750,876	52.5	329,672	100
2008	2,147,172	4,295,606	2,148,434	50.0	41,423	100
2007	4,779,417	5,049,363	269,946	94.7	56,972	100
2006	5,585,697	5,956,676	371,279	93.8	307,582	100

Source: Table 2 of the Actuarial Valuation Report as of January 1, 2011, and as of January 1, 2010.

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 the Employes' Retirement System (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 applicable HMO premium, or 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 2010, the City paid approximately $32.9 million and $1.2 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

Annual Required Contribution (ARC)	$80,498,000
Interest on Net OPEB	5,373,000
Adjustment to ARC	(4,560,000)
Annual OPEB Cost	81,311,000
Contributions Made	34,025,000
Increase in net OPEB Obligation	47,286,000
Net OPEB Obligation – beginning of year	127,074,000
Net OPEB Obligation – end of year	$174,360,000

Source: City's 2010 CAFR

Annual Cost and Net OPEB Liability

Year Ended Dec 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$81,311,000	45.0%	$174,360,000
2009	77,389,000	37.1	127,074,000
2008	73,100,000	45.0	78,400,000
2007	67,600,000	43.5	38,200,000

Source: City's 2010 and 2009 CAFRs

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
2009	$ 0	$1,007,573	$1,007,573	0.0%	$413,648	244%
2008	0	959,562	959,562	0.0	419,811	229
July 2008	0	880,700	880,700	0.0	425,400	207
2006	0	806,300	806,300	0.0	412,700	195

Source: City's 2010, 2009, 2008, and 2007 CAFRs

Actuarial Assumptions and Methods 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 9% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

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 March 26, 2012.

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. Following the June 2011 lifting of the stay imposed during the pendency of *Metropolitan Associates v. City of Milwaukee*, (plaintiff successfully challenged the validity of 2008 amendments to § 74.37 of the Wisconsin Statutes that would have been favorable to the City in future tax cases), four separate cases have been consolidated in Judge Moroney's court for trial on December 12, 2012. In addition, following the lifting of the stay, each of the terminals was permitted to add tax years 2009 and 2010 to the original claim for tax year 2008. Approximately $3.9 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 and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009 and 2010 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication beginning about the middle of 2012. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax year 2010. These cases are also moving toward adjudication in 2012 and 2013. Appeals by the losing party are likely in many of these cases. The city estimates that up to $7.3 million of property taxes are being disputed.

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 parties are in the early stages of discovery in the matter. The defendants plan to file a dispositive motion asking the court to dismiss the action.

Chaunte Ott v. City of Milwaukee, et al. In this 2009 civil rights action, Ott claims that he was wrongly convicted in 1996 of the 1995 murder of a girl. Ott spent 13 years in prison until recent DNA testing linked the murder victim to another individual. Ott claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Ott also claims that supervisory individuals in the department permitted such alleged misconduct to occur as a matter of practice. The matter is still in the discovery stage. Defendants plan to file a dispositive motion asking the court to dismiss the case.

LEGAL OPINIONS

The legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., 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 Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

Moody's Investors Service, Inc. has assigned a rating of "MIG-1" on the CFNs and "Aa2" on the N2 Notes, B3 Bonds, T4 Notes and T5 Bonds. Standard & Poor's Ratings Group has assigned a rating of "SP-1+" on the CFNs and "AA" on the N2 Notes, B3 Bonds, T4 Notes and T5 Bonds.

FITCH Ratings has rated prior general obligation debt of the City. The City did not request a rating from FITCH Ratings for the Offered Obligations. 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 includible 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.

TAXABLE OBLIGATIONS

Interest on the Taxable Obligations will be **included** in gross income for federal income tax purposes.

STATE TAX MATTERS

Interest on the Tax-Exempt Obligations and the Taxable Obligations is not exempt from State of Wisconsin income tax or franchise tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 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 Obligation 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.

Continuing disclosure undertakings entered into prior to August of 2003 required that the City provide Annual Financial Information (AFI) within six months of the end of each fiscal year. Each of the City's continuing disclosure undertakings since August of 2003 have required filing AFI within nine months of the end of the fiscal year. While the City has consistently filed AFI within nine months, it has not proven feasible to do so within six months. In each of the last five years, AFI was not available within the six-month requirement and the city filed notices to that effect as required under the pre-August 2003 continuing disclosure undertakings. In the future, the City anticipates continuing to file AFI subsequent to the

six month deadline. and expects to file required notices of failure to file AFI before June 30 of each year. The City has complied in all material respects with all continuing disclosure undertakings entered into since August of 2003.

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.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Offered Obligations.

UNDERWRITING

The Offered Obligations were purchased at competitive bidding conducted on April 18, 2012.

The award of $60,000,000 of the R1 Notes was made to Bank of America Merrill Lynch, New York, New York, its co-managers and associates and $40,000,000 of the R1 Notes was made to J.P. Morgan Securities LLC, New York, New York, its co-managers and associates.

The award of the N2 Notes and B3 Bonds was made to J.P. Morgan Securities LLC, New York, New York, its co-managers and associates.

The award of the T4 Notes and T5 Bonds was made to BMO Capital Markets GKST Inc., Chicago, Illinois, its co-managers and associates.

The public reoffering yields of the Offered Obligations are detailed on the inside front cover of this Final 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 Tax-Exempt Obligations under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Co-Bond Counsel to the City, and as to the legality of the Taxable Obligations under Wisconsin and federal law rendered by Hurtado, S.C., Bonds Council 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

City Comptroller and Secretary
City of Milwaukee, Wisconsin

APPENDIX A

Audited Annual Financial Report of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2010

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report
can be downloaded at the City Comptroller's web page at:

www.milwaukee.gov

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

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

Independent Auditors' Report

The Honorable Members
Common Council
City of Milwaukee, Wisconsin:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee, Wisconsin (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 19 through 34 and 96 through 98 are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the

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("KPMG International"), a Swiss entity.

methods of measurement and presentation of this information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data, and statistical section have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin
July 29, 2011

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. 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 Management's Discussion and Analysis. 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 2010 by $950 million (net assets); $273 million in governmental activities and $677 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of $285 million. The City regularly makes significant investments in private purpose developments which do not produce any direct financial return to the City. The City also finances certain long-term liabilities as they come due rather than when they are incurred. The City's net assets increased 2% compared to the previous year of $929 million.

- The vast majority of the City's net assets are capital assets, most of which do not generate revenues by their use or sale. Total net assets are comprised of the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation – $980 million.
  - Restricted net assets, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – $222 million.
  - Unrestricted net assets – ($252) million.

- The City's total 2010 year-end other post-employment benefits (OPEB) obligation is $174 million; an increase of 37% from the 2009 obligation of $127 million. The obligation is based on an actuarial valuation as of January 1, 2009, which indicates the 2010 actuarial accrued liability for benefits was $1,008 million over a 30-year amortization period.

- Total liabilities of the City increased by $144 million to $1,879 million. The long-term portion of total liabilities ($1,297 million) consists of $174 million for OPEB, $1,063 million for outstanding debt and $60 million for compensated absences, claims, and judgments.

- City governmental expenses exceeded combined program revenues by $757 million General revenues and transfers of $782 million resulted in a $25 million increase of net assets for the year. Business-type activities produced a decrease of net assets of 1% over 2009, generating a $4 million shortfall in 2010.

- For governmental activities, program revenue supported 25% of the total expenses for 2010. Property taxes and other taxes represented 28% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 27%, and miscellaneous revenues and transfers supported 23% of the expenses. Revenues and transfers exceeded expenses by 3% in 2010.

- For business-type activities, program revenue supported 123% of the expenses for 2010; and, in total exceeded the expenses by $43 million. Miscellaneous revenue net of transfers out reduced this excess to $4 million shortfall for the year.

- The City's total governmental funds reported total ending fund balances of $264 million this year. Compared to the prior year ending fund balance of $226 million, an increase of $38 million resulted by year end 2010; a 17% increase.

- The General Fund balance at year-end 2010 totaled $60 million – a $12 million reduction compared to 2009 (-15%). This ending Fund balance is about 8% of General Fund expenditures and transfers.

- The operating expenditures of the General Fund were $8 million less than budgeted. This favorable variance is a result of savings from general government departments of $6 million, public safety departments of $1 million, and a combined savings of $1 million in other departments. The combined savings from the general government departments of Comptroller, Treasurer, Employees' Retirement and Employees Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts, and, thus saved $4 million for the year. In addition, savings of $1 million was realized in a non-departmental account set aside for

contingencies. Fire, Police, and Neighborhood Services' operating accounts saved about $1 million; with the remaining $2 million from all other operating accounts of other departments.

- Outstanding General Obligation bonds and notes payable increased by $114 million during the current fiscal year from $780 million to $894 million. This increase results from early retirement of General Obligation debt of $471 million and issuance of $585 million in new General Obligation bonds and notes for the continued funding of City capital projects as well as debt issued on behalf of the Milwaukee Public Schools.

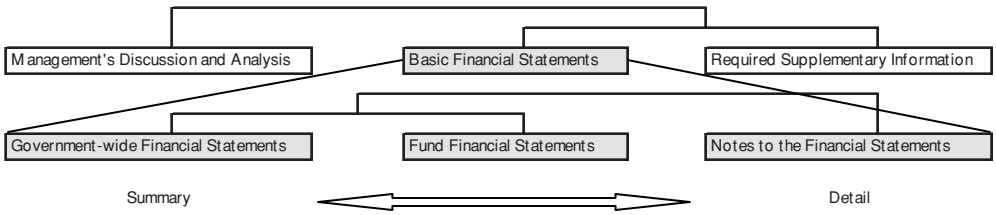
- The City issued General Obligation Cash-flow Promissory Notes for $147 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund. .

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Figure A-1

COMPONENTS OF THE FINANCIAL SECTION



The basic financial statements include two kinds of statements.

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

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

FIGURE A-2

MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses.
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The City reports financial activity and status according to three fund types: governmental, proprietary and fiduciary funds.

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Current and other assets	$ 839,138	$ 888,034	$ 99,970	$ 117,622	$ 939,108	$ 1,005,656
Capital assets	929,995	985,504	795,192	837,899	1,725,187	1,823,403
Total assets	1,769,133	1,873,538	895,162	955,521	2,664,295	2,829,059
Long-term obligations	948,158	1,072,207	149,645	224,791	1,097,803	1,296,998
Other liabilities	572,852	528,317	64,488	53,925	637,340	582,242
Total liabilities	1,521,010	1,600,524	214,133	278,716	1,735,143	1,879,240
Net assets:						
Invested in Capital assets, net of related debt	367,061	360,132	650,478	619,758	1,017,539	979,890
Restricted	164,011	210,066	30,551	11,422	194,562	221,488
Unrestricted	(282,949)	(297,184)	-	45,625	(282,949)	(251,559)
Total net assets	$ 248,123	$ 273,014	$ 681,029	$ 676,805	$ 929,152	$ 949,819

Net assets of the City's governmental activities increased 11% to $273 million for 2010. The portion of these net assets restricted as to use totaled $198 million. Net assets invested in capital facilities (buildings, roads, bridges, etc) totaled $360 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit ($285 million) at the end of 2010 does not imply that the City has inadequate financial resources available to meet its current obligations. For example, the City's annual budgets do not include the full amounts needed to meet future liabilities arising from property-casualty claims, unused employee vacation-sick leave and outstanding debt. The City will include the amounts needed in future years' budgets as these obligations come due.

The net assets of business-type activities decreased 1% to $677 million in 2010. The City generally can only use these net assets to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 13% and for business-type activities increased 50% from 2009 due primarily to the issuance and retirement of long-term debt and the recording of other post employment benefits (OPEB) obligation.

Total assets including capital assets increased $165 million or 6% from 2009. Capital assets of the primary government increased 6% from the previous year due to several completed major street projects by the State of Wisconsin. For 2010, capital assets of the Water Works and the Sewer Maintenance Funds comprise 93% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise (business-type) funds. The Water Works capital assets (48%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (45%) includes local sewer mains and connections.

Changes in net assets. Total annual City revenues less expenses yield the change in net assets. The City's program and general revenues totaled $985 million for governmental activities. Forty-three percent of governmental purpose revenues are intergovernmental revenues (State aids, Federal and State grants) while 29% is derived from property and other taxes. Charges for services represent 10% of total revenues, and the remaining 18% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with $326 million (32%) related to public safety (fire and police, neighborhood services). General government expenditures total $259 million (26%) while public works expenditures total $169 million (17%). Program specific revenues generated only about one-fourth of the revenue needed to support the cost of governmental activities. General City revenues, taxes and State aids provide the remaining funds.

Total governmental activities revenues and transfers exceeded expenditures by $26 million (3%). For business-type activities expenditures and transfers exceeded its revenues by $4 million (2%). However, prior to the transfer of $48 million from business type funds to governmental funds, business type funds showed a $44 million excess of revenues over expenses while governmental activities showed a $22 million gap of revenues below expenses. Chart 1, Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business-type Activities depict this comparison by major function.

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

Table 2
Changes in Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues:						
Charges for services	$ 91,057	$ 97,146	$ 213,032	$ 226,139	$ 304,089	$ 323,285
Operating grants and contributions	73,694	95,018	-	-	73,694	95,018
Capital grants and contributions	-	57,739	18,674	3,094	18,674	60,833
General revenues:						
Property taxes and other taxes	270,191	283,442	-	-	270,191	283,442
State aids for General Fund	272,337	270,939	-	-	272,337	270,939
Miscellaneous	47,217	179,057	120	1,085	47,337	180,142
Total revenues	754,496	983,341	231,826	230,318	986,322	1,213,659
Expenses						
General government	207,504	259,420	-	-	207,504	259,420
Public safety	331,409	326,366	-	-	331,409	326,366
Public Works	167,983	168,699	-	-	167,983	168,699
Health	22,995	23,360	-	-	22,995	23,360
Culture and recreation	22,901	21,075	-	-	22,901	21,075
Conservation and development	50,683	66,758	-	-	50,683	66,758
Capital contribution to Milwaukee Public Schools	5,153	91,161	-	-	5,153	91,161
Contributions	21,026	23,321	-	-	21,026	23,321
Interest on long-term debt	23,985	26,467	-	-	23,985	26,467
Water	-	-	67,946	67,966	67,946	67,966
Sewer Maintenance	-	-	34,847	41,188	34,847	41,188
Parking	-	-	24,659	25,450	24,659	25,450
Port of Milwaukee	-	-	3,811	5,885	3,811	5,885
Metropolitan Sewerage District User Charges.	-	-	44,545	45,876	44,545	45,876
Total expenses	853,639	1,006,627	175,808	186,365	1,029,447	1,192,992
Increase in net assets before transfers	(99,143)	(23,286)	56,018	43,953	(43,125)	20,667
Transfers	40,111	48,177	(40,111)	(48,177)	-	-
Increase in net assets	(59,032)	24,891	15,907	(4,224)	(43,125)	20,667
Net assets – Beginning	307,155	248,123	665,122	681,029	972,277	929,152
Net assets – Ending	$ 248,123	$ 273,014	$ 681,029	$ 676,805	$ 929,152	$ 949,819

Governmental Activities

Revenues for the City's governmental activities totaled $983 million, while total expenses totaled $1,007 million for 2010. The 2010 governmental activity expenditures total increased by 18% over 2009 Total revenues, excluding transfers, supported 98% of total expenses; 103% with transfers. Comparable data for 2009 indicates 88% of all revenues, excluding transfers supported the 2009 expenses and, 93% including transfers.

Property taxes represent 29% of the total revenues for 2010 compared to 36% for 2009; a 7% decrease in this category. While the actual revenue increased 5% over the previous year, the comparison to the total decreased due to an increase in additional grants and contributions. The City of Milwaukee's share of the Tax Rate increased eighty cents (from $8.09 in 2009 to $8.89 in 2010 (per $1,000 of Assessed Value), due in part to a decrease in assessed property value. State aids for the General Fund of $271 million decreased by $1 million or 1% in 2010. The combined property taxes and State aids comprised approximately 56% of the total revenues for governmental funds in 2010 compared to 72% in 2009. Charges for services equaled 10% of the total revenues in 2010 compared to 12% in 2009. Operating grants, capital grants, and contributions increased $79 million, to a total $153 million or 16% of total revenues in 2010 compared to only 10% in 2009. During 2010, non-cash capital grants were recorded to represent the State contribution of completed major street projects on behalf of the City.

In 2010, governmental-activity-type expenses increased by $153 million (18%) to 1,007 million in 2010. Federal Recovery Act funding, Milwaukee Public Schools (MPS) cash-flow borrowing and an addition to City Pension reserves were the major contributing factors. Expenses for general government, which comprise 26% of the total expenses, increased 25% in 2010. Public safety expenses represent the largest category of governmental activities or 32% of the total expenses for 2010 which is a decrease of 2% over 2009. The largest change occurred in the City's contribution to the Milwaukee Public Schools, an increase of $86 million and represents 56% of the overall increase in expenditures. The Milwaukee Public Schools cannot issue its own debt. As a result, the City issued debt to finance MPS operations pending the issuance of revenue anticipation notes later in the year. Since this borrowing simply finances MPS operating costs until MPS receives State aids, this City increase does not reflect an expansion of MPS or City spending. Also, the General Government category increased $52 million, primarily as a result of a one-time contribution payment to the Employes' Retirement System of $49 million as a result of significant investment losses incurred in prior years. These two items represent $135 million or 88% of the overall increase in governmental activities for 2010.

Chart 1
2010 Expenses and Program Revenues - Governmental Activities

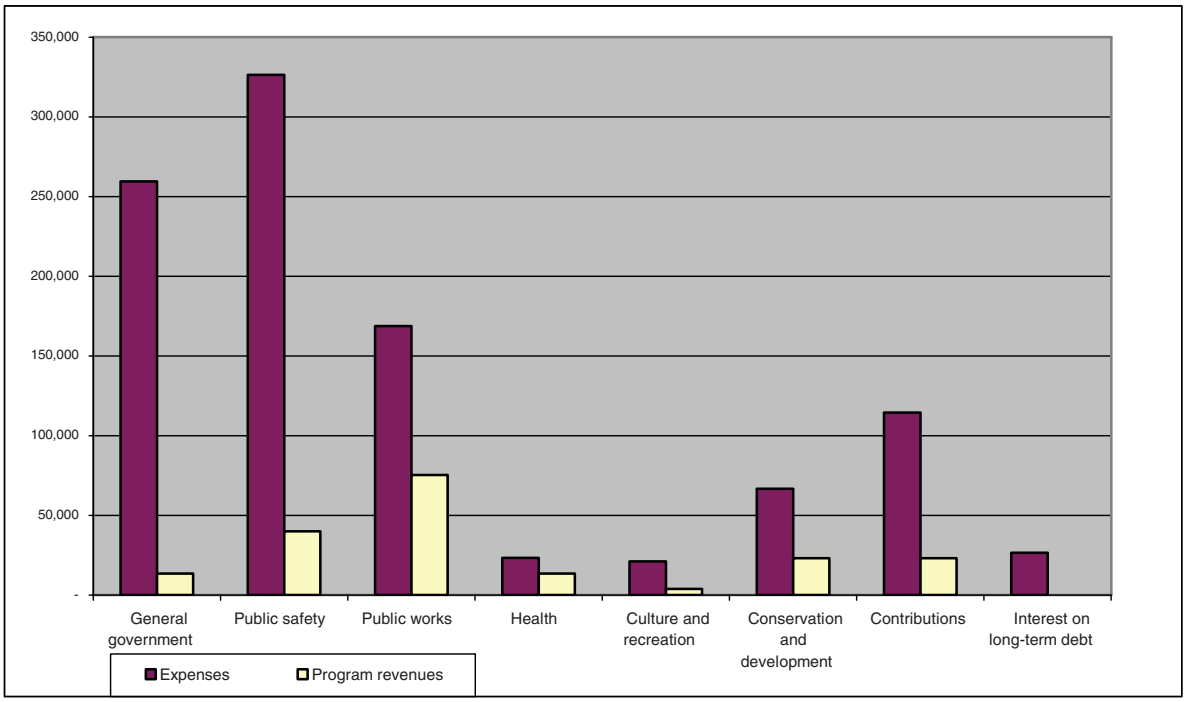


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer.

Public safety includes Fire, Police and Neighborhood Services. "Net cost" shows the financial placed on the city taxpayers by each of these functions.

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
General government	$ 207,504	$ 259,420	$ 195,668	$ 245,926
Public safety	331,409	326,366	300,285	286,416
Public works	167,983	168,699	101,405	35,626
Health	22,995	23,360	10,496	9,942
Culture and recreation	22,901	21,075	19,094	17,181
Conservation and development	50,683	66,758	33,076	43,689
Contributions	26,179	114,482	4,879	91,477
Interest on long-term debt	23,985	26,467	23,985	26,467
Total Governmental Activities	$ 853,639	$ 1,006,627	$ 688,888	$ 756,724

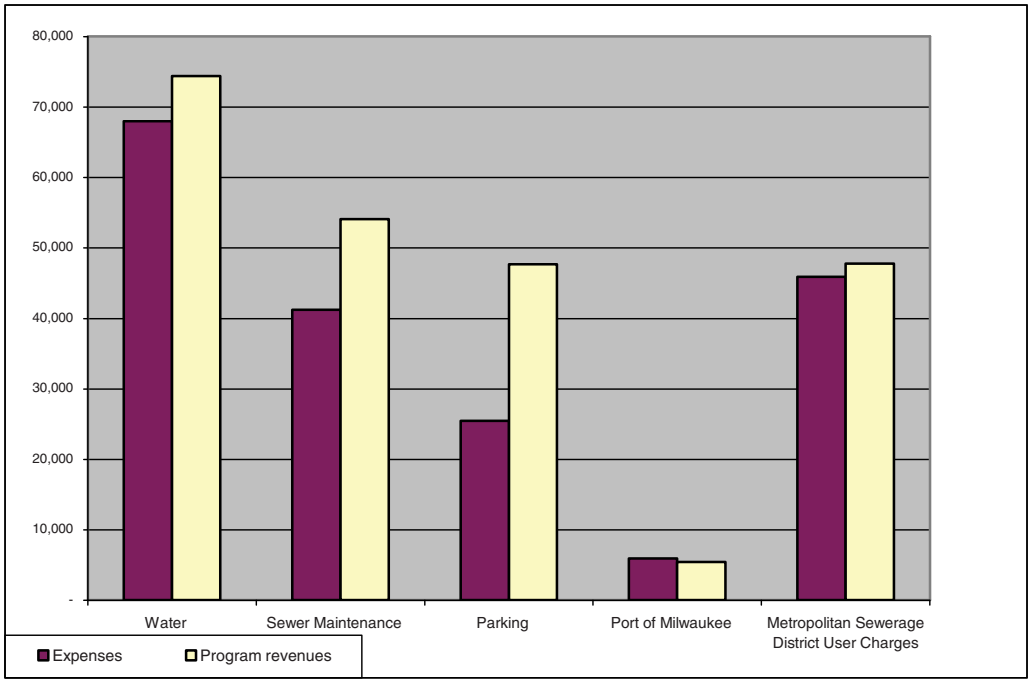
The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2010 to $757 million from $689 million in 2009 or 10% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total 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 $67 million and operating income of $6 million. The Sewer Maintenance produced a net operating income of $30 million after incurring expenses of $22 million.

Business-type revenues on Table 2 decreased by $3 million in 2010 compared to 2009, or 1%. Total expenses and transfers of all enterprise funds of the City increased $17 million, from $216 million in 2009 to $233 million in 2010 (+8%). Overall, 2010 year-end Total Net Assets decreased by $4 million to $677 million, or -1%.

Chart 2
2010 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 government 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. In particular, the Reserved for Tax Stabilization account in the General Fund serves as one useful measure of the City's net resources available for financing subsequent year's budget. This budgeted reserve is intended to help stabilize year-to-year fluctuations in the City property tax rate. 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 2010, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of $264 million, an increase of $38 million or 17% over 2009. The General Obligation Debt Service Fund and the Public Debt Amortization Fund generated nearly $32 million of this increase. Non-major governmental funds produced a positive change from operations of $2 million. The Capital Projects Fund balance increased by $17 million; although, the total Fund balance remains a negative amount of $20 million. This negative balance persists because the City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects. This practice minimizes City borrowing costs and facilitates compliance with Federal IRS regulations. Debt issued for capital projects totaled $238 million in 2010 compared to $84 million in 2009.

The total reserves of the General Fund decreased 15% to $60 million from $71 million in 2009. This decrease was due to a reduction in required reserves for encumbrances, carryovers, and inventory of $14 million. Of the total year-end 2010 General Fund fund balance of $60 million, $29 million is reserved and available for 2012 and subsequent years' budgets. This amount is unchanged when compared to the $29 million balance at year-end 2009.

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

Chart 3
2010 City Spending by Function - Governmental Funds

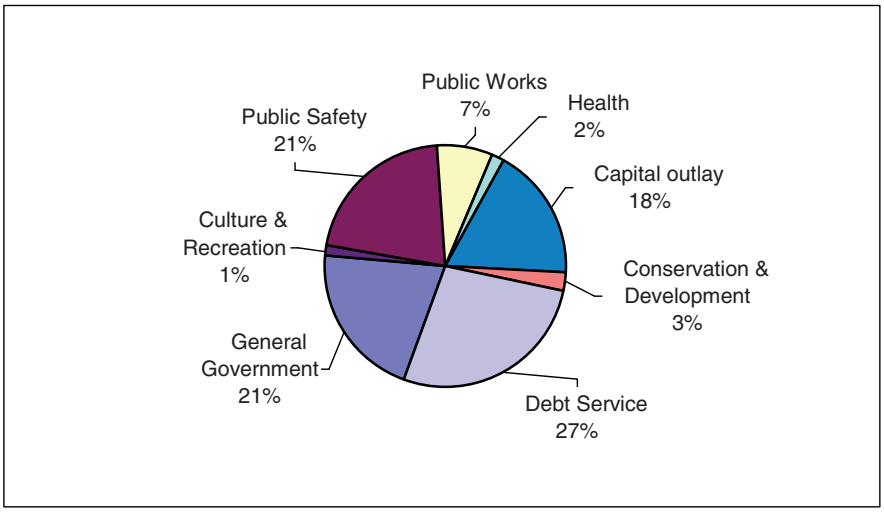
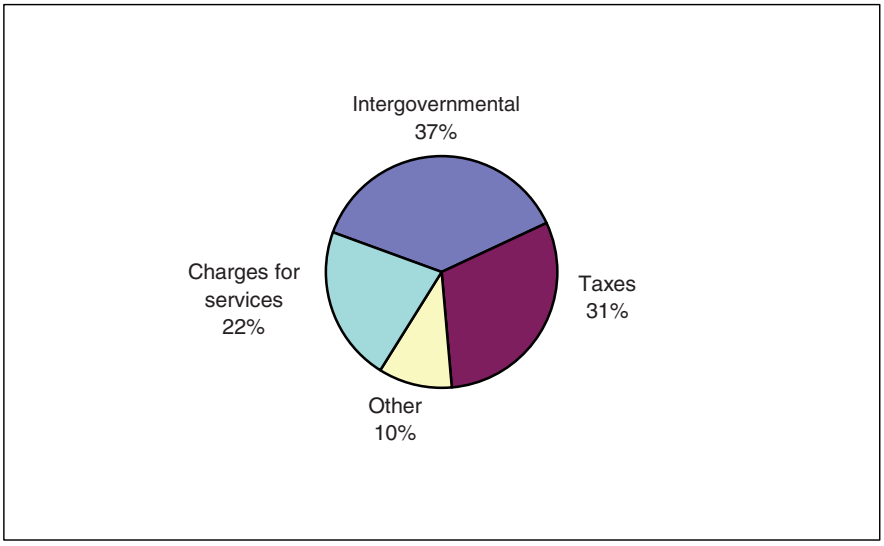


Chart 4
2010 Revenues by Source - Governmental Funds



Revenues for governmental functions overall totaled $922 million in the fiscal year ended December 31, 2010 (+19%). Expenditures for governmental funds totaled $1,356 million (+32%) Expenditures exceeded revenues by $434 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of $38 million for the year compared to an increase of $23 million in 2009. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund decreased by $12 million or 16%. Revenues and other financing sources totaled approximately $802 million and expenditures and other financing uses totaled approximately $813 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by 4% over 2009), expenditures increased by 6% over 2009, with expenditures exceeding revenues by 10%. 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 $50 million. This excludes the budgeted use of funds from the Reserve for Tax Stabilization account. Thirteen million was budgeted from the Reserve for Tax Stabilization to fund the 2010 General Fund budget. This was a decrease of $9 million from 2009.

Total General Fund revenues for 2010 totaled $603 million. The largest revenue category is intergovernmental at $271 million with 45% of the total revenue. The second largest revenue source is Property Taxes with $168 million or 28%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 16% or $97 million. These three categories combined comprise 89% of the total revenues for 2010. The largest percentage increase in revenues compared to 2009 was the Other Taxes category with a 45% increase.

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

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

Revenues and Other Financing Sources

Revenues:	**2009**	**2010**	**% Change**
Property taxes	$ 156,410	$ 168,031	7.4%
Other taxes	3,504	5,097	45.5%
Licenses and permits	12,186	12,948	6.3%
Intergovernmental	272,337	270,939	-0.5%
Charges for services	91,057	97,146	6.7%
Fines and forfeits	4,802	5,422	12.9%
Contributions received	21,300	23,005	8.0%
Other	19,967	20,323	1.8%
Total Revenues	581,563	602,911	3.7%
Other Financing Sources			
Debt proceeds	119,000	147,000	23.5%
Transfers in	43,834	51,711	18.0%
Total Revenues and Other Financing Sources	744,397	801,622	7.7%
Excess of Revenues over Expenditures	(46,404)	(61,363)	-32.2%
Net Change in Fund Balance	$ (1,651)	$ (11,730)	-610.5%

Expenditures and Other Financing Uses

Expenditures:	**2009**	**2010**	% Change
General government	$ 222,809	$ 276,326	24.0%
Public safety	276,060	264,067	-4.3%
Public works	97,093	94,482	-2.7%
Health	10,446	9,996	-4.3%
Culture and recreation	17,329	15,656	-9.7%
Conservation and development	4,230	3,747	-11.4%
	-	-	
Total Expenditures	627,967	664,274	5.8%
Other Financing Uses			
Transfers out	118,081	149,078	26.3%
Total Expenditures and other Financing Uses	$ 746,048	$ 813,352	9.0%

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 2010, $147 million was issued.

The City maintains two separate debt service funds. The General Obligation Debt Service Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the

retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from $81 million to $118 million or 46% Total revenues of the General Obligation Debt Service increased from $103 million 2009 to $205 million in 2010. Revenues combined with *Other Financing Sources* totaled $519 million; expenditures combined with *Other Financing Uses* totaled $482 million; resulting in a *net increase in Fund Balance* for year end 2010 of $37 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2010 showed a fund balance deficit of $20 million (an increase in the fund balance of $16 million compared to a fund balance deficit of $36 million in 2009). In 2010, total debt proceeds amounted to $238 million as compared to $84 million in 2009, a 183% increase. Total revenues increased 24% from $17 million to $21 million; expenditures increased from $98 million to $240 million or 145%. The issuance of bonds and notes during 2010 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and also reduced the 2010 year end deficit in fund balance by $16 million.

Proprietary Funds

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

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were $46 million. This was an increase from $19 million at December 31, 2009 or 142%. This increase consists of $(-18) million in Water Works and $45 million in Sewer Maintenance fund.

In 2010, operating revenues of the enterprise funds totaled $226 million (+7%); total operating expenses increased to $164 million in 2010 (+2%). The Water Works is the largest enterprise activity for the City, comprising approximately 32% of the total operating revenues. The Sewer Maintenance Fund comprises 23% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2010, Water Works operating revenues increased 0.6% while Sewer Maintenance operating revenues increased 8%; all other enterprise funds combined increased by 10%. Water Works non-operating revenues for 2010 are mainly composed of interest income and other miscellaneous revenues. The investment income decreased $73,000 (83%) compared to the 2009 income. Other miscellaneous non-operating revenue also decreased from $63,000 to $45,000 in 2010. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) decreased 29% from 2009.

The Water Works incurred total expenses of $67 million for 2010 compared to $68 million for 2009. Excluding depreciation expense, operating expenses increased over the previous year by $32,000 or .06%. The non-operating expenses (interest expense) of the Water Works decreased by $118,000 due to the declining principal balances on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased 4% over 2009.

General Fund Budgetary Highlights

For the fiscal year ended December 31, 2010, the General Fund revenue budget exceeded actual revenues by $3 million. Actual 2010 General Fund revenues also exceeded that of the prior year. On a budgetary basis, General Fund actual revenues totaled $580 million in 2010, a $20 million (4%) increase over 2009. Property Taxes and Other Taxes increased by 7% and 45%, respectively. All revenue categories except Intergovernmental had an increase in 2010. Charges for Services category increased of $6 million. Noteworthy increases for this category over 2009 actual revenue include new revenue from Construction Debris Disposal and Vacant Building Registration and Residential Rental Inspection fees. These three revenues totaled $0.8 million. While the revenues from paramedic activities decreased $0.8 million, recycling revenues increased $0.6 million. Combining the snow and ice fee and the solid waste fee, the overall net increase was $2.7 million. In addition, services to the sewer maintenance enterprise fund showed had an increase of $2.1 million. Property Taxes increased nearly $12 million due to an increase in the tax rate for City purposes of eighty cents (from $8.09 to $8.89 per $1,000 of Assessed Value). All other categories combined (Other Taxes, Licenses and permits, Intergovernmental, Fines and forfeits, and Other) increased by $2 million or 0.6%. A major Other Revenue identified was interest on investments, which totaled $503,000 for 2010. The average interest earnings rate was 0.315% compared to .746% in 2009 with a decrease in the average investable balance from $238.3 million in 2009 to $235.8 million in 2010.

The year 2010 also produced an unexpended budget surplus of $8 million. The general government category contributed $6 million; the public safety category had a surplus of $1 million. Public works, health culture and recreation, and, conservation and development categories, in the aggregate, added nearly $1 million. These savings included $4 million in various fringe

benefit costs that were allocated to capital and grant projects rather than to general fund accounts, $1 million was realized in the non-departmental account for departments' contingencies primarily earmarked for snow operations, $1 million in the aggregate from various Police, Fire and Neighborhood Services departments' operating accounts, and. $2 million from all other departmental operating accounts.

During 2010, the Common Council adopted seven resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional $2 million in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2009 less the encumbrances carried over to 2011. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2009 by the Common Council less those appropriations authorized for carryover to 2011. 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 2010 General Fund expenditure budget of $633 million and the final budget of $650 million. This is a 4% increase over the final 2009 budget of $625 million. The original General Fund revenue budget totaled $582 million with the final budget increasing approximately $1 million. This is a 4% increase over the final 2009 revenue budget of $563 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 $71 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 Reserve for Tax Stabilization of $13 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2010 total $1,823 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was $98 million or 5.7%. Governmental activities' capital assets increased $56 million or a 6% increase from 2009. Business-type activities' capital assets increased $43 million or 5.4% at the end of 2010. A schedule comparing the assets by type for 2009 and 2010 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 $78 million and deletions were $23 million for 2010 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of $35 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 68% of its total net assets with 25% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of 2%.

Debt issued to finance tax incremental districts (TID) totals $163 million outstanding at year end. The majority of these expenditures have no related assets for TID, so the net increase in TID debt reduces unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was $132 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statute, MPS cannot issue its own debt. As a result, the City issues debt for school purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, capital expenditures for school purposes also reduce unrestricted net assets by an equal amount.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Capital assets not being depreciated:						
Land	$ 164,250	$ 164,210	$ 18,167	$ 18,253	$ 182,417	$ 182,463
Construction in progress	40,839	26,513	18,095	14,897	58,934	41,410
Intangible right of ways	-	1,319	-	-	-	1,319
Capital assets being depreciated:						
Buildings	257,076	276,816	89,407	91,798	346,483	368,614
Infrastructure	1,377,383	1,450,918	802,717	861,200	2,180,100	2,312,118
Improvements other than buildings	11,687	11,811	7,717	7,771	19,404	19,582
Machinery and equipment	164,265	173,788	215,306	221,194	379,571	394,982
Intangible software	-	1,364	-	-	-	1,364
Nonutility property	-	-	5,509	4,692	5,509	4,692
Accumulated depreciation	(1,085,505)	(1,121,235)	(361,726)	(381,906)	(1,447,231)	(1,503,141)
Total	$ 929,995	$ 985,504	$ 795,192	$ 837,899	$ 1,725,187	$ 1,823,403

Debt

At year-end, the City had $894 million in general obligation bonds and notes, $81 million in State loans, and $54 million in revenue bonds outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled $585 million, of which $75 million related to Water Works, Sewer Maintenance, Port, and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's April 2010 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was $1,155 at the end of 2009 and $1,259 at the end of 2010; an 9% increase from the prior year. As of December 31, 2010, the City's outstanding net general obligation debt for governmental activities was 2.40% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has used about 52% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2010, notes were issued in the amount of approximately $29.9 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
General obligation bonds and notes (backed by the City)	$ 742,752	$ 812,183	$ 36,803	$ 82,002	$ 779,555	$ 894,185
State loans	-	-	48,002	80,724	48,002	80,724
Revenue bonds (backed by specific fee revenues)	-	-	57,515	53,737	57,515	53,737
Total	$ 742,752	$ 812,183	$ 142,320	$ 216,463	$ 885,072	$ 1,028,646

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the City of Milwaukee for 2010 is 11.5%, compared to 11% for 2009. City of Milwaukee per capita income for the most recent fiscal year available (2009) was $37,088, compared to 37,118 for 2008. The City's population over the last five years is depicted in the table below. The 2006-2009 data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes; and, these years differ from the U.S. Census Bureau. The 2010 data is from the Census Bureau.

2006	590,370
2007	590,190
2008	590,870
2009	584,000
2010	594,833

The 2011 adopted City Budget is about $1.5 billion with a General Fund budget of $683 million. The General Fund budget decreased 0.15% over the 2009 budget of $684 million. In 2011, the City will expend $145 million for health insurance and related costs compared to $120 million budgeted for 2010, an increase of 21%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 24 FTE with the Public Works Department and the Unified Call Center Department showing a decrease of 20 and 7 FTE, respectively. The City reached agreements with its largest labor union (District Council (DC) 48) holding wage rates for 2010 and 2011 at 2009 levels, with progression steps not awarded. Also, the City continued four mandatory furloughs days for both 2010 and 2011.

Total property taxes levied for all funds of the City in 2010 for 2011 purposes increased $0.23 per thousand dollars of assessed valuation to a rate of $9.12 (+2.6%). The 2009 for 2010 rate increased $0.80 (from $8.09 to $8.89 or +11.0%).

The total City property tax levy remained at the $247 million for both 2009 and 2010. While the rate for 2010 increased, the assessed valuation decreased; thus providing roughly the same amount in property tax revenue. The property tax levy will provide $111.6 million for general City purposes in 2011. This represents an increase of $21.6 million from 2010 or 24%. The 2011 General City Purpose budget includes $100 million in estimated revenue for City charges for services rendered, an increase of $4 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate $32 million for 2011. This fee represents 32% of the total charges for services in the 2011 budget. The Street Sweeping-Leaf Collection Fee is expected to generate $12 million for 2010, no increase over 2009. This Fee comprises 13% of the total charges for services for both 2011 and 2010. Most 2011 revenue estimates remained consistent with the prior year with only a net overall increase of 0.08%.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total $271.6 million; a slight increase of $750,000 from 2010.

Revenue increases were also implemented in City enterprise funds for 2011 including the following: the Water Works in late December 2010 received approval from the Public Service Commission at a reduced rate of return from what the Work Works

had requested. The delay in implementing the new rates cost the utility about $18 million in revenue in 2010. Due to this loss in expected revenue, the Water Works took action to stabilize its 2010 finances by delaying equipment purchased, scrutinizing operating expenses and reducing overtime, and curtailing water main replacements. A second rate case approved a 4.18% rate of Return and should be fully implemented in mid-2011. As a result, the average single family residential user in the City of Milwaukee will pay $45.48 per quarter. Sewer Maintenance Fee will increase 1.6% to $14.22.

The City remains in sound financial condition, as demonstrated by the financial statements and schedules included in this report. The General Fund Reserve for Tax Stabilization remained stable at $44 million for 12/31/10 compared to $42 million for 12/31/09. That portion of the Reserve for Tax Stabilization available for future years also remained stable at $29 million at year-end 2010 and for 2009. With expected continuing limitations on State Shared Revenue, growing health care and post employment costs and other fiscal pressures, the City is reviewing options for 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILWAUKEE

STATEMENT OF NET ASSETS

December 31, 2010

(Thousands of Dollars)

Exhibit 1

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 274,745	$ 53,665	$ 328,410	$ 60,099
Investments	14,883	-	14,883	4,687
Receivables (net):				
Taxes	213,584	-	213,584	-
Accounts	27,843	44,941	72,784	2,881
Unbilled accounts	754	15,156	15,910	-
Special assessments	10,556	-	10,556	-
Notes and loans	118,911	-	118,911	94,002
Accrued interest	315	8	323	5,758
Due from component units	17,707	-	17,707	-
Due from primary government	-	-	-	399
Due from other governmental agencies	198,245	51	198,296	26,072
Inventory of materials and supplies	7,621	2,632	10,253	-
Inventory of property for resale	26	-	26	8,027
Prepaid items	355	590	945	1,014
Deferred charges	2,489	321	2,810	999
Other assets	-	258	258	427
Total Noncapital Assets	888,034	117,622	1,005,656	204,365
Capital assets:				
Capital assets not being depreciated:				
Land	164,210	18,253	182,463	56,816
Construction in progress	26,513	14,897	41,410	16,732
Intangible right of ways	1,319	-	1,319	-
Capital assets being depreciated:				
Buildings	276,816	91,798	368,614	500,289
Infrastructure	1,450,918	861,200	2,312,118	379
Improvements other than buildings	11,811	7,771	19,582	1,725
Machinery and equipment	173,788	221,194	394,982	3,718
Intangible software	1,364	-	1,364	-
Nonutility property	-	4,692	4,692	-
Accumulated depreciation	(1,121,235)	(381,906)	(1,503,141)	(251,174)
Total Capital Assets	985,504	837,899	1,823,403	328,485
Total Assets	1,873,538	955,521	2,829,059	532,850

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2010
(Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable	$ 37,727	$ 21,010	$ 58,737	$ 10,531
Accrued expenses	33,089	2,599	35,688	12,966
Accrued interest payable	12,122	1,167	13,289	-
Internal balances	(29,135)	29,135	-	-
Due to component units	399	-	399	-
Due to other governmental agencies	294	-	294	2,486
Deferred revenue	298,821	14	298,835	4,584
Revenue anticipation notes payable	175,000	-	175,000	-
Other payables	-	-	-	-
Other liabilities	-	-	-	10,782
Due to primary government:				
Due within one year	-	-	-	1,157
Due in more than one year	-	-	-	16,550
Long-term obligations:				
Due within one year	107,894	14,447	122,341	11,437
Due in more than one year	964,313	210,344	1,174,657	133,946
Total Liabilities	1,600,524	278,716	1,879,240	204,439
NET ASSETS				
Invested in capital assets, net of related debt	360,132	619,758	979,890	200,573
Restricted for:				
Debt Service	197,499	11,422	208,921	-
Other purposes	12,567	-	12,567	18,591
Unrestricted	(297,184)	45,625	(251,559)	109,247
Total Net Assets	**$ 273,014**	**$ 676,805**	**$ 949,819**	**$ 328,411**

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, 2010
(Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 259,420	$ 9,931	$ 3,563	$ -
Public safety	326,366	16,202	23,748	-
Public works	168,699	68,135	7,199	57,739
Health	23,360	1,071	12,347	-
Culture and recreation	21,075	1,504	2,390	-
Conservation and development	66,758	303	22,766	-
Capital contribution to Milwaukee Public Schools	91,161	-	-	-
Contributions	23,321	-	23,005	-
Interest on long-term debt	26,467	-	-	-
Total Governmental Activities	1,006,627	97,146	95,018	57,739
Business-type Activities:				
Water	67,966	73,473	-	910
Sewer Maintenance	41,188	52,046	-	2,011
Parking	25,450	47,477	-	173
Port of Milwaukee	5,885	5,398	-	-
Metropolitan Sewerage District User Charges	45,876	47,745	-	-
Total Business-type Activities	186,365	226,139	-	3,094
Total Primary Government	$ 1,192,992	$ 323,285	$ 95,018	$ 60,833
Component units:				
Housing Authority	$ 90,346	$ 20,057	$ 53,938	$ 20,829
Redevelopment Authority	13,805	5,980	8,294	9,292
Milwaukee Economic Development Authority	3,385	2,969	1,814	-
Neighborhood Improvement Development Corporation	3,715	764	1,313	1,343
Total Component Units	$ 111,251	$ 29,770	$ 65,359	$ 31,464

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

Change in Net Assets

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

Net Assets - Ending

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

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (245,926)		$ (245,926)	
(286,416)		(286,416)	
(35,626)		(35,626)	
(9,942)		(9,942)	
(17,181)		(17,181)	
(43,689)		(43,689)	
(91,161)		(91,161)	
(316)		(316)	
(26,467)		(26,467)	
(756,724)		(756,724)	
-	$ 6,417	6,417	
-	12,869	12,869	
-	22,200	22,200	
-	(487)	(487)	
-	1,869	1,869	
-	42,868	42,868	
(756,724)	42,868	(713,856)	
			$ 4,478
			9,761
			1,398
			(295)
			15,342
283,442	-	283,442	-
270,939	-	270,939	-
179,057	1,085	180,142	4,908
48,177	(48,177)	-	-
781,615	(47,092)	734,523	4,908
24,891	(4,224)	20,667	20,250
248,123	681,029	929,152	308,161
$ 273,014	**$ 676,805**	**$ 949,819**	**$ 328,411**

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FUND FINANCIAL STATEMENTS

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	$ 57,002
Investments	135
Receivables (net):	
Taxes	139,841
Accounts	26,596
Unbilled accounts	754
Special assessments	-
Notes and loans	19
Accrued interest	87
Due from other funds	57,997
Due from component units	1,209
Due from other governmental agencies	337
Advances to other funds	9,798
Inventory of materials and supplies	7,194
Inventory of property for resale	26
Prepaid items	350
Total Assets	**$ 301,345**
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 19,891
Accrued expenses	32,462
Due to other funds	1,732
Due to component units	-
Due to other governmental agencies	-
Deferred revenue	187,634
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	241,719
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for grant activities	-
Reserved for encumbrances, prepaids, and carryovers	8,144
Reserved for inventory	7,220
Reserved for mortgage trust	135
Reserved for environmental remediation	303
Reserved for tax stabilization - 2011	14,600
Reserved for tax stabilization - 2012 and subsequent years' budgets and advances to other funds	29,224
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	59,626
Total Liabilities and Fund Balances	**$ 301,345**

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
$ 161,857	$ 25,603	$ 11,727	$ 18,556	$ 274,745
-	14,748	-	-	14,883
53,240	-	2,663	17,840	213,584
-	-	1,098	149	27,843
-	-	-	-	754
-	-	10,556	-	10,556
77,102	22,561	-	19,229	118,911
24	204	-	-	315
-	-	-	288	58,285
16,319	-	138	41	17,707
175,000	-	3,919	18,989	198,245
-	-	-	-	9,798
-	-	427	-	7,621
-	-	-	-	26
-	-	-	5	355
$ 483,542	**$ 63,116**	**$ 30,528**	**$ 75,097**	**$ 953,628**
$ 90	$ -	$ 10,753	$ 6,993	$ 37,727
7	-	226	394	33,089
3,700	-	12,244	11,474	29,150
-	-	287	112	399
-	-	-	294	294
187,020	-	17,075	11,957	403,686
175,000	-	-	-	175,000
-	-	9,798	-	9,798
365,817	-	50,383	31,224	689,143
117,725	63,116	-	16,658	197,499
-	-	-	14,570	14,570
-	-	-	213	213
-	-	-	12,432	12,432
-	-	7,649	-	15,793
-	-	427	-	7,647
-	-	-	-	135
-	-		-	303
-	-	-	-	14,600
-	-	-	-	29,224
-	-	(19,445)	-	(19,445)
-	-	(8,486)	-	(8,486)
117,725	63,116	(19,855)	43,873	264,485
$ 483,542	**$ 63,116**	**$ 30,528**	**$ 75,097**	**$ 953,628**

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CITY OF MILWAUKEE

Exhibit A-2

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

DECEMBER 31, 2010

(Thousands of Dollars)

Fund balances - total governmental funds (Exhibit A-1)		$ 264,485
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	$ 164,210	
Buildings, net of $78,395 accumulated depreciation	198,421	
Infrastructure, net of $934,550 accumulated depreciation	516,368	
Improvements other than buildings, net of $7,972 accumulated depreciation	3,839	
Machinery and equipment, net of $100,221 accumulated depreciation	73,567	
Intangible assets net of $97 accumulated depreciation	2,586	
Construction in progress	26,513	
		985,504
Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds.		2,489
Some revenues are deferred in the funds because they are not available to pay current period's expenditures.		
Taxes to be collected after year-end	11,916	
Other revenues to be collected after year-end	6,778	
Special assessments to be collected after year-end	9,069	
Notes and loans receivable to repay long-term bonds and notes	77,102	
		104,865
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.		
Accrued interest payable	(12,122)	
Bonds and notes payable	(812,183)	
Deferred amount on refunding	2,903	
Unamortized premiums	(35,478)	
Compensated absences	(38,948)	
Net other postemployment benefits obligation	(169,040)	
Claims and judgments	(19,461)	
		(1,084,329)
Total net assets of governmental activities (Exhibit 1)		**$ 273,014**

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

CITY OF MILWAUKEE

Exhibit A-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Thousands of Dollars)

	General
Revenues:	
Property taxes	$ 168,031
Other taxes	5,097
Special assessments	-
Licenses and permits	12,948
Intergovernmental	270,939
Charges for services	97,146
Fines and forfeits	5,422
Contributions received	23,005
Other	20,323
Total Revenues	602,911
Expenditures:	
Current:	
General government	276,326
Public safety	264,067
Public works	94,482
Health	9,996
Culture and recreation	15,656
Conservation and development	3,747
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	664,274
Excess (Deficiency) of Revenues over Expenditures	(61,363)
Other Financing Sources (Uses):	
General obligation bonds and notes issued	147,000
Proceeds current refunding	-
Payment current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	51,711
Transfers out	(149,078)
Total Other Financing Sources and Uses	49,633
Net Change in Fund Balances	(11,730)
Fund Balances - Beginning	71,356
Fund Balances - Ending	**$ 59,626**

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 69,118	$ -	$ 4,768	$ 6,039	$ 247,956
25,663	3,349	-	-	34,109
-	-	3,421	-	3,421
-	-	-	-	12,948
1,197	-	3,831	68,962	344,929
103,315	-	-	-	200,461
-	-	-	-	5,422
-	-	-	-	23,005
5,684	1,997	9,094	12,443	49,541
204,977	5,346	21,114	87,444	921,792
392	-	-	5,260	281,978
-	-	-	23,748	287,815
-	-	-	7,199	101,681
	-	-	12,347	22,343
-	-	-	2,390	18,046
-	-	-	31,721	35,468
-	-	240,480	-	240,480
333,780	-	-	-	333,780
33,305	-	-	-	33,305
1,314	-	-	-	1,314
368,791	-	240,480	82,665	1,356,210
(163,814)	5,346	(219,366)	4,779	(434,418)
-	-	238,424	29,867	415,291
94,420	-	-	-	94,420
(106,500)	-	-	-	(106,500)
-	-	-	(293)	(293)
21,632	-	-	-	21,632
198,244	3,457	-	-	253,412
(7,037)	(13,928)	(2,428)	(32,764)	(205,235)
200,759	(10,471)	235,996	(3,190)	472,727
36,945	(5,125)	16,630	1,589	38,309
80,780	68,241	(36,485)	42,284	226,176
$ 117,725	**$ 63,116**	**$ (19,855)**	**$ 43,873**	**$ 264,485**

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CITY OF MILWAUKEE

Exhibit A-4

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

FOR THE YEAR ENDED DECEMBER 31, 2010

(Thousands of Dollars)

Net change in fund balances - total governmental funds (Exhibit A-3)		$ 38,309
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($105,478) exceeded depreciation expense ($49,688) in the current period less loss on disposals ($281)		55,509
Notes and loans receivable to repay long-term bonds and notes		52,350
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Taxes accrued in prior years	$ 1,377	
Other revenues deferred at year end	5,565	
Special assessments deferred revenue beginning of the year $11,627 less deferred at end of the year $9,069	(2,558)	
		4,384
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(509,711)	
Issuance premiums	(21,632)	
Issuance costs	954	
Repayments:		
Principal retirement	440,280	
Amortization:		
Premiums	9,993	
Issuance costs	(508)	
Deferred amount on refunding	(1,097)	
		(81,721)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	(44)	
Net other postemployment benefits obligation	(46,096)	
Claims and judgments	4,258	
Accrued interest on bonds and notes	(2,058)	
		(43,940)
Changes in net assets of governmental activities (Exhibit 2)		**$ 24,891**

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

CITY OF MILWAUKEE

Exhibit B-1

STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2010
(Thousands of Dollars)

ASSETS	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Current Assets:				
Cash and cash equivalents	$ 3,494	$ 17,745	$ 21,004	$ 42,243
Restricted cash and cash equivalents	680	1,910	-	2,590
Receivables (net):				
Accounts	14,528	15,816	14,597	44,941
Unbilled accounts	9,771	2,218	3,167	15,156
Accrued interest	2	6	-	8
Due from other funds	5,144	762	581	6,487
Due from other governmental agencies	-	51	-	51
Inventory of materials and supplies	2,632	-	-	2,632
Prepaid items	590	-	-	590
Deferred charges	-	321	-	321
Other assets	258	-	-	258
Total Current Assets	37,099	38,829	39,349	115,277
Noncurrent assets:				
Restricted cash and cash equivalents	-	8,832	-	8,832
Capital assets:				
Capital assets not being depreciated:				
Land	2,022	-	16,231	18,253
Construction in progress	12,717	-	2,180	14,897
Capital assets being depreciated:				
Buildings	25,406	-	66,392	91,798
Infrastructure	355,873	488,707	16,620	861,200
Improvements other than buildings	-	-	7,771	7,771
Machinery and equipment	206,450	4,563	10,181	221,194
Nonutility property	4,692	-	-	4,692
Accumulated depreciation	(204,982)	(116,862)	(60,062)	(381,906)
Net Capital Assets	402,178	376,408	59,313	837,899
Total Noncurrent Assets	402,178	385,240	59,313	846,731
Total Assets	439,277	424,069	98,662	962,008

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 5,093	$ 4,277	$ 11,640	$ 21,010
Accrued expenses	1,113	744	742	2,599
Accrued interest payable	246	-	234	480
Compensated absences	1,329	-	-	1,329
Due to other funds	23,888	-	11,734	35,622
Deferred revenue	-	-	14	14
General obligation debt payable - current	3,025	675	2,000	5,700
Revenue bonds payable - current	964	-	-	964
Total Current Liabilities	35,658	5,696	26,364	67,718
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable	-	6,454	-	6,454
Accrued interest payable	-	687	-	687
Total Current Liabilities Payable from Restricted Assets	-	7,141	-	7,141
Noncurrent Liabilities:				
General obligation debt payable	10,722	52,762	13,155	76,639
Revenue bonds & State loans payable	7,498	120,887	-	128,385
Other post employment benefits obligation	3,077	1,184	1,059	5,320
Total Noncurrent Liabilities	21,297	174,833	14,214	210,344
Total Liabilities	56,955	187,670	40,578	285,203
Net Assets:				
Invested in capital assets, net of related debt	379,969	195,630	44,159	619,758
Restricted for Debt Service	680	10,742	-	11,422
Unrestricted	1,673	30,027	13,925	45,625
Total Net Assets	**$ 382,322**	**$ 236,399**	**$ 58,084**	**$ 676,805**

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

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CITY OF MILWAUKEE

Exhibit B-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales	$ 59,371	$ -	$ -	$ 59,371
Statutory sewer user fee	-	-	46,279	46,279
Sewer maintenance fee	-	52,046	-	52,046
Rent	-	-	12,847	12,847
Fire protection service	6,607	-	-	6,607
Parking meters	-	-	5,112	5,112
Parking permits	-	-	3,928	3,928
Vehicle towing	-	-	5,341	5,341
Parking forfeitures	-	-	25,646	25,646
Other	7,495	-	1,467	8,962
Total Operating Revenues	73,473	52,046	100,620	226,139
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges	-	-	40,891	40,891
Employee services	-	8,642	9,726	18,368
Administrative and general	7,947	-	60	8,007
Depreciation	13,434	5,551	3,553	22,538
Transmission and distribution	20,381	-	3,342	23,723
Services, supplies, and materials	-	8,054	15,582	23,636
Water treatment	14,852	-	-	14,852
Water pumping	7,608	-	-	7,608
Billing and collection	2,823	-	1,471	4,294
Total Operating Expenses	67,045	22,247	74,625	163,917
Operating Income	6,428	29,799	25,995	62,222
Nonoperating Revenues (Expenses):				
Investment income	15	17	-	32
Grant Revenue	-	1,941	-	1,941
Interest expense	(921)	(4,073)	(702)	(5,696)
Other	45	(14,868)	(876)	(15,699)
Total Nonoperating Revenues (Expenses)	(861)	(16,983)	(1,578)	(19,422)
Income before Contributions and Transfers	5,567	12,816	24,417	42,800
Capital contributions	910	70	173	1,153
Transfers in	-	-	576	576
Transfers out	(13,154)	(8,757)	(26,842)	(48,753)
Change in Net Assets	(6,677)	4,129	(1,676)	(4,224)
Total Net Assets - Beginning	388,999	232,270	59,760	681,029
Total Net Assets - Ending	**$ 382,322**	**$ 236,399**	**$ 58,084**	**$ 676,805**

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, 2010
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 68,385	$ 50,927	$ 99,747	$ 219,059
Receipts from interfund services provided	5,254	-	-	5,254
Payments to suppliers	(7,533)	(6,565)	(60,315)	(74,413)
Payments to employees	(25,471)	(8,390)	(9,503)	(43,364)
Payments from other funds	-	-	1,671	1,671
Payments to other funds	(5,942)	(27,958)	(1,723)	(35,623)
Net Cash Provided by Operating Activities	34,693	8,014	29,877	72,584
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	45	1,941	-	1,986
Other nonoperating expenses	-	(14,868)	-	(14,868)
Transfers from other funds	-	-	576	576
Transfers to other funds	(13,154)	(8,757)	(26,842)	(48,753)
Net Cash Used for Noncapital Financing Activities	(13,109)	(21,684)	(26,266)	(61,059)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	675	106,823	2,681	110,179
Acquisition of property, plant, and equipment	(20,875)	(40,571)	(2,809)	(64,255)
Retirement of bonds, notes, and revenue bonds	(3,445)	(30,671)	(1,920)	(36,036)
Interest paid	(1,014)	(3,985)	(710)	(5,709)
Other	-	(51)	(868)	(919)
Net Cash Used for Capital and Related Financing Activities	(24,659)	31,545	(3,626)	3,260
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	17	120	-	137
Net Increase (Decrease) in Cash and Cash Equivalents	(3,058)	17,995	(15)	14,922
Cash and Cash Equivalents - Beginning	7,232	10,492	21,019	38,743
Cash and Cash Equivalents - Ending	**$ 4,174**	**$ 28,487**	**$ 21,004**	**$ 53,665**

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash	$ 3,494	$ 18,245	$ 21,004	$ 42,743
Restricted Cash	680	10,742	-	11,422
	$ 4,174	$ 28,987	$ 21,004	$ 54,165
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 6,428	$ 29,799	$ 25,995	$ 62,222
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	13,434	5,551	3,553	22,538
Changes in assets and liabilities:				
Receivables	(325)	(1,076)	(862)	(2,263)
Due from other funds	13,698	(43)	493	14,148
Inventories	(16)	-	-	(16)
Prepaid items	(550)	-	-	(550)
Other assets	(4)	-	-	(4)
Accounts payable	1,399	1,489	1,031	3,919
Accrued liabilities	(47)	(28)	33	(42)
Net other postemployment benefits obligation	676	280	190	1,146
Due to other funds	-	(27,958)	(545)	(28,503)
Deferred revenue	-	-	(11)	(11)
Net Cash Provided by Operating Activities	$ 34,693	$ 8,014	$ 29,877	$ 72,584

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of $910,324.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing $104,054 with a net value of $0, and, received donated assets in the amount of $70,153.

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

CITY OF MILWAUKEE

Exhibit C-1

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

DECEMBER 31, 2010

(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	$ 403	$ 3,082	$ 302,562
Investments	-	2,429	-
Total Assets	403	5,511	**$ 302,562**
LIABILITIES			
Liabilities:			
Accounts payable	86	35	1,821
Due to other governmental agencies	-	-	300,741
Total Liabilities	86	35	**$ 302,562**
Net Assets			
Employees' pension benefits and other purposes	**$ 317**	**$ 5,476**	

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

CITY OF MILWAUKEE

Exhibit C-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts
Additions		
Contributions:		
Plan members	$ 1,397	$ -
Private donations	-	3,325
Total Contributions	1,397	3,325
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	133
Total Additions	1,397	3,458
Deductions		
Benefits	1,482	-
Fees remitted from Trust	-	2,873
Other	-	144
Total Deductions	1,482	3,017
Change in Net Assets	(85)	441
Net Assets - Beginning	402	5,035
Net Assets - Ending	**$ 317**	**$ 5,476**

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

CITY OF MILWAUKEE

Exhibit D-1

COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2010
(Thousands of Dollars)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 20,384	$ 23,970	$ 13,783	$ 1,962	$ 60,099
Investments	3,087	1,300	-	300	4,687
Receivables (net):					
Accounts	2,549	218	69	45	2,881
Notes and loans	41,924	19,228	32,351	499	94,002
Accrued interest	5,391	107	133	127	5,758
Due from primary government	-	378	-	21	399
Due from other governmental agencies	6,046	2,522	17,504	-	26,072
Inventory of property for resale	-	4,885	955	2,187	8,027
Prepaid items	952	62	-	-	1,014
Deferred charges	217	782	-	-	999
Other assets	344	-	83	-	427
Total Noncapital Assets	80,894	53,452	64,878	5,141	204,365
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	40,188	16,628	-	-	56,816
Construction in progress	16,217	515	-	-	16,732
Capital assets being depreciated:					
Buildings	397,056	103,233	-	-	500,289
Infrastructure	-	379	-	-	379
Improvements other than buildings	882	843	-	-	1,725
Machinery and equipment	3,502	-	216	-	3,718
Accumulated depreciation	(240,111)	(10,869)	(194)	-	(251,174)
Total Capital Assets, Net of Depreciation	217,734	110,729	22	-	328,485
Total Assets	298,628	164,181	64,900	5,141	532,850

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 5,984	$ 3,278	$ 1,220	$ 49	$ 10,531
Accrued expenses	6,254	6,712	-	-	12,966
Due to other governmental agencies	1,137	1,349	-	-	2,486
Deferred revenue	493	3,825	-	266	4,584
Other liabilities	5,659	3,076	764	1,283	10,782
Total Current Liabilities	19,527	18,240	1,984	1,598	41,349
Due to primary government:					
Due within one year	1,096	-	34	27	1,157
Due in more than one year	-	15,102	1,448	-	16,550
Total Due to Primary Government	1,096	15,102	1,482	27	17,707
Long-term obligations:					
Due within one year	11,437	-	-	-	11,437
Due in more than one year	46,964	82,257	4,725	-	133,946
Total Noncurrent Liabilities	58,401	82,257	4,725	-	145,383
Total Liabilities	79,024	115,599	8,191	1,625	204,439
NET ASSETS:					
Invested in capital assets, net of related debt	160,774	39,799	-	-	200,573
Restricted	5,113	4,128	8,196	1,154	18,591
Unrestricted	53,717	4,655	48,513	2,362	109,247
Total Net Assets	**$ 219,604**	**$ 48,582**	**$ 56,709**	**$ 3,516**	**$ 328,411**

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, 2010
(Thousands of Dollars)

Exhibit D-2

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Housing Authority				
Low income housing	$ 90,346	$ 20,057	$ 53,938	$ 20,829
Redevelopment Authority				
Prevention and elimination of blight	13,805	5,980	8,294	9,292
Milwaukee Economic Development Corporation				
Increase employment and expansion of business	3,385	2,969	1,814	-
Neighborhood Improvement Development Corp.				
Housing improvements	3,715	764	1,313	1,343
Total Component Units	$111,251	$ 29,770	$ 65,359	$ 31,464
General revenues:				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning, as restated (note 1w)				
Net Assets - Ending				

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

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
$ 4,478	$ -	$ -	$ -	$ 4,478
-	9,761	-	-	9,761
-	-	1,398	-	1,398
-	-	-	(295)	(295)
4,478	9,761	1,398	(295)	15,342
4,230	183	458	37	4,908
4,230	183	458	37	4,908
8,708	9,944	1,856	(258)	20,250
210,896	38,638	54,853	3,774	308,161
$ 219,604	**$ 48,582**	**$ 56,709**	**$ 3,516**	**$328,411**

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

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

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

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

Related Organizations

Milwaukee Area Workforce Investment Board

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

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

B. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2010 that will be collected in 2011 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

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

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

F. Property Taxes

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

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

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2010 is approximately $2,186,000.

H. Unbilled Services

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

I. Special Assessments

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

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectability 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 $9,660,000 as of December 31, 2010.

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

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

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

M. Capital Assets

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

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

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

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

N. Pension Contributions

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

O. Compensated Absences

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

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

P. Claims and Judgments

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

Q. Bond Premiums, Discounts, and Issuance Costs

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

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

R. Advance Refundings of Debt

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

S. Fund Balances

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

T. Net Assets

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

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

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

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

U. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

V. Use of Estimates

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

W. New Accounting Pronouncements

In June, 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City has implemented this Statement beginning with the year ending December 31, 2010 which resulted in the capitalization of approximately $2,683,000 Primary Government intangible assets. This statement also resulted in the Redevelopment Authority adding $231,000 of intangible assets to CIP as of January 1, 2009. This resulted in an addition of beginning net assets for component units from $307,930,000 to $308,161,000.

In June, 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The City has implemented this Statement beginning with the year ending December 31, 2010. The City does not have any Derivative Instruments meeting the criteria of GASB Statement No. 53.

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. This Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The City will implement this Statement beginning with the year ending December 31, 2011. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

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

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

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, 2010, the City's deposits and investments are as follows:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Greater than 10**	**Credit Rating**
Governmental and Business-type activities:						
Investment type						
Pooled Deposits and Investments	$ 219,334	$ 219,334	$ -	$ -	$ -	see below
Segregated Deposits and Investments						
Interest Checking	10,167	10,167	-	-	-	not rated
Wisconsin Local Government Investment Pool	90,047	90,047	-	-	-	not rated
Municipal Bonds	12,574	-	495	10,210	1,869	see below
U.S. Treasury strips	1,680	1,116	1	563	-	AAA
Treasuries (Fiscal Agent)	8,997	8,997	-	-	-	AAA
Other	494	-	-	-	494	
	$ 343,293	$ 329,661	$ 496	$ 10,773	$ 2,363	
Fiduciary activities:						
Investment type						
Investments in the Pool	$ 260,074	$ 260,074	$ -	$ -	$ -	see below
Other Deposits	44,623	44,623	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government Investment Pool	1,350	1,350	-	-	-	not rated
U.S. Treasury strips	2,429	420	1,627	382	-	AAA
	$ 308,476	$ 306,467	$ 1,627	$ 382	$ -	

Municipal Bonds

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

Pooled Deposits and Investments

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

As of December 31, 2010, the City had the following investments and maturities in the Pool**:**

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Greater than 10**	**Credit Rating**
Pooled Deposits and Investments						
Bank Demand Deposits	$ 19,620	$ 19,620	$ -	$ -	$ -	not rated
Other Deposits	751	751	-	-	-	not rated
Deposits and Investments						
Interest Checking	343,533	343,533	-	-	-	not rated
Wisconsin Local Government Investment Pool	99,504	99,504	-	-	-	not rated
Government Money Market	100	100	-	-	-	AAA
Certificates of Deposits	15,900	15,900	-	-	-	not rated
	$ 479,408	$ 479,408	$ -	$ -	$ -	

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, 2010, the City's bank balances of $1,012,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

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

Credit risk

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

B. Component Units

Deposits and Investments

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

Interest Rate Risk

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

Credit Risk

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

The Component Units have the following investments on December 31, 2010:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair value	**Less than 1**	**1-2**	**8-10**	**10 and greater**	**Credit Rating**
Component Units:						
Local Government Investment Pool	$ 16,378	$ 16,378	-	-	-	not rated
U.S. Treasury Money Market Fund	12,527	12,527	-	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	649	4	-	645	-	Aaa
Certificates of Deposit	1,600	1,600	-	-	-	N/A
	$ 31,154	$ 30,509	$ -	$ 645	$ -	

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, 2010 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	**Uninsured and Uncollateralized**
Housing Authority	$ 7,144,323	$ 1,030,669
Redevelopment Authority	13,328,705	-
Milwaukee Economic Development Corporation	12,593,350	3,745,716
Neighborhood Improvement Development Corporation	2,037,438	764,185

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, 2010, the Housing Authority had $648,877 of investments exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2010, the Redevelopment Authority had $10,372,106 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, 2010, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	(Thousands of Dollars)		
2005 and prior	$ 685	$ 1,085	$ 1,770
2006	452	700	1,152
2007	1,202	1,810	3,012
2008	3,791	5,739	9,530
2009	11,783	18,455	30,238
Total delinquent property taxes receivable	$ 17,913	$ 27,789	45,702
Property taxes receivable on foreclosed property			19,562
Less: Allowance for uncollectible taxes			(17,918)
Net delinquent property taxes receivable, including tax deeded property			$ 47,346

4. CAPITAL ASSETS

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

Governmental activities	**Balance 01-01-10**	**Additions**	**Deletions**	**Balance 12-31-10**
		(Thousands of Dollars)		
Capital assets not being depreciated:				
Land	$ 164,250	$ 41	$ 81	$ 164,210
Construction in progress	40,839	8,308	22,634	26,513
Intangible right of ways	-	1,319	-	1,319
Total capital assets not being depreciated	205,089	9,668	22,715	192,042
Capital assets being depreciated:				
Buildings	257,076	20,365	625	276,816
Infrastructure	1,377,383	80,615	7,080	1,450,918
Improvements other than buildings	11,687	215	91	11,811
Machinery and equipment	164,265	15,885	6,362	173,788
Intangible software	-	1,364	-	1,364
Total capital assets being depreciated	1,810,411	118,444	14,158	1,914,697
Less accumulated depreciation for:				
Buildings	72,025	6,995	625	78,395
Infrastructure	911,616	30,014	7,080	934,550
Improvements other than buildings	7,731	328	87	7,972
Machinery and equipment	94,133	12,254	6,166	100,221
Intangible software	-	97	-	97
Total accumulated depreciation	1,085,505	49,688	13,958	1,121,235
Total capital assets being depreciated, net	724,906	68,756	200	793,462
Government activity capital assets, net	$ 929,995	$ 78,424	$ 22,915	$ 985,504

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

General government	$ 462
Public safety	8,680
Public works	39,610
Health	260
Culture and recreation	676
Total	$ 49,688

Business-type activities	Balance 01-01-10	Additions	Deletions	Balance 12-31-10
		(Thousands of Dollars)		
Water Works				
Capital assets not being depreciated:				
Land	$ 1,936	$ 86	$ -	$ 2,022
Construction in progress	15,635	21,916	24,834	12,717
Total capital assets not being depreciated	17,571	22,002	24,834	14,739
Capital assets being depreciated:				
Buildings	24,135	1,271	-	25,406
Infrastructure	338,510	18,162	799	355,873
Machinery and equipment	202,027	6,133	1,710	206,450
Nonutility property	5,509	-	817	4,692
Total capital assets being depreciated	570,181	25,566	3,326	592,421
Less accumulated depreciation for:				
Buildings	14,581	1,393	-	15,974
Infrastructure	80,929	3,851	802	83,978
Machinery and equipment	97,272	8,190	1,009	104,453
Nonutility property	988	-	411	577
Total accumulated depreciation	193,770	13,434	2,222	204,982
Total capital assets being depreciated, net	376,411	12,132	1,104	387,439
Water Works capital assets, net	393,982	34,134	25,938	402,178
Sewer Maintenance				
Capital assets not being depreciated:				
Construction in progress	16	-	16	-
Total capital assets not being depreciated	16	-	16	-
Capital assets being depreciated:				
Infrastructure	448,298	40,513	104	488,707
Machinery and equipment	4,419	144	-	4,563
Total capital assets being depreciated	452,717	40,657	104	493,270
Less accumulated depreciation for:				
Infrastructure	109,116	5,204	104	114,216
Machinery and equipment	2,299	347	-	2,646
Total accumulated depreciation	111,415	5,551	104	116,862
Total capital assets being depreciated, net	341,302	35,106	-	376,408
Sewer Maintenance capital assets, net	341,318	35,106	16	376,408

	Balance 01-01-10	Additions	Deletions	Balance 12-31-10
		(Thousands of Dollars)		
Other business-type activities:				
Capital assets not being depreciated:				
Land	16,231	-	-	16,231
Construction in progress	2,444	2,099	2,363	2,180
Total capital assets not being depreciated	18,675	2,099	2,363	18,411
Capital assets being depreciated:				
Buildings	65,272	1,120	-	66,392
Infrastructure–port	15,909	711	-	16,620
Improvements other than buildings	7,717	54	-	7,771
Machinery and equipment	8,860	1,362	41	10,181
Total capital assets being depreciated	97,758	3,247	41	100,964
Less accumulated depreciation for:				
Buildings	37,105	2,373	-	39,478
Infrastructure–port	9,076	278	-	9,354
Improvements other than buildings	5,318	301	-	5,619
Machinery and equipment	5,042	601	32	5,611
Total accumulated depreciation	56,541	3,553	32	60,062
Total capital assets being depreciated, net	41,217	(306)	9	40,902
Other business-type activities, net	59,892	1,793	2,372	59,313
Business-type activity capital assets, net	$ 795,192	$ 71,033	$ 28,326	$ 837,899

	Balance 01-01-10	Additions	Deletions	Balance 12-31-10
		(Thousands of Dollars)		
Component Units				
Capital assets not being depreciated:				
Land	$ 56,527	$ 400	$ 111	$ 56,816
Construction in Progress	3,409	23,740	10,417	16,732
Total capital assets not being depreciated	59,936	24,140	10,528	73,548
Capital assets being depreciated:				
Buildings	488,043	19,472	7,226	500,289
Infrastructure	789	-	410	379
Improvements other than buildings	1,725	-	-	1,725
Machinery and equipment	3,513	288	83	3,718
Total capital assets being depreciated	494,070	19,760	7,719	506,111
Less accumulated depreciation for:				
Buildings	241,452	12,882	6,450	247,884
Infrastructure	40	24	23	41
Improvements other than buildings	324	129	-	453
Machinery and equipment	2,616	261	81	2,796
Total accumulated depreciation	244,432	13,296	6,554	251,174
Total capital assets being depreciated, net	249,638	6,464	1,165	254,937
Component units capital assets, net	$ 309,574	$ 30,604	$ 11,693	$ 328,485

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2010 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		(Thousands of Dollars)			
Current property taxes	$ 178,988	$ 93,532	$ 4,679	$ -	$ 277,199
Delinquent property taxes	8,646	-	-	3,270	11,916
Unearned revenue	-	-	3,327	8,572	11,899
Long-term receivables	-	93,488	-	115	93,603
Unbilled special assessments	-	-	9,069	-	9,069
Total	$ 187,634	$ 187,020	$ 17,075	$ 11,957	$ 403,686

6. SHORT-TERM DEBT

During 2010, the City issued and repaid $147,000,000 of General Obligation Cash Flow Promissory Notes, Series 2010 R4 (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, 2010.

As of December 31, 2009, the City had outstanding $228,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2010, the City repaid the outstanding balance and issued $225,000,000 short-term RANs for the same purpose. Of the new notes, $50,000,000 was repaid in 2010 and the remaining balance of $175,000,000 bears interest rates from 1.5% to 2% and will mature on June 27, 2011. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

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

	Balance 01-01-10	Additions	Deductions	Balance 12-31-10	Amounts Due within One Year
		(Thousands of Dollars)			
Governmental activities:					
General obligation bonds and notes					
City	$ 649,306	$ 366,200	$ 334,842	$ 680,664	$ 86,633
Milwaukee Public Schools	93,446	143,511	105,438	131,519	13,327
Deferred amount on refundings	(4,000)	-	(1,097)	(2,903)	-
Unamortized premiums	23,839	21,632	9,993	35,478	-
Compensated absences	38,904	3,141	3,097	38,948	4,014
Net other postemployment benefits obligation	122,944	77,666	31,570	169,040	-
Claims and judgments	23,719	2,812	7,070	19,461	3,920
Total governmental activities	$ 948,158	$ 614,962	$ 490,913	$ 1,072,207	$ 107,894
Business-type activities					
Water Works					
General obligation bonds and notes	$ 15,285	$ 675	$ 2,507	$ 13,453	$ 3,025
Deferred amount on refundings	(217)	-	(105)	(112)	-
Unamortized premiums	570	-	164	406	-
Revenue bonds	9,400	-	938	8,462	964
Compensated absences	1,248	1,598	1,517	1,329	1,329
Net other postemployment benefits obligation	2,400	2,072	1,395	3,077	-
Total Water Works	28,686	4,345	6,416	26,615	5,318
Sewer Maintenance					
General obligation bonds and notes	7,167	72,040	25,770	53,437	675
State Loans	48,002	34,783	2,061	80,724	3,514
Revenue bonds	48,115	-	2,840	45,275	2,940
Unamortized premiums	1,542	-	200	1,342	-
Net other postemployment benefits obligation	904	857	577	1,184	-
Total Sewer Maintenance	105,730	107,680	31,448	181,962	7,129
Other Enterprise Funds					
General obligation bonds and notes	14,351	2,681	1,920	15,112	2,000
Deferred amount on refundings	(141)	-	(46)	(95)	-
Unamortized premiums	193	-	55	138	-
Net other postemployment benefits obligation	826	716	483	1,059	-
Total Other Enterprise	15,229	3,397	2,412	16,214	2,000
Total business-type activities	$ 149,645	$ 115,422	$ 40,276	$ 224,791	$ 14,447

	Balance 01-01-10	New Issues	Repayments	Balance 12-31-10	Amounts Due within One Year
		(Thousands of Dollars)			
Component Units					
Revenue bonds	$ 94,393	$ -	$ 2,668	$ 91,725	$ 535
Unamortized discounts	(97)	-	(6)	(91)	-
Notes payable	41,264	9,739	290	50,713	10,664
Advance from other organizations	-	-	-	-	-
Compensated Absences	1,106	-	312	794	238
Net other postemployment benefits	1,441	893	92	2,242	-
Total component units	$ 138,107	$ 10,632	$ 3,356	$ 145,383	$ 11,437

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2010, general obligation bonds totaling $57,390,000 were issued. $41,414,890 was issued to finance capital improvements, $11,020,000 for school purposes and $4,955,110 for business-type activities.

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

Through 2010, $154,206,284 has been borrowed and outstanding for forty-six tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to $209,448,349. Active Tax increments received through 2010 total $160,223,934. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The $131,519,000 of Milwaukee Public School long-term debt outstanding at December 31, 2010 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2010, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately $992,516,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds and State Loans

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2010, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of $34,783,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2010, installment loans totaling $137,565,000 were issued. $101,748,180 was issued to finance capital improvements, $5,950,220 for business-type activities and $29,866,600 to purchase 2009's delinquent taxes.

During 2010, the City continued to issue General Obligation Commercial Paper Promissory Notes totaling $205,852,000. $46,491,400 was issued to finance capital improvements, $64,491,400 for business-type activities and $95,191,000 for schools. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above:

Balance 01-01-10	Additions	Deletions	Balance 12-31-10
90,000	205,852	217,252	78,600

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

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

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2010, the City had no outstanding draws on the letter of credit.

E. Qualified Schools Construction Bonds Payable

During the year ended December 31, 2010, the City issued Qualified Schools Construction Bonds totaling $37,300,000 to finance schools construction projects which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above.

F. Debt Service Requirements

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

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
	(Thousands of Dollars)				
Governmental activities					
2011	$ 99,959	$ 34,174	$ -	$ -	$ 134,133
2012	82,225	30,331	-	-	112,556
2013	75,928	26,750	-	-	102,678
2014	66,590	23,307	-	-	89,897
2015	61,484	20,212	-	-	81,696
2016-2020	270,152	61,477	-	-	331,629
2021-2025	115,230	20,850	-	-	136,080
2026-2030	40,615	3,113	-	-	43,728
Total	$ 812,183	$ 220,214	$ -	$ -	$ 1,032,397
Business-type activities					
Water Works					
2011	$ 3,026	$ 674	$ 964	$ 211	$ 4,875
2012	2,551	531	989	185	4,256
2013	2,161	395	1,015	158	3,729
2014	2,346	284	1,042	131	3,803
2015	1,736	171	1,069	104	3,080
2016-2020	1,348	166	3,383	135	5,032
2021-2025	285	35	-	-	320
Total	$ 13,453	$ 2,256	$ 8,462	$ 924	$ 25,095
Sewer Maintenance					
2011	$ 675	$ 669	$ 6,454	$ 4,038	$ 11,836
2012	677	644	6,649	3,841	11,811
2013	698	616	6,862	3,603	11,779
2014	700	585	7,086	3,351	11,722
2015	703	552	7,332	3,094	11,681
2016-2020	45,430	1,852	40,708	11,152	99,142
2021-2025	4,554	528	32,848	4,191	42,121
2026-2030	-	-	18,060	833	18,893
Total	$ 53,437	$ 5,446	$ 125,999	$ 34,103	$ 218,985
Other Enterprise					
2011	$ 2,000	$ 674	$ -	$ -	$ 2,674
2012	1,802	582	-	-	2,384
2013	1,643	498	-	-	2,141
2014	1,614	420	-	-	2,034
2015	1,477	344	-	-	1,821
2016-2020	4,620	924	-	-	5,544
2021-2025	1,956	188	-	-	2,144
Total	$ 15,112	$ 3,630	$ -	$ -	$ 18,742

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
	(Thousands of Dollars)				
Total Component Units					
2011	$ 10,664	$ 1,332	$ 535	$ 710	$ 13,241
2012	146	1,263	570	682	2,661
2013	157	1,253	990	653	3,053
2014	3,892	1,242	1,195	620	6,949
2015	880	1,218	1,425	585	4,108
2016-2020	3,619	5,805	7,275	2,303	19,002
2021-2025	1,000	5,064	36,645	1,232	43,941
2026-2030	279	4,891	26,485	541	32,196
2031-2035	2,389	4,644	16,605	70	23,708
2036-2040	224	4,139	-	-	4,363
2041-2045	4,915	3,067	-	-	7,982
2046-2050	18,995	1,302	-	-	20,297
2051-2055	-	764	-	-	764
2056-2060	3,553	298	-	-	3,851
Total	$ 50,713	$ 36,282	$ 91,725	$ 7,396	$ 186,116

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, 2010, the City's legal debt margin was $1,382,983,000. Of this amount, $625,327,000 was for school purposes and $757,656,000 was for City purposes.

H. Refundings

During February 2010, the City issued General Obligation Promissory Notes, Series 2010 N1 and T2 with a par amount of $73,620,000 and interest rates from 1% to 5% and Corporate Purpose Bonds, Series 2010 B5 with a par amount of $13,800,000 and interest rates from 1.5% to 5%. The current refunding of $110,000,000 General Obligation Commercial Paper Promissory Notes will provide long-term financing for temporary borrowing.

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, 2010, $75,950,000 of bonds outstanding is considered defeased, which includes debt defeased during the current year.

I. Conduit Debt

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2010 is approximately $46,509,000 for the City and $592,077,000 for RACM.

8. RETIREMENT PLANS

Pension Benefits

Plan Description – The City makes contributions to the Employes' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employes' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires that are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2010, 2009, and 2008, were $17,371,000, $19,294,000, and $23,532,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

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

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

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

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

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees

still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.
Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2010, the City paid approximately $32,872,000 and $1,153,000, respectively, toward medical and life insurance for retirees.

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

Funding Status and Funding Progress

ARC	$ 80,498,000
Interest on Net OPEB Obligation	5,373,000
Adjustment to ARC	(4,560,000)
Annual OPEB Cost	81,311,000
Contribution made	34,025,000
Increase in net OPEB Obligation	47,286,000
Net OPEB obligation - beginning of year	127,074,000
Net OPEB obligation - end of year	$ 174,360,000

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

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	$ 73,100,000	45.0%	$ 78,400,000
12/31/2009	77,389,000	37.1%	127,074,000
12/31/2010	81,311,000	41.8%	174,360,000

Funded Status and Funding Progress. As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,007,573,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $1,007,573,000. The covered payroll (annual payroll of active employees covered by the plan) was $413,648,000 and the ratio of the UAAL to the covered payroll was 244 percent.

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

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

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 9% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between $45 and $65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between $21 and $30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2010, approximately $7,925,000 was paid for sick leave from all funds. At December 31, 2010, accumulated sick leave earned but not taken totaled approximately $168,764,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2010, terminal leave payments totaled $2,400,000 to employees retiring during the year. As of December 31, 2010, the City has accrued approximately $21,490,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of $38,948,000 with the remainder accrued vacation leave of $17,458,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, $43,824,000 at December 31, 2010, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of $9,798,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the $9,798,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than 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 budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Fund deficit

The Capital Projects Fund had a deficit fund balance of $19,855,000 as of December 31, 2010, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2011.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2010:

Due To	Due From: General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
	(Thousands of Dollars)					
General Fund	$ -	$ 288	$ 1,444	$ -	$ -	$ 1,732
General Obligation Debt	-	-	3,700	-	-	3,700
Capital Projects	12,244	-	-	-	-	12,244
Nonmajor Governmental Funds	11,474	-	-	-	-	11,474
Water Works	22,545	-	-	762	581	23,888
Sewer Maintenance	-	-	-	-	-	-
Nonmajor Enterprise Funds	11,734	-	-	-	-	11,734
Totals	$ 57,997	$ 288	$ 5,144	$ 762	$ 581	$ 64,772

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

Interfund transfers for the year ended December 31, 2010 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	$ 3,006	Funding for debt payments
	Nonmajor Governmental Funds	8,850	Subsidize uncollected property taxes
	Water Works	3,000	Subsidy for operations
	Water Works	10,154	Payment in Lieu of taxes
	Sewer Maintenance	436	Pension contribution
	Nonmajor Enterprise Funds	1,297	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	22,287	Subsidy for operations
	Nonmajor Enterprise Funds	355	Pension contribution
	Nonmajor Enterprise Funds	2,326	Excess earnings of Port
	Subtotal General Fund	**51,711**	
General Obligation Debt	General	147,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Public Debt Amortization	13,928	Subsidy for operations
	Capital Projects	2,428	Tax Incremental District closeouts
	Nonmajor Governmental Funds	23,914	Funding for debt payments
	Sewer Maintenance	8,321	Subsidy for operations
	Nonmajor Enterprise Funds	577	Subsidy for operations
	Subtotal Debt Service	**198,244**	
Public Debt Amortization	General Obligation Debt	3,457	Funding for debt payments
	Subtotal Public Debt Amortization	**3,457**	
Nonmajor Enterprise	General Fund	2	Subsidy for operations
	General Obligation Debt	574	Funding for debt payments
	Subtotal Nonmajor Proprietary	**576**	
	Total Interfund Transfers	**$ 253,988**	

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

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2010:

Component Unit Payable	Primary Government's Receivable (Thousands of Dollars)
Due from HACM for reimbursable expenditures	$ 1,096
Due from RACM for reimbursable expenditures	93
Due from RACM for tax incremental district loans	138
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	14,871
Due from MEDC for reimbursements for expenditures	34
Due from MEDC for tax incremental district loans	1,448
Due from NIDC for home and Community Development Block grants	27
Total	$ 17,707

Component Unit Receivable	Primary Government's Payable (Thousands of Dollars)
Due to RACM for tax incremental projects	$ 136
Due to RACM for urban renewal projects	131
Due to RACM Community Development Block grants and Home grants	111
Due to NIDC for tax incremental projects	20
Due to NIDC Community Development Block grants and.. Home grants	1
Total	$ 399

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2010 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount
	(Thousands of Dollars)
2011	$ 5,770
2012	5,580
2013	5,478
2014	4,751
2015	4,701
2016-2020	17,782
2021-2025	8,357
2026-2030	7,298
2031 and beyond	11,994
Total	$ 71,711

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, 2010 are as follows:

General liability claims	$ 8,470,000
Workers' compensation claims	6,982,000
Unemployment claims	1,128,000
Health insurance claims	1,417,000
Pollution remediation obligation	1,464,000

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

	2009	2010
Beginning of year liability	$ 28,466,000	$ 23,719,000
Current year claims and changes in estimates	10,233,000	2,812,000
Claim payments	(14,980,000)	(7,070,000)
End of year liability	$ 23,719,000	$ 19,461,000

On October 24, 2004, a claimant attended a party in the city that was hosted by a Milwaukee police officer and a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with the claimant who alleges that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with the claimant only after they suspected that he had stolen a badge from one of them. They also claim that the claimant resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and claimant alleges that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking him. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. All proceedings had been stayed pending the outcome of criminal trials. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a discovery period. Discovery, including expert testimony, has been extended through August 1, 2011 and dispositive motions are due November 1, 2011.

Environmental Liabilities

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

During 2010, the City spent $305,000 in pollution remediation-related activities. At December 31, 2010, the City has an outstanding liability of $1.4 million 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 that are no longer accepting waste. The Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The City has accrued $420,000 in the government-wide financial statement, as part of general liability claims for landfill closure related to the three sites. $150,000 of these costs is meant to bring closure to the Hartung Quarry by constructing a sledding hill and additional landscaping. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.
GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost's,* establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and are therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of $34,785,000 and $8,088,000, respectively, for various capital improvement projects at December 31, 2010.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2010.

14. SUBSEQUENT EVENTS

On June 9, 2011, the City issued $93,625,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 15 of each year beginning 2012 until 2021. Interest is payable on May 15 and November 15 commencing November 15, 2011.

On June 9, 2011, the City issued $28,890,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 15 of each year beginning 2022 until 2028. Interest is payable on May 15 and November 15 commencing November 15, 2011.

On June 9, 2011, the City issued $33,930,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 15 of each year beginning 2013 until 2028. Interest is payable on May 15 and November 15 commencing November 15, 2011.

On June 9, 2011, the City issued $100,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 1, 2011 with interest.

On June 9, 2011, the City issued $52,565,000 of Sewerage System Revenue Bonds for the purpose of refunding Sewer Maintenance debt. These bonds mature on June 1 of each year beginning 2013 until 2031. Interest is payable on June 1 and December 1 commencing December 1, 2011.

On June 26, 2011, Wisconsin Act 10 was signed by the Wisconsin Governor. This legislation will reduce 2012 state aids by an estimated $14 million for the City of Milwaukee, freeze future property tax levies at the greater of zero percent or the percentage growth in net new construction, and eliminate most public employees' collective bargaining rights for pensions and health care benefits.

On July 26, 2011, the Milwaukee Common Council passed legislation that will change health care benefits for all City employees and retirees. Current general City employees, civilian personnel within the police and fire departments, and new retirees will also pay health care premium equivalent to 12% of the City's health care costs. These changes are likely to reduce the City's net expenditures on health care between 2011 and 2012 by over $20 million.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILWAUKEE

Exhibit E-1

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2010

(Thousands of Dollars)

(unaudited)

	Budgeted Amounts		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	$ 176,843	$ 176,843	$ 168,031	$ (8,812)
Other taxes	4,769	4,769	5,097	328
Licenses and permits	12,754	12,754	12,948	194
Intergovernmental	270,872	270,872	270,939	67
Charges for services	92,349	93,517	97,146	3,629
Fines and forfeits	5,255	5,255	5,422	167
Other	19,256	19,256	20,323	1,067
Total Revenues	582,098	583,266	579,906	(3,360)
Expenditures:				
Current:				
General government	259,798	259,925	253,328	6,597
Public safety	256,850	265,207	264,067	1,140
Public works	88,574	95,180	94,482	698
Health	9,239	9,996	9,996	-
Culture and recreation	15,391	15,671	15,656	15
Conservation and development	3,420	3,802	3,747	55
Total Expenditures	633,272	649,781	641,276	8,505
Deficiency of Revenues over Expenditures	(51,174)	(66,515)	(61,370)	5,145
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	-	147,000	147,000
Transfers in	38,073	41,079	51,711	10,632
Transfers out	-	(2)	(149,078)	(149,076)
Contributions received	27,843	28,793	23,005	(5,788)
Contributions used	(27,794)	(30,591)	(22,998)	7,593
Use of fund balance - reserved for tax stabilization	13,070	13,070	13,070	-
Total Other Financing Sources and Uses	51,192	52,349	62,710	10,361
Net Change in Fund Balance	18	(14,166)	1,340	15,506
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	58,286	58,286	58,286	-
Fund Balance - Ending	**$ 58,304**	**$ 44,120**	**$ 59,626**	**$ 15,506**

Explanation of Differences of Budget to GAAP:

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is $13.070 million at January 1, 2010.

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

See accompanying independent auditors' report.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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
7/1/2008	-	$ 880,700,000	$ 880,700,000	0.0%	$ 425,360,370	207.0%
1/1/2009	-	959,562,000	959,562,000	0.0%	419,811,361	228.6%
1/1/2010	-	1,007,573,100	1,007,573,100	0.0%	413,647,606	243.6%

See accompanying independent auditors' report.

Budgets and Budgetary Accounting

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

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

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	January 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	20.4% initial HMO
	7.7% initial Basic Plan
	4.5% ultimate

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

STATISTICAL SECTION

Pages 99-158 Omitted

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APPENDIX B

Draft Form of Legal Opinions

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May 3, 2012

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 $100,000,000 aggregate principal amount of General Obligation Cash Flow Promissory Notes, Series 2012 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 December 20, 2011.

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 3, 2012, mature (without option of prior redemption) on December 4, 2012 and bear interest from their date payable at maturity. $60,000,000 principal amount of the Notes bear interest at the rate of one and one-quarter percent (1.25%) per annum and $40,000,000 principal amount of the Notes bear interest at the rate of three percent (3.00%) per annum.

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,

LG/be

May 3, 2012

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 $113,430,000 aggregate principal amount of General Obligation Promissory Notes, Series 2012 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 resolutions passed by the Common Council of the City on December 20, 2011, February 28, 2012 and April 11, 2012.

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, and are dated as of May 3, 2012. The Notes mature (without option of prior redemption) on May 1 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 November 1, 2012 and semiannually thereafter on May 1 and November 1 of each year, at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2013	$22,925,000	3.00%
2014	14,525,000	4.00
2015	5,960,000	5.00
2016	12,610,000	5.00
2017	11,920,000	5.00
2018	11,655,000	5.00
2019	13,210,000	5.00
2020	9,125,000	5.00
2021	7,300,000	5.00
2022	4,200,000	5.00

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.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Notes we have relied on the verification report of Causey Demgen & Moore, Inc., certified public accountants, regarding the computation of the arbitrage yield on the Notes and of certain investments made with the proceeds of the Notes.

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

Respectfully submitted,

LG/be

May 3, 2012

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 $8,455,000 aggregate principal amount of General Obligation Corporate Purpose Bonds, Series 2012 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 December 12, 2006, January 15, 2008, January 16, 2009, January 20, 2010, December 21, 2010, November 2, 2011, December 20, 2011, February 28, 2012 and April 11, 2012.

The Bonds constitute an issue of "corporate purpose bonds" under Section 67.05 of the Wisconsin Statutes, and are issuable in fully registered form in the denominations of $5,000 or any integral multiple thereof. The Bonds are dated as of May 3, 2012 and bear interest from their date at the rate of five percent (5.00%) per annum, payable on November 1, 2012 and semiannually thereafter on May 1 and November 1 of each year. The Bonds mature on May 1 in each of the following years in the respective principal amount set forth opposite each such year in the following table:

Year	Principal Amount
2023	$1,670,000
2024	1,680,000
2025	1,690,000
2026	1,700,000
2027	1,715,000

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 May 1, 2022 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.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Causey Demgen & Moore, Inc., certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

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

Respectfully submitted,

LG/be

May 3, 2012

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

Re: City of Milwaukee $6,085,000 Taxable General Obligation Promissory Notes, Series 2012 T4

We have examined a record of proceedings relating to the issuance of $6,085,000 aggregate principal amount of Taxable General Obligation Promissory Notes, Series 2012 T4 (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 resolutions passed by the Common Council of the City on December 12, 2006, January 15, 2008, January 16, 2009, January 20, 2010, December 21, 2010, February 28, 2012 and April 18, 2012

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, and are dated as of May 3, 2012. The Notes mature on May 1 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 November 1, 2012 and semiannually thereafter on May 1 and November 1 of each year, at the respective rate of interest per annum set forth opposite such year:

Taxable General Obligation Promissory Notes
Series 2012 T4

Year	Principal Amount	Interest Rate
2013	$ 435,000	4.00%
2014	435,000	4.00
2015	435,000	4.00
2016	625,000	4.00
2017	670,000	4.00
2018	675,000	4.00
2019	685,000	4.00
2020	700,000	4.00
2021	710,000	4.00
2022	715,000	2.70

The Notes are not subject to redemption prior to maturity.

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.

Interest on the Notes is includable in gross income for Federal income tax purposes and is not exempt from Wisconsin income taxes.

Respectfully submitted,

Hurtado, S.C.

May 3, 2012

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

Re: City of Milwaukee $3,450,000 Taxable Obligation Corporate Purpose Bonds, Series 2012 T5

We have examined a record of proceedings relating to the issuance of $3,450,000 aggregate principal amount of Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5 (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 December 12, 2006, January 15, 2008, January 16, 2009, January 20, 2010, December 21, 2010, February 28, 2012 and April 18, 2012.

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, and are dated as of May 3, 2012. The Bonds mature on May 1 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 November 1, 2012 and semiannually thereafter on May 1 and November 1 of each year, at the respective rate of interest per annum set forth opposite such year:

Taxable General Obligation Corporate Purpose Bonds
Series 2012 T5

Year	Principal Amount	Interest Rate
2023	$ 300,000	2.90%
2024	310,000	3.10
2025	330,000	3.25
2026	345,000	3.40
2027	365,000	3.50
2028	380,000	3.60
2029	400,000	3.70
2030	350,000	3.80
2031	370,000	3.90
2032	390,000	4.00

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 May 1, 2022 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 includable in gross income for Federal income tax purposes and is not exempt from Wisconsin income taxes.

Respectfully submitted,

Hurtado, S.C.

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APPENDIX C

Master Continuing Disclosure Certificate

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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 Offerred 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 or 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 consumation of a merger, consoildation, 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 occurence 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 1st 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 administred 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 1st 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 1st 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:

$100,000,000	General Obligation Cash Flow Promissory Notes, Series 2012 R1
113,430,000	General Obligation Promissory Notes, Series 2012 N2
8,455,000	General Obligation Corporate Purpose Bonds, Series 2012 B3
6,085,000	Taxabke General Obligation Promissory Notes, Series 2012 T4
3,540,000	Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT

Date of Issues:

May 3, 2012

No Previous Non-Compliance. The Issuer represents that for the period begining 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 3rd day of May, 2012.

CITY OF MILWAUKEE, WISCONSIN

By:_____
Comptroller

MM:RL

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 and vvww.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.