

**NEW ISSUES
BOOK ENTRY ONLY**

RATINGS:

G.O. Notes & G.O. Bonds

(AMBAC Insured maturities 2009-15 & 2019)

(CIFG Insured maturities 2016-18 & 2020-23)

G.O. CFNs

(See "RATINGS" herein)

Fitch

"AA+"

"AAA"

"AAA"

"F1+"

Moody's

"Aa2"

"Aaa"

"Aaa"

"MIG 1"

Standard & Poor's

"AA"

"AAA"

"AAA"

"SP-1+"

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C. Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the G.O. Notes, G.O. Bonds and the G.O. CFNs (the "Offered Obligations") will not be includable in gross income for federal income tax purposes. The Offered 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 Offered 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 Offered Obligations is not exempt from Wisconsin income taxes.

CITY OF MILWAUKEE, WISCONSIN

**\$83,310,000 GENERAL OBLIGATION
PROMISSORY NOTES, SERIES 2006 N1**

**\$25,540,000 GENERAL OBLIGATION
CORPORATE PURPOSE BONDS, SERIES 2006 B2**

**\$66,000,000 GENERAL OBLIGATION
CASH FLOW PROMISSORY NOTES, SERIES 2006 R3**

The General Obligation Promissory Notes, Series 2006 N1 (the "G.O. Notes" or the "Notes"), the General Obligation Corporate Purpose Bonds, Series 2006 B2 (the "G.O. Bonds" or the "Bonds"), and the General Obligation Cash Flow Promissory Notes, Series 2006 R3 (the "G.O. CFNs" or the "CFNs") are direct general obligations of the City of Milwaukee, Wisconsin (the "City" and the "State", respectively), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount, and are issued for the purpose of financing various public improvement projects and fiscal requirements of the City.

The G.O. Notes and G.O. Bonds will be dated the Expected Date of Delivery (April 6, 2006), will bear interest payable semiannually on February 15 and August 15 of each year, commencing August 15, 2006, at the rates, and will mature on February 15 in the years and amounts, as detailed on the inside front cover hereof. The G.O. Bonds are subject to optional redemption on any date on or after February 15, 2016, as provided herein. The G.O. Notes are not subject to redemption.

The G.O. CFNs will be dated the Expected Date of Delivery, and will be payable on April 5, 2007. 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 redemption.

The Offered Obligations have been offered for sale by competitive bid in accordance with the Official Notices of Sale dated March 8, 2006 and 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 other conditions specified in the Official Notices of Sale. Delivery of the Offered Obligations will be on or about April 6, 2006 (the "Expected Date of Delivery") in New York, New York.

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

For Further Information Contact:

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

Payment of the principal of and interest on the G.O. Bonds and G.O. Notes (*maturities 2009-2015 and 2019, only*) when due will be insured by a financial guaranty insurance policy to be issued by **Ambac Assurance Corporation** simultaneously with the delivery of the G.O. Bonds and G.O. Notes. Payment of the principal of and interest on the G.O. Bonds and G.O. Notes (*maturities 2016-2018 and 2020-2023, only*) when due will be insured by a municipal bond insurance policy to be issued by **CIFG Assurance North America, Inc.** simultaneously with the delivery of the G.O. Bonds and G.O. Notes.

Ambac



CIFG

IXIS FINANCIAL GUARANTY

March 16, 2006

MATURITY SCHEDULES

\$83,310,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2006 N1

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

Maturing (February 15)	Amount	Interest Rate	Yield	Maturing (February 15)	Amount	Interest Rate	Yield
2007	\$14,655,000	5.00%	3.50%	2012	\$7,480,000	5.00%	3.72%
2008	10,090,000	5.00	3.46	2013	6,965,000	5.00	3.83
2009	7,885,000	5.00	3.55	2014	6,985,000	5.00	3.88
2010	7,680,000	5.00	3.59	2015	7,005,000	5.00	3.93
2011	7,535,000	5.00	3.67	2016	7,030,000	4.00	4.03

\$25,540,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2006 B2

The G.O. Bonds will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semiannually on February 15 and August 15 of each year, commencing August 15, 2006, and will mature on February 15 in the years and in the amounts shown below. The G.O. Bonds are subject to optional redemption on any date on or after February 15, 2016, as provided herein.

Maturing (February 15)	Amount	Interest Rate	Yield	Maturing (February 15)	Amount	Interest Rate	Yield
2017	\$4,755,000	4.00%	4.11%	2021	\$4,860,000	4.25%	4.33%
2018	4,780,000	4.00	4.17	2022	735,000	4.25	4.36
2019	4,805,000	4.25	4.25	2023	770,000	4.25	4.39
2020	4,835,000	4.25	4.30				

\$66,000,000 GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2006 R3

The G.O. Cash Flow Promissory Notes, Series 2006 R3 will be dated the Expected Date of Delivery, and will mature on April 5, 2007 without the option of prior redemption. Interest will be payable at maturity, at the rate or rates shown below.

Amount	Interest Rate	Yield
\$35,000,000	4.50%	3.50%
31,000,000	4.50	NRO

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:

\$83,310,000 General Obligation Promissory Notes, Series 2006 N1 (the "G.O. Notes" or the "Notes")

\$25,540,000 General Obligation Corporate Purpose Bonds, Series 2006 B2 (the "G.O. Bonds" or the "Bonds")

\$66,000,000 General Obligation Cash Flow Promissory Notes, Series 2006 R3 (the "G.O. CFNs" or the "CFNs")

The G.O. Notes, G.O. Bonds, and the G.O. CFNs shall be collectively referred to herein as the "Offered Obligations."

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

SUMMARY STATEMENT-THE G.O. NOTES

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

Issuer: City of Milwaukee, Wisconsin.

Issue: \$83,310,000 General Obligation Promissory Notes, Series 2006 N1.

Dated Date: The Expected Date of Delivery, which is anticipated to be April 6, 2006.

Amounts and Maturities:

G.O. Notes

<u>February 15</u>	<u>Amount</u>	<u>February 15</u>	<u>Amount</u>
2007	\$14,655,000	2012	\$7,480,000
2008	10,090,000	2013	6,965,000
2009	7,885,000	2014	6,985,000
2010	7,680,000	2015	7,005,000
2011	7,535,000	2016	7,030,000

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

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

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

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

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

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

Tax Status of Interest: Bond Counsel are of the opinion that under existing law, interest on the Offered 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 (the "Code"), Bond Counsel are of the opinion that interest on the Offered 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 the Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered 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 Offered Obligations is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).

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

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

Professionals:

Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
	Hurtado, S.C. Wauwatosa, Wisconsin
Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
	Bagley Financial Corp. Detroit, Michigan

Delivery: Delivery of the Notes will be on or about April 6, 2006 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

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

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

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SUMMARY STATEMENT-THE G.O. BONDS

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

Issuer: City of Milwaukee, Wisconsin.
Issue: \$25,540,000 General Obligation Corporate Purpose Bonds, Series 2006 B2.
Dated Date: Expected Date of Delivery, which is anticipated to be April 6, 2006.

Amounts and Maturities:

G.O. Bonds

<u>February 15</u>	<u>Amount</u>	<u>February 15</u>	<u>Amount</u>
2017	\$4,755,000	2021	\$4,860,000
2018	4,780,000	2022	735,000
2019	4,805,000	2023	770,000
2020	4,835,000		

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

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

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

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

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

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

Tax Status of Interest: Bond Counsel are of the opinion that under existing law, interest on the Offered 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 (the "Code"), Bond Counsel are of the opinion that interest on the Offered 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 the Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered 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 Offered Obligations is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).

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

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

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois

Hurtado, S.C.
Wauwatosa, Wisconsin

Financial Advisor: Robert W. Baird & Co.
Milwaukee, Wisconsin

Bagley Financial Corp.
Detroit, Michigan

Delivery: Delivery of the Bonds will be on or about April 6, 2006 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

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

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

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SUMMARY STATEMENT-THE G.O. CFNS

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$66,000,000 General Obligation Cash Flow Promissory Notes, Series 2006 R3.
Dated Date:	The Expected Date of Delivery, which is anticipated to be April 6, 2006.
Maturity:	April 5, 2007.
Principal:	\$66,000,000
Interest Payment Dates:	Payable at maturity; calculated on the basis of 30-day months and a 360-day year (term of 359 days assuming an April 6, 2006 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 CFNs 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 Offered 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 (the "Code"), Bond Counsel are of the opinion that interest on the Offered 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 the Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered 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 Offered Obligations 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 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

Bagley Financial Corp.
Detroit, Michigan

Fiscal Agent: J.P. Morgan Chase
New York, New York

Delivery: Delivery of the CFNs will be on or about April 6, 2006 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 CFNs the City will provide an executed copy of its Continuing Disclosure Certificate. (See "RULE 15c2-12" herein).

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

AUTHORITY AND PURPOSE

The G.O. Notes and G.O. Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for various public improvement projects and fiscal requirements of the City, and to pay the associated financing costs. The Common Council of the City adopted resolutions on December 13, 2005, and January 18, 2006, which authorize the issuance of the G.O. Notes and G.O. Bonds.

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

Public Buildings for the housing of machinery and equipment	\$23,050,000
Harbor Improvements	395,512
Parking Lots and other parking facilities	190,000
Police facilities	2,830,271
Bridges	6,660,314
Laying out, opening and widening of streets, and to provide street and sidewalk improvements	11,251,738
Sewer Facilities	2,203,494
Library facilities	750,000
School facilities	9,240,442
Redevelopment and Urban Renewal programs and projects	<u>9,963,245</u>
TOTAL	<u>\$66,535,016</u>

In addition, the G.O. Notes are also anticipated to be used for various additional public purposes as follows:

Grant and aid projects	\$192,000
Public Buildings and equipment	22,573,984
Financing receivables and other fiscal needs	14,735,000
Parking facilities and equipment	99,000
Fire facilities and equipment	3,555,000
Public Safety Communications	160,000
Parks and public grounds	<u>1,000,000</u>
TOTAL	<u>\$42,314,984</u>

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

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

Under and by virtue of Sections 67.05(10) and 67.12(12), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on such Notes and Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

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

MATURITY AND INTEREST RATES

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

REDEMPTION PROVISIONS

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

The G.O. Bonds will be subject to redemption prior to their maturity, at the option of the City, on any date on or after February 15, 2016 at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding G.O. Bonds are called for redemption, the G.O. Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the G.O. Bonds of any maturity are called for redemption, the particular G.O. Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any G.O. Bonds to be redeemed in whose name such G.O. Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

STATUTORY BORROWING LIMITATION

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

THE G.O. CFNs

AUTHORITY AND PURPOSE

The Common Council of the City has authorized the issuance and sale of the Cash Flow Notes 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 February 7, 2006 in accordance with the provisions of Chapters 67.12(12) of the Wisconsin Statutes.

SECURITY FOR THE CFNS

The G.O. 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 G.O. CFNs.

Under and by virtue of Sections 67.05(10) and 67.12(12), 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 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.

The City has also covenanted to deposit by December 31, 2006, with the City's fiscal agent, segregated State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs.

STATUTORY BORROWING LIMITATION

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

INVESTMENT POLICIES

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

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

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

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. December 31, 2005, the City had approximately 18.79% (\$111,523,324.86) of its and MPS's investments deposited in the Local Government Investment Pool.

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

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

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

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City of Milwaukee, Wisconsin (the "City"), is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 592,765 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States of America.

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

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

ELECTED OFFICIALS

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

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

CITY OFFICIALS

As of April 6, 2004

(initial year in office follows name)

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

COMMON COUNCIL

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

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

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,306 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to directly borrow using revenue backed financings.

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

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

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

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

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

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

EMPLOYEE RELATIONS

Approximately 6,070 of the City's full-time employees are members of bargaining units represented by unions. Labor agreements are in place through December 31, 2006 with 18 unions representing approximately all but 300 of the City's represented employees.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 592,765, represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding Milwaukee is 1,512,400 and represents 28% of the population of the State of Wisconsin. Over 74 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. Forty-eight percent of the Milwaukee SMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

Effective buying income in the City is approximately \$8.0 billion, approximately 26 percent of the total effective buying income in the four county metro Milwaukee area. In Milwaukee, 27.8 percent of City households earn between \$20,000 and \$35,000 per year; 19.8 percent earn between \$35,000 and \$50,000 per year and 20.8 percent earn over \$50,000 per year. The age distribution of the population of the City is 11.0 percent between 18 and 24 years old; 15.0 percent between 25 and 34 years old; 20.9 percent between 35 and 49 years old and 24.3 percent are 50 years or older.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population</u> ⁽¹⁾	<u>Per Capita Average Income</u> ⁽²⁾	<u>Per Capita Household Income</u> ⁽²⁾	<u>Per Capita Equalized Value</u>
2000	605,572	14,170	36,830	28,641
2001	595,508	14,147	36,339	32,667
2002	595,958	13,420	34,320	34,022
2003	595,245	13,680	35,436	36,507
2004	593,920	13,578	35,287	39,554
2005	592,765	Not Available	Not Available	44,295

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

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

⁽²⁾ Per Capita Average Income and Per Capita Household Income figures are estimates based on the Sales and Marketing Magazine Estimated Buying Income (EBI). Effective Buying Income is defined by the Sales and Marketing Magazine as money income less personal tax and non-tax payments.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2001 through December 2005.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2001	\$388,613,133	2,752
2002	337,028,003	2,756
2003	334,954,154	2,884
2004	294,811,125	2,784
2005	529,251,733	2,599

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
2001	\$17,597,336	141	\$81,508,896	401	\$99,106,232	542	168
2002	18,726,773	135	53,525,650	562	72,252,423	697	172
2003	20,069,077	159	91,792,191	666	111,861,268	825	187
2004	29,896,986	194	48,346,002	553	78,242,988	747	244
2005	33,751,976	193	113,713,239	500	147,465,215	693	231

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2001	\$106,537,251	99
2002	87,778,047	89
2003	61,824,799	96
2004	63,485,441	89
2005	166,425,515	106

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2001	\$64,534,354	406
2002	24,122,613	159
2003	54,241,508	202
2004	34,176,914	95
2005	51,889,921	49

Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2001	\$118,435,296	2,079
2002	152,874,920	2,336
2003	107,026,579	2,399
2004	118,905,782	2,356
2005	163,471,082	2,213

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

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

BANK DEPOSITS

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

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

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

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

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

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

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

⁽⁷⁾ As of March 2005.

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

⁽⁹⁾ No data available as of March 2005.

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

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

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

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

Employer	2005 Employment Estimates ⁽¹⁾	Type of Business or Service
Aurora Health Care	14,247	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800	Government
Covenant Health Care	9,100	Health Care
City of Milwaukee	7,306	Government
Milwaukee Public Schools	7,137	Education
M&I Marshall & Ilsley	6,729	Holding company banking/finance and data services
Columbia-St. Mary's	5,749	Health Care
Northwestern Mutual Life	4,687	Insurance
University of Wisconsin-Milwaukee	4,307	Education
Medical College of Wisconsin	4,052	Medical school/academic/health care
Rockwell Automation (formerly Allen-Bradley)	3,800	Manufacturer, electrical/electronic products
Froedert Memorial Lutheran Hospital	3,720	Health Care
Harley-Davidson Motor Company	3,611	Manufacturer, motorcycles
US Bank (formerly Firststar Corporation)	3,350	Finance, banking
WE Energies	3,300	Electric/natural gas utility
SBC Communications (Ameritech Corporation)	2,766	Communications
Milwaukee County	2,638	Government
Briggs and Stratton	2,600	Manufacturer, small engines, automotive locks & keys
Children's Hospital of Wisconsin	2,500	Health care
Assurant Health Care ⁽²⁾	2,083	Health care
Marquette University	1,843	Higher Education
Miller Brewing Company	1,800	Manufacturer of beer and aluminum containers
Johnson Controls, Inc.	1,786	Manufacturer, of electronic control systems, automobile interior modules
Journal Communications	1,700	Publishing, printing and broadcasting
Delphi Automotive Systems (General Motors)	1,500	Manufacturer, automotive electronic engine control modules, catalytic converters, and automotive

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

Source: The 2006 Business Journal, 2005 Wisconsin Manufacturers and Business Service Directories and employer surveys February-March 2006.

EMPLOYMENT AND INDUSTRY

During 2005, the City's unemployment rate averaged approximately 7.1%. Presented below are unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 2001 through December 2005. The information below reflects revisions, corrections, and new inputs from the 2000 census, including the application of the changes to the prior years shown. For further information on the changes, please contact the U.S. Bureau of Labor Statistics, or visit their website at <http://www.bls.gov>.

ANNUAL UNEMPLOYMENT RATES

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2005	7.1% ⁽¹⁾	4.9% ⁽¹⁾	4.7% ⁽¹⁾	5.1%
2004	7.7	5.4	4.9	5.5
2003	8.7	6.1	5.6	6.0
2002	8.3	5.8	5.3	5.8
2001	6.7	4.6	4.4	4.7

Source: U.S. Bureau of Labor Statistics.

⁽¹⁾ Estimated from preliminary monthly data.

RECENT MONTHLY UNEMPLOYMENT RATES

(Not Seasonally Adjusted)

<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
December 2005	6.5% ⁽²⁾	4.5% ⁽²⁾	4.5% ⁽²⁾	4.6%

Source: U.S. Bureau of Labor Statistics.

⁽²⁾ Preliminary.

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

County of Milwaukee
Establishments and Employment by Industry Group
2004 - 3rd Quarter

<u>NAICS Description</u>	<u>Number of Establishments</u>	<u>Total Average Employment</u>
Utilities	34	1,731
Construction	1,423	13,188
Manufacturing	1,316	63,060
Wholesale Trade	1,576	19,390
Retail Trade	2,550	46,167
Transportation And Warehousing	698	22,082
Finance And Insurance	1,310	30,750
Real Estate And Rental And Leasing	863	7,365
Professional And Technical Services	2,405	23,007
Management Of Companies And Enterprises	202	13,634
Administrative And Waste Services	1,202	38,223
Educational Services	523	32,059
Health Care And Social Assistance	2,665	81,469
Arts, Entertainment, And Recreation	262	8,673
Accommodation And Food Services	1,735	35,922
Other Services, Ex. Public Admin	2,678	15,781
Public Administration	107	22,825
Not Classified	353	12,303
 Total	 21,902	 487,629
 All Government	 409	 51,656
Private Sector	21,493	435,973

Source: Wisconsin Department of Workforce Development

TEN LARGEST TAXPAYERS WITH 2005 ASSESSED VALUATIONS

US Bank (fna First Security Bank)	\$222,499,980
Northwestern Mutual Life Ins.	165,460,560
Marcus Corp/Milw City Center/Pfister	99,579,010
NNN 411 East Wisconsin LLC	91,034,000
Towne Realty	87,902,400
Metropolitan Associates	87,804,700
M & I Marshall & Ilsley Bank/Metavante Corp	77,442,920
Miller Brewing	66,293,140
100 E. Wisconsin Ave Joint Venture	58,183,120
Great Lakes REIT/GLR Milw Center	56,420,380

Source: City of Milwaukee, Assessor's Office February 2006.

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DEBT STRUCTURE

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

LEGAL DEBT LIMITATIONS

Section 67.03 of the Wisconsin Statutes, as supplemented and amended, limits direct general obligation borrowing by the City to an amount equivalent to five percent of the equalized valuation of taxable property within the City. Section 119.49 of the Wisconsin Statutes, as supplemented and amended, further authorizes referendum approved bonding in an additional amount equivalent to two percent of the equalized taxable property within the City for school capital purposes. Such debt margins, as of March 1, 2006, are calculated upon the 2005 City equalized valuation for 2006 purposes of \$26,256,713,800. After issuance of the Offered Obligations, the available five percent debt margin for City borrowing will be \$530,270,690 or 40.4% (\$596,270,690 or 45.4% if the G.O. CFNs are excluded) remaining for future debt issuance. The available two percent debt margin for school purpose borrowing is \$504,434,801, or 96.1% remaining for future debt issuance.

DEBT MARGIN *(Includes the Offered Obligations)*

	\$26,256,713,800
5% of Equalized Value	\$1,312,835,690
General Obligation Debt Outstanding subject to 5% Limit	
As of March 1, 2006	\$660,360,000
Plus: G. O. Notes	83,310,000
Plus: G. O. Bonds	25,540,000
Plus: G.O. CFNs	66,000,000
Less: Provision for current year maturities	<u>(52,645,000)</u>
Net General Obligation Debt Outstanding subject to the 5% Limit	\$782,565,000
As of March 1, 2006	
Total Debt Margin for City Borrowing (in Dollars)	\$530,270,690
(As a percentage)	40.4%
(As a percentage excluding the G.O. CFNs)	45.4%
2% of Equalized Value	\$525,134,276
General Obligation Debt Outstanding subject to 2% Limit	
As of March 1, 2006	\$20,699,475
Less: Provision for current year maturities	<u>(0)</u>
Net General Obligation Debt Outstanding subject to the 5% Limit	\$20,699,475
As of March 1, 2006	
Total Debt Margin for School Purpose Borrowing (in Dollars)	\$504,434,801
(As a percentage)	96.1%

DEBT REFUNDED

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

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

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

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

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

ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF MARCH 1, 2006

Schools (5% City Borrowing)	\$104,880,441
Schools (2% School Purpose Borrowing)	20,699,475
Tax Increment Districts	117,288,818
Public Buildings	101,581,020
Streets	81,782,297
Sewers	58,712,467
Police	44,851,621
Water	27,230,858
Blight Elimination/Urban Renewal	21,507,334
Local Improvement Projects/Special Ass	19,422,785
Finance Real & Personal Property Tax Rec	13,879,812
Bridges	13,453,840
Parking	13,430,774
Fire	13,101,670
Library	8,283,450
Playground/Rec Facilities	7,525,897
FMIS Replacement	6,739,000
Harbor	4,115,566
Municipal Expenses	1,750,000
Grant & Aid Improvements City Share	418,922
Economic Development	174,561
Industrial Land Bank	122,370
Milwaukee Exposition and Conv Center	51,403
Resource Recovery	39,793
Lakefront Development	15,301
Total	<u>\$681,059,475</u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

	Total G.O. Debt Service as of 03/01/2006 ⁽¹⁾	Series 2006 N1, B2 and R3			Interest	Total G.O. Debt Service Requirements After Issuance
		N1 & B2	R3			
2006	\$72,510,909			\$1,847,858	\$74,358,767	
2007	103,877,008	\$14,655,000	\$66,000,000	7,752,188	192,284,196	
2008	97,397,737	10,090,000	—	4,171,813	111,659,550	
2009	86,471,277	7,885,000	—	3,722,438	98,078,715	
2010	80,230,904	7,680,000	—	3,333,313	91,244,217	
2011	72,183,350	7,535,000	—	2,952,938	82,671,288	
2012	65,596,629	7,480,000	—	2,577,563	75,654,192	
2013	59,468,731	6,965,000	—	2,216,438	68,650,169	
2014	52,321,379	6,985,000	—	1,867,688	61,174,067	
2015	45,732,735	7,005,000	—	1,517,938	54,255,673	
2016	40,197,065	7,030,000	—	1,202,213	48,429,278	
2017	35,248,358	4,755,000	—	966,513	40,969,871	
2018	29,206,765	4,780,000	—	775,813	34,762,578	
2019	22,693,381	4,805,000	—	578,106	28,076,487	
2020	18,149,836	4,835,000	—	373,256	23,358,092	
2021	17,623,775	4,860,000	—	167,238	22,651,013	
2022	14,820,418	735,000	—	48,344	15,603,762	
2023	11,256,918	770,000	—	16,363	12,043,281	
2024	5,702,196	—	—	—	5,702,196	
2025	5,101,639	—	—	—	5,101,639	
	<u>\$935,791,010</u>	<u>\$108,850,000</u>	<u>\$66,000,000</u>	<u>\$36,088,014</u>	<u>\$1,146,729,024</u>	

⁽¹⁾ Assumes the maximum interest rate of 12.00% on \$25,000,000 of variable rate debt (the tax levy requirement).

TRENDS OF GENERAL OBLIGATION DEBT

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

<u>Dec. 31</u>	<u>General Obligation Debt Outstanding</u> ⁽²⁾	<u>Debt Service Fund Balance</u> ⁽¹⁾		<u>Debt Less Debt Service Fund Balance</u>
		<u>Allocated To Specific Issues</u> ⁽³⁾	<u>Unallocated</u> ⁽⁴⁾	
2000	\$605,239,921	\$9,623,007	\$20,812,993	\$574,803,921
2001	643,382,647	13,391,189	28,745,811	601,245,647
2002 ⁽⁵⁾	659,548,890	14,526,317	3,021,809	642,000,763
2003 ⁽⁵⁾	660,081,448	22,503,385	12,192,196	625,385,866
2004 ⁽⁵⁾	672,642,303	23,707,300	10,625,595	638,259,408
2005 ⁽⁵⁾	710,409,475	21,981,065	11,294,554	677,133,856

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

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT
Self-Sustaining General Obligation Debt⁽¹⁾

Date	General Obligation				Self-Sustaining General Obligation Debt ⁽¹⁾				Total Self		Net General Obligation
	Debt Less Debt Service Balance ⁽²⁾	TID Program ⁽³⁾	Parking Program	Special Assessments ⁽⁴⁾	Delinquent Taxes ⁽⁵⁾	Water	Sustaining Debt	Sustaining Debt	Debt Less Self-Sustaining Debt ⁽⁶⁾		
12/31/2000	\$584,426,928	\$66,078,454	\$26,981,616	\$26,299,555	\$21,225,000	\$52,611,050	\$193,195,675	\$193,195,675	\$391,231,253		
12/31/2001	614,636,836	85,095,889	25,557,046	23,882,153	22,430,000	47,857,943	204,823,031	204,823,031	409,813,805		
12/31/2002	656,527,080	92,727,110	22,588,922	21,291,451	22,645,000	42,488,920	201,741,403	201,741,403	454,785,677		
12/31/2003	647,889,251	88,436,381	19,635,246	24,837,384	24,190,000	37,808,589	194,907,600	194,907,600	452,981,651		
12/31/2004	661,966,708	98,051,013	16,612,840	22,824,289	26,260,000	32,800,701	196,548,843	196,548,843	465,417,865		
12/31/2005	699,114,921	118,997,028	13,952,627	20,427,697	26,323,406	27,949,288	207,650,046	207,650,046	491,464,875		

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

Date	Debt Per Capita
12/31/2001	\$688.17
12/31/2002	763.12
12/31/2003	762.70
12/31/2004	783.64
12/31/2005	829.11

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

Date	Population ⁽¹⁾	Net Equalized Valuation ⁽²⁾	Assessed Valuation	Net General Obligation Debt ⁽³⁾	Net General		Net		Net		Net G.O. Debt Per Capita/ Per Capita Income
					Debt/Equalized Valuation ⁽⁴⁾	Debt/Assessed Valuation	General Obligation Debt Per Capita ⁽⁴⁾	General Obligation Debt Per Capita Income	General Obligation Debt Per Capita Income		
12/31/2001	595,508	\$19,453,830,200	\$17,699,784,394	\$601,245,647	3.09%	3.40%	\$1,009.63	\$14,147		7.14%	
12/31/2002	595,958	20,298,387,000	19,866,255,215	642,000,763	3.16	3.23	1,077.26	13,420		8.03	
12/31/2003	595,245	21,730,754,000	21,009,517,241	625,385,866	2.88	2.98	1,050.64	13,680		7.68	
12/31/2004	593,920	23,491,773,700	22,772,419,500	638,259,408	2.72	2.80	1,074.66	13,578		8.41	
12/31/2005	592,765	26,256,713,800	25,222,149,174	677,133,856	2.58	2.68	1,142.33	N/A		N/A	

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

(2) Per Wisconsin Department of Revenue, Bureau of Property and Utility Tax.

(3) See - "TRENDS OF GENERAL OBLIGATION DEBT" herein.

(4) The Public Debt Amortization Fund may be used to acquire debt prior to maturity. Assuming the year-end unsegregated fund balance had been applied in this manner to debt in 2000 through 2004, the following results would have occurred:

Date	Debt Percentage Of Equalized Value	Direct Debt Per Capita
12/31/2001	2.86%	\$936.33
12/31/2002	2.94	1,002.87
12/31/2003	2.67	976.44
12/31/2004	2.52	998.71
12/31/2005 (est)	2.41	1,066.08

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
MARCH 1, 2006**

Governmental Unit	Debt Outstanding As of March 1, 2006 (Net of 2006 Principal Payments)	Approximate Percentage Applicable	Milwaukee's Share of Debt As of March 1, 2006
City of Milwaukee ⁽¹⁾	\$628,414,475	100.00%	\$628,414,475
Area Board of Vocational, Technical and Adult Education, District No. 9	53,035,000	37.91	20,105,569
County of Milwaukee ⁽²⁾	430,462,472	46.32	199,390,217
Milwaukee Metropolitan Sewerage District ⁽³⁾	678,620,338	48.93	332,048,931
TOTAL NET DIRECT AND OVERLAPPING DEBT	\$1,790,532,285		\$1,179,959,192

⁽¹⁾ Includes \$126,402,556 general obligation debt outstanding, which financed Milwaukee Public Schools improvements.

⁽²⁾ The County anticipates the issuance of approximately \$31,595,000 General Obligation Corporate Purpose Bonds early March 2006. The amounts are not reflected in the data above.

⁽³⁾ Includes approximately \$375,708,784 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

Prior to the issuance of the Offered Obligations, the City has \$470,516,710 authorized unissued general obligation debt for various corporate and capital improvement purposes, of which \$59,909,500 may be issued as general obligation or Sewerage Revenue bonds. The debt can be issued at any time. The 2006 Budget also provides for up to \$300,000,000 of general obligation and/or revenue anticipation borrowings. The remaining balance of revenue anticipation borrowings can be issued at any time, with approximately \$190,000,000 anticipated to be sold in August as revenue anticipation borrowings for Milwaukee Public School purposes. See "FINANCIAL INFORMATION — CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

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REVENUE BONDING

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

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

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds. As of December 31, 2005, total outstanding Sewerage System Revenue Bonds was \$58,555,000 with a final maturity in 2023.

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

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

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

Between the period 1983 and December 1, 2005 the Housing Authority issued revenue bonds of approximately \$149 million of which approximately \$12 million are still outstanding.

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

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

Since its creation, the Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Redevelopment Authority Act. In connection with the financing of a number of such projects, the Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power. As of December 31, 2005, the Authority has sold 99 separate issues in the total principal amount of approximately \$935 million. As December 31, 2005 there remained approximately \$494 million outstanding.

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

As of December 31, 2005, the Authority had outstanding: one bond issue with \$1,165,000 outstanding secured by a lease with the City; two bond issues with \$40,230,000 outstanding that have a Moral Obligation Pledge of the City; and \$171,489,122 in five bond issues for MPS, one secured by a lease, and four secured by loan agreements, with the Milwaukee Board of School Directors ("MBSD"). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City's, or MBSD's, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

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

Milwaukee Economic Development Corporation — As of December 31, 2005, the Milwaukee Economic Development Corporation funded loans for 948 small businesses and redevelopment projects utilizing \$187 million to leverage a total of \$998 million in investment. 618 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$22 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 \$13 million as of December 31, 2005.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts ("TID"). The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of March 1, 2006, \$117,288,818 general obligation bonds for TID purposes was outstanding. Under current laws, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the tax increment district. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

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

FINANCIAL INFORMATION

BUDGETING

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

CITY CAPITAL IMPROVEMENTS PLAN

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

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

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

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

The Adopted 2006 Capital Improvements Budget totals \$253 million compared to a 2005 Budget of \$193 million. Major categories include \$124 million of public works projects (streets, buildings, etc.), \$44 million of water and sewer projects, \$66 million of economic development projects, and \$11 million for schools.

ADOPTED BUDGET - COMBINED REVENUES - 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Taxes						
Property Tax - General	\$98,808,600	\$1,000,000	\$58,725,236	\$8,629,053	—	\$167,162,889
Provision for Empl Retirement Common Council Contingent Fund	40,387,713	—	—	—	—	40,387,713
Total Taxes	<u>5,500,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,500,000</u>
	<u>\$144,696,313</u>	<u>\$1,000,000</u>	<u>\$58,725,236</u>	<u>\$8,629,053</u>	<u>\$0</u>	<u>\$213,050,602</u>
Revenues						
Taxes	\$14,061,000	—	—	—	—	\$14,061,000
Licenses and Permits	11,018,822	—	—	—	—	11,018,822
Intergovernmental Revenues	272,233,000	\$79,020,376	—	—	—	351,253,376
Charges for Service	96,898,907	—	—	—	—	96,898,907
Fines and Forfeitures	5,206,000	—	—	—	—	5,206,000
Miscellaneous Revenues	8,160,799	9,000,000	—	—	—	17,160,799
Fringe benefits	17,250,000	—	—	—	—	17,250,000
Parking	15,200,000	—	\$4,397,241	—	\$17,435,616	37,032,857
Water Works	—	—	6,463,794	—	69,637,939	76,101,733
Sewer Maintenance Fund	4,610,000	—	7,000,000	—	23,059,298	34,669,298
Retained Earnings	—	—	—	—	42,179,409	42,179,409
Sinking Fund	—	—	48,955,556	—	—	48,955,556
Special Assessments	—	10,534,254	—	\$2,804,799	—	13,339,053
Capital Revenue	—	—	—	12,900,000	—	12,900,000
Total Revenues	<u>\$444,638,528</u>	<u>\$98,554,630</u>	<u>\$66,816,591</u>	<u>\$15,704,799</u>	<u>\$152,312,262</u>	<u>\$778,026,810</u>
Tax Stabilization						
Transfer from Reserves	\$16,328,000	—	—	—	—	\$16,328,000
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	\$140,530,072	\$25,580,000	166,110,072
Grand Total	<u>\$605,662,841</u>	<u>\$99,554,630</u>	<u>\$125,541,827</u>	<u>\$164,863,924</u>	<u>\$177,892,262</u>	<u>\$1,173,515,484</u>

(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 – 2006

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$7,723,828	—	—	\$521,000	—	\$8,244,828
Assessor's Office	4,654,643	—	—	—	—	4,654,643
City Attorney	6,833,434	—	—	—	—	6,833,434
City Treasurer	2,885,733	—	—	—	—	2,885,733
Common Council - Clerk	7,829,176	—	—	175,000	—	8,004,179
Municipal Court	3,370,945	—	—	—	—	3,370,945
Comptroller	6,428,104	—	—	—	—	6,428,104
Dept of City Development	3,535,712	—	—	65,550,000	—	69,085,712
Election Commission	1,815,237	—	—	—	—	1,815,237
Employee Relations, Dept of	5,603,394	—	—	—	—	5,603,394
Fire Department	88,705,238	—	—	3,381,000	—	92,086,238
Health Department	13,808,572	—	—	550,000	—	14,358,572
Library Board	23,952,284	—	—	1,060,000	—	25,012,284
Mayor's Office	1,165,922	—	—	—	—	1,165,922
Neighborhood Services	14,125,791	—	—	—	—	14,125,791
Police Department	206,999,935	—	—	1,179,000	—	208,178,935
Port of Milwaukee	3,882,471	—	—	1,025,000	—	4,907,471
DPW-Administration	4,811,231	—	—	235,000	—	5,046,231
DPW-Infrastructure	23,131,188	—	—	27,514,699	—	50,645,887
DPW-Operations	75,172,017	—	—	55,258,225	—	130,430,242
Water Works	—	—	\$6,463,794	—	\$100,907,180	107,370,974
Sewer Maintenance Fund	4,610,000	—	7,000,000	—	47,310,730	58,920,730
Special Purpose Accounts	143,859,472	—	—	—	—	143,859,472
Pension Funds	63,713,789	—	—	—	—	63,713,789
Debt Service - City	—	—	91,318,950	—	—	91,318,950
Debt Service - Schools	—	—	16,361,842	—	—	16,361,842
Contingency	5,500,000	—	—	—	—	5,500,000
Delinquent Tax Fund	—	\$10,000,000	—	—	—	10,000,000
Parking	—	—	4,397,241	—	29,674,352	34,071,593
Grant & Aid Fund	—	79,020,376	—	—	—	79,020,376
Special Capital Projects	—	—	—	8,415,000	—	8,415,000
Economic Development	—	—	—	—	—	—
Fringe Benefit Offset	—	10,534,254	—	—	—	10,534,254
Grand Total	(118,455,278)	\$99,554,630	\$125,541,827	\$164,863,924	\$177,892,262	(\$1,173,515,484)

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

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

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

⁽¹⁾ In 2000 and 2003, 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 2000 were \$17,909 and \$38,894, respectively, and in 2003 were \$34,342, and \$89,981, respectively.

YEAR 2004 GENERAL FUND RESULTS (BUDGET BASIS)

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

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

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

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

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

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

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

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

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

CITY OF MILWAUKEE
GENERAL FUND – PROJECTED CASH FLOW SUMMARY
(MILLIONS OF DOLLARS)
January 1, 2006 to December 31, 2006

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	113.735	107.490	64.853	33.647	91.453	65.723	0.751	52.221	30.701	7.008	(5.003)	131.777	
RECEIPTS													
Property Taxes	5.765	6.829	11.881	3.938	7.328	4.566	31.350	7.383	10.239	9.574	0.507	64.003	163.363
State Aids													
Shared Revenue	-	-	-	-	-	-	43.711	-	-	-	196.014	-	239.725
Highway Aids	6.175	-	-	6.174	-	-	7.608	-	-	6.175	-	-	26.132
Payment Muni. Services	-	2.550	-	-	-	-	-	-	-	-	-	-	2.550
Computer Exemption Aid	-	-	-	-	3.250	-	-	-	-	-	-	-	3.250
Other	8.972	8.684	6.645	9.802	8.800	12.599	8.603	9.695	7.154	10.290	6.871	9.142	107.257
Pension Fees	1.659	1.660	5.660	1.660	1.660	1.659	1.660	1.660	1.660	1.659	1.660	1.659	23.916
Solid Waste Fee	1.348	1.954	1.829	1.430	1.998	1.708	1.433	2.171	1.566	1.779	2.112	1.610	20.938
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	10.125	10.125
Parking Transfers	-	-	-	-	-	7.600	-	-	-	-	-	7.600	15.200
Summerfest Lease	-	-	-	-	-	-	0.363	0.363	-	0.364	-	-	1.090
Street Sweeping	-	-	-	-	-	-	-	-	-	-	-	4.600	4.600
Milwaukee Public Schools Fee	3.737	-	-	-	-	-	-	-	-	-	-	-	3.737
Potawatomi PILOT	-	-	-	-	-	-	-	3.380	-	-	-	-	3.380
Snow Removal	0.335	0.067	0.054	0.037	0.026	0.019	0.015	0.015	0.015	0.203	0.703	0.568	2.057
Year End Transfers	16.400	-	-	-	-	-	-	-	-	-	-	-	16.400
Note Proceeds ⁽¹⁾	-	-	-	80.735	-	-	-	-	-	-	-	-	80.735
TOTAL RECEIPTS	44.391	21.744	26.069	103.776	23.062	28.151	94.743	24.667	20.634	30.044	207.867	99.307	724.455

⁽¹⁾ Includes the delinquent tax financing portion of the G.O. Notes.

Maximum deficits occur in July and November.

**CITY OF MILWAUKEE
GENERAL FUND - PROJECTED CASHFLOW SUMMARY
(MILLIONS OF DOLLARS) (CONTINUED)
JANUARY 1, 2006 TO DECEMBER 31, 2006**

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
DISBURSEMENTS													
Salaries & Benefits	37.903	35.485	34.178	33.840	34.367	55.056	33.706	34.753	33.547	33.805	55.584	35.508	457.732
Services & Supplies	12.733	3.953	23.097	12.130	14.425	2.442	9.567	11.434	10.780	8.250	15.503	(3.279)	121.035
Purchase Tax Delinquents	-	24.943	-	-	-	-	-	-	-	-	-	-	24.943
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	16.400	16.400
Contractual Tax Payment	-	-	-	-	-	35.625	-	-	-	-	-	-	35.625
Note Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	66.000	66.000
TOTAL DISBURSEMENTS	50.636	64.381	57.275	45.970	48.792	93.123	43.273	46.187	44.327	42.055	71.087	114.629	721.735
BALANCE	107.490	64.853	33.647	91.453	65.723	0.751	52.221	30.701	7.008	(5.003)	131.777	116.455	
REPAYMENT FUND													
Balance												68.962	
Receipts:													
From General Fund											66.000		66.000
From Debt Service Fund											2.962		2.962
Disbursement												68.962	68.962
Balance											68.962		-

Maximum deficits occur in July and November.

**CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Millions of Dollars)**

	Beginning Cash Balance <u>(Deficit)</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash Balance <u>(Deficit)</u>
January	\$118.555	\$47.712	\$59.783	\$106.484
February	106.484	25.912	63.821	68.575
March	68.575	91.013 ⁽¹⁾	56.839	102.749
April	102.749	21.960	45.428	79.281
May	79.281	21.539	49.166	51.654
June	51.654	19.894	94.007	(22.459)
July	(22.459)	92.028	42.709	26.860
August	26.860	25.070	45.620	6.310
September	6.310	19.669	43.778	(17.799)
October	(17.799)	28.483	40.464	(29.780)
November	(29.780)	207.471	53.105	124.586
December	124.586	<u>105.735</u>	<u>116.586</u> ⁽²⁾⁽³⁾	113.735
		<u>\$706.486</u>	<u>\$711.306</u>	

Notes:

⁽¹⁾ Proceeds from the sale of revenue anticipation notes was \$56 million in March, 2005.

⁽²⁾ December disbursements include the \$56 million principal payment transferred to the Fiscal Agent.

⁽³⁾ Preliminary, subject to year-end adjustments.

**CITY OF MILWAUKEE
GENERAL FUND
PROJECTED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For The Year Ended December 31, 2006
(Millions of Dollars)**

	Beginning Cash Balance <u>(Deficit)</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash Balance <u>(Deficit)</u>	Ending Cash Balance Including Borrowing of <u>\$ 66 Million</u>
January	\$113.735	\$44.391	\$50.636	\$107.490	\$107.490
February	107.490	21.744	64.381	64.853	64.853
March	64.853	26.069	57.275	33.647	33.647
April	33.647	37.776	45.970	25.453	91.453 ⁽¹⁾
May	25.453	23.062	48.792	(0.277)	65.723
June	(0.277)	28.151	93.123	(65.249)	0.751
July	(65.249)	94.743	43.273	(13.779)	52.221
August	(13.779)	24.667	46.187	(35.299)	30.701
September	(35.299)	20.634	44.327	(58.992)	7.008
October	(58.992)	30.044	42.055	(71.003)	(5.003)
November	(71.003)	207.867	71.087	65.777	131.777 ⁽²⁾
December	65.777	<u>99.307</u>	<u>48.629</u>	116.455	116.455
		<u><u>\$658.455</u></u>	<u><u>\$655.735</u></u>		

⁽¹⁾ Balance includes \$66 million CFN principal receipt.

⁽²⁾ Balance includes \$66 million principal to be paid in December to the Fiscal Agent.

CITY OF MILWAUKEE
SCHEDULE OF CASH AND INVESTMENT
BALANCES - ALL FUNDS 2005
(Millions of Dollars)

	<u>General Fund</u> ⁽¹⁾	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Trust and Agency Funds</u> ⁽²⁾	<u>Total</u>
January	\$106.484	\$213.956	\$77.713	\$104.970	\$503.123
February	68.575	184.645	83.834	165.775	502.829
March	102.749	203.592	81.807	183.236	571.384
April	79.281	197.269	83.659	137.973	498.182
May	51.654	198.290	88.649	75.511	414.104
June	(22.459)	180.296	84.454	144.226	386.517
July	26.860	178.947	84.007	81.244	371.058
August	6.310	166.233	87.706	9.493	269.742
September	(17.799)	134.900	86.757	190.912	394.770
October	(29.780)	113.118	89.399	100.896	273.633
November	124.586	104.500	89.999	34.395	353.480
December ⁽³⁾	113.735	206.640	51.894	270.026	642.295

⁽¹⁾ Balances reflects proceeds from the sale of Revenue Anticipation Notes and subsequent principal repayment.

⁽²⁾ Excludes Fiduciary Funds Restricted Investments (\$468.202 million as of January 1, 2005) not under the control of the City Treasurer. Agency Funds includes Milwaukee Public Schools.

⁽³⁾ Preliminary, subject to year-end adjustment.

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

CITY OF MILWAUKEE
PROJECTED SCHEDULE OF CASH AND INVESTMENT
BALANCES-ALL FUNDS - 2006
(Millions of Dollars)

	<u>General Fund ⁽¹⁾</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Trust and Agency Funds ⁽²⁾</u>	<u>Total</u>
January	\$107.490	\$225.613	\$66.295	\$104.970	\$504.368
February	64.853	205.018	69.027	168.302	507.200
March	33.647	195.076	66.899	186.540	482.162
April	91.453	182.259	68.844	140.377	482.933
May	65.723	188.754	74.083	76.667	405.227
June	0.751	194.533	97.248	146.746	439.278
July	52.221	189.719	98.773	82.514	423.227
August	30.701	186.657	104.780	9.502	331.640
September	7.008	150.598	106.037	197.303	460.946
October	(5.003)	146.199	110.576	104.141	355.913
November	131.777	147.930	112.156	35.328	427.191
December	116.455	206.880	70.987	276.194	670.516

⁽¹⁾ Balances reflects proceeds from the sale of the CFNs and subsequent principal payment.

⁽²⁾ Excludes Fiduciary Funds Restricted Investments (\$468.202 million as of January 1, 2005) not under the control of the City Treasurer. 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 2001 For 2002 Purposes	Year 2002 For 2003 Purposes	Year 2003 For 2004 Purposes	Year 2004 For 2005 Purposes	Year 2005 For 2006 Purposes
Real Property Residential	\$10,358,670,619	\$12,027,394,755	\$12,938,633,380	\$14,301,661,916	\$16,093,549,640
Industrial (Manufacturing)	717,830,700	765,130,300	729,858,200	733,599,500	721,966,100
Mercantile (Commercial)	5,716,180,475	6,176,332,500	6,493,804,441	6,903,490,064	7,566,086,684
Total Real Property	\$16,792,681,794	\$18,968,857,555	\$20,162,296,021	\$21,938,751,480	\$24,381,602,424
Personal Property	907,102,600	897,397,660	847,221,220	833,668,020	830,118,862
Total Assessed Valuations	\$17,699,784,394	\$19,866,255,215	\$21,009,517,241	\$22,772,419,500	\$25,211,721,286

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

	\$19,453,830,200	\$20,275,936,700	\$21,730,754,000	\$23,491,773,700	\$26,656,713,800
Ratio of Assessed to Equalized Valuation	91.00%	98.00%	96.68%	96.94%	94.58%

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

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

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

**CITY OF MILWAUKEE AND MILWAUKEE PUBLIC SCHOOLS
PROPERTY TAX LEVIES AND COLLECTIONS
(\$ Amounts in Thousands)**

Collection Year	Total Tax Levy	Current Tax Collection		Delinquent Tax Collections ⁽²⁾	Total Tax Collections		Outstanding Delinquent Taxes
		Amount	% of Levy		Amount	% of Levy	
2001	\$368,371	\$355,575	96.53%	\$11,919	\$367,494	99.76%	\$17,746
2002	382,873	369,125	96.41	11,212	380,337	99.34	17,603
2003	398,220	383,064	96.19	9,984	393,048	98.70	19,821
2004	404,892	390,930	96.55	11,815	402,745	99.47	19,245
2005*	428,928	416,635	97.13	11,239	427,874	99.75	20,300

⁽¹⁾ Includes amounts from any prior year collected in that year.

* Estimated.

COLLECTION PROCEDURES

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

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

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

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

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

INSURANCE

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

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PENSION SYSTEM

EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

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

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

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

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

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

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

FIREMEN'S ANNUITY AND BENEFIT FUND

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

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

POLICEMEN'S ANNUITY AND BENEFIT FUND

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

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to July 29, 1947. At February 15, 2006 there were no active members and approximately 163 retired members or survivors receiving payment.

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

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

BOOK-ENTRY ONLY SYSTEM

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

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 Bond certificate will be issued for each maturity of the Offered Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Offered Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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.

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.

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

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

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

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LEGAL MATTERS

LITIGATION STATEMENT

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

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on March 1, 2006.

U.S. Department of Justice Investigation of Firefighter Selection Procedures (Brotherhood of Firefighters v. Fire and Police Commission). The City has completed payment of monetary relief under the Supplemental Order of the United States District Court dated November 30, 2001, under Civil Action Case No. 74-C-480, settling allegations of discrimination in the entry level hiring examinations for firefighter. One additional priority appointment remains to be made, having been delayed by the candidate's military service. Thereafter, the City's only remaining obligations under the Supplemental Order will be to settle and adjust claims for the payment of pension expenses associated with the settlement. The pension costs are unknown. They were originally anticipated to exceed \$615,000 and since that estimate is several years old, the current amount could exceed \$1 million.

Alexander, et al v. City of Milwaukee, et al. Seventeen white male lieutenants in the Milwaukee Police Department have been plaintiffs in this litigation in United States District Court for the Eastern District of Wisconsin, case number 03-CV00611. Suit was filed on July 27, 2003. The defendants are the City, the Commissioners on the Board of the Fire and Police Commission, and former Chief of Police Arthur Jones. The suit claims race and gender discrimination in the promotions from lieutenant to captain of police. The case was tried in March, 2005, and decided in plaintiffs' favor. The jury awarded \$2,198,500 in compensatory and punitive damages. In addition, the court awarded \$1,540,483 in economic damages. On August, 29, 2005 the Court entered judgments totaling \$3,738,983. On February 3, 2006, the Court awarded attorney fees and costs to plaintiffs in the sum of \$427,701. The total of all damages awards, attorney fees and costs is \$4,167,684. On February 13, 2006, defendants filed a notice of appeal to the Seventh Circuit Court of Appeals.

Ketchman, et al v. City of Milwaukee, et al; and Baur, et al v. City of Milwaukee, et al. These two lawsuits have been consolidated and are pending before Magistrate Judge Patricia Gorence at the United States District Court for the Eastern District of Wisconsin. The combined suits have eleven plaintiffs who are, or were, white male lieutenants in the Milwaukee Police Department, alleging the same discrimination in promotions to captain as the plaintiffs in the *Alexander* suit. The same defendants are named as in *Alexander*. Discovery is in progress and no trial date has been set. Defendants have raised further defenses, such as laches, which may be the subject of motions to dismiss. If the matter proceeds, damages could exceed one million dollars.

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

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

The vehicle began to move forward at a high rate of speed ultimately striking Officer Bartlett and throwing him onto the hood. Officer Bartlett feared for his life and fired his service weapon at Mr. Jenkins. Mr. Jenkins died at the scene. Subsequently the estate filed suit. Discovery has been completed in this case. The defendants' summary judgment motion has been decided by the court dismissing all issues except for that involving the reasonableness of the officer's use of force. Given differing testimony from various witnesses the court determined that there were significant questions of fact which could only be resolved by a jury. Therefore, this case will be proceeding to trial on April 24, 2006.

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

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

The City and BID-15 are concluding settlement negotiations with the U.S. Attorney, and the parties hope to enter into a settlement agreement resolving the ADA complaint within the next 90 days. Under the settlement agreement, the City and BID-15 would undertake \$1.5 million of Riverwalk upgrades over the next three years. The upgrades will make the Riverwalk more handicap accessible. The City will initially pay for the entire \$1.5 million and then recover back 22% from special assessment to BID-15 owners over the next 15 years.

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

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

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

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

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

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

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

LEGAL OPINIONS

The legal opinions of 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.

BOND INSURANCE

The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

FINANCIAL GUARANTY INSURANCE

AMBAC Insured G.O. Bonds and G.O. Notes (Maturities 2009-2015 and 2019 only) are referred to in this section as “AMBAC Insured Obligations”.

The information set forth in the following paragraphs has been provided by AMBAC, referred to in this Official Statement as the Insurer or AMBAC, for inclusion in this Official Statement.

Payment Pursuant to Financial Guaranty Insurance Policy

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

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

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

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

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

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

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

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$8,994,000,000** (unaudited) and statutory capital of approximately **\$5,649,000,000** (unaudited) as of **December 31, 2005**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

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

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

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

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

Incorporation of Certain Documents by Reference

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

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006.

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

THE BOND INSURER AND THE FINANCIAL GUARANTY INSURANCE POLICY

The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

CIFG Insured G.O. Bonds and Notes (Maturities 2016-2018 and 2020-2023 only)

CIFG Assurance North America, Inc.

The information set forth in the following paragraphs has been provided by CIFG Assurance North America, Inc., referred to in this Official Statement as the Insurer or CIFG, for inclusion in this Official Statement.

General

CIFG Assurance North America, Inc. is a monoline financial guaranty insurance company incorporated under the laws of the State of New York (the "Insurer"). The address of the principal executive offices of the Insurer is 825 Third Avenue, Sixth Floor, New York, New York 10022; its toll-free telephone number is (866) CIFG-212 and its general telephone number is (212) 909-3939.

The Insurer is a member of the CIFG Group of financial guaranty companies, which also includes CIFG Europe, a French insurance company licensed to do business in the European Union, and CIFG Guaranty, a dedicated French reinsurance corporation. In addition to its capital and surplus as set forth below, the Insurer is supported by a net worth maintenance agreement from CIFG Guaranty, which provides that CIFG Guaranty will maintain the Insurer's New York statutory capital and surplus at no less than \$80 million, and may cede a substantial portion (not to exceed 90%) of its exposure on each transaction to CIFG Guaranty through a facultative reinsurance agreement.

Each of the Insurer, CIFG Europe and CIFG Guaranty has received an insurer financial strength rating of "AAA" from Fitch, an insurer financial strength rating of "Aaa" from Moody's, and an insurer financial enhancement rating of "AAA" from Standard and Poor's, the highest rating assigned by each rating agency. Each such rating should be evaluated independently. The ratings reflect the respective rating agency's current assessment of each company's capacity to pay claims on a timely basis and are not recommendations to buy, sell or hold the Bonds. Such ratings may be subject to revision or withdrawal at any time.

The Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in 46 jurisdictions. The Insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that such insurers maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for such insurers, and limits the size of individual transactions and the volume of transactions that may be underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as the Insurer regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

Capitalization

The following tables set forth the capitalization of the Insurer on the basis of accounting practices prescribed or permitted by the New York State Insurance Department ("statutory accounting practices").

	Statutory Accounting Practices December 31, 2004 (in thousands of US dollars)
Admitted Assets.....	\$ 152,361
Liabilities	\$ 38,733
Capital and Surplus.....	\$ 113,628

The following table sets forth the capitalization of CIFG Guaranty on the basis of accounting principles generally accepted in France (“French GAAP”).

	French GAAP	
	December 31, 2004	
	(in thousands of euros)	(in thousands of US dollars) (1)
Assets.....	€ 653,332	\$ 891,145
Liabilities.....	€ 71,763	\$ 97,885
Shareholder’s Equity	€ 581,569	\$ 793,260

⁽¹⁾ The translation of euros to U.S. dollars is presented solely for the convenience of the reader, using the observed exchange rate at December 31, 2004 of \$1.364 to €1.00. The convenience translation should not be construed as representation that the euro amounts have been, could have been, or in the future could be, converted into U.S. dollars at this or any rate of exchange.

For further information concerning the Insurer and CIFG Guaranty, see the audited financial statements of both companies, including the respective notes thereto, prepared on the basis of statutory accounting practices in the case of the Insurer and in accordance with French GAAP in the case of CIFG Guaranty, as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004, which are available on the CIFG Group’s website at www.cifg.com. Copies of prior audited annual financial statements of the Insurer and CIFG Guaranty prepared in accordance with statutory accounting practices and French GAAP, respectively, are also available on the website. Copies of all such financial statements may be obtained, without charge, upon request to the Insurer at its address above, Attention: Finance Department.

RATINGS

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

Additionally, with respect the G.O. Notes and G.O. Bonds (*excluding the 2007 and 2008 maturities*), Fitch Ratings, Moody’s Investors Service, Inc. and Standard and Poor’s Ratings Group have assigned their municipal bond ratings of “AAA”, “Aaa” and “AAA”, respectively, to the G.O. Notes and G.O. Bonds, maturing in the years 2009-2023, with the understanding that upon delivery of the G.O. Notes and G.O. Bonds, a financial guaranty insurance policy insuring the payment when due of the principal of and interest on the G.O. Notes and G.O. Bonds will be issued by Ambac Assurance Corporation (*maturities 2009-2015 and 2019*) and CIFG Assurance (*maturities 2016-2018 and 2020-2023*).

In addition, the City has received ratings on the CFNs from Fitch Ratings, Moody’s Investors Service, Inc. and from Standard & Poor’s Ratings Group. FITCH Ratings has assigned a rating of “F1+” on the CFNs. Moody’s Investors Service, Inc. has assigned a rating of “MIG 1” on the CFNs. Standard & Poor’s Ratings Group has assigned a rating of “SP-1+” on the CFNs.

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

Summary of Bond Counsel Opinion

Bond Counsel are of the opinion that under existing law, interest on the Offered 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 (the "Code"), Bond Counsel are of the opinion that interest on the Offered 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 the Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered 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 Offered 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 Offered Obligations in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Offered Obligations. These requirements relate to the use and investment of the proceeds of the Offered Obligations, the payment of certain amounts to the United States, the security and source of payment of the Offered Obligations and the use of the property financed with the proceeds of the Offered Obligations.

Offered 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 Offered Obligations is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Offered Obligations is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Offered Obligation, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a Offered 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 Offered 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 Offered Obligation for federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Offered 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 Offered Obligations. In addition, owners of Offered Obligations should consult their tax advisors with respect to the state and local tax consequences of owning the Offered 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 Offered Obligations. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Offered Obligation proceeds 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 Offered 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 Offered Obligations.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the “gross proceeds” of the Offered 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 Offered 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 Offered Obligations, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Offered 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 Offered Obligations.

Risks of Non-Compliance

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

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Offered 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 Offered 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 OFFERED OBLIGATIONS.

Cost of Carry. Owners of the Offered 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 Offered Obligations. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Offered 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 Offered Obligations is taken into account not only in computing the corporate alternative minimum tax but also 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 Offered 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 Offered 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 Offered 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 Offered 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 Offered 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 Offered 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 Offered Obligations are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Offered Obligations.

STATE TAX MATTERS

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

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

FINANCIAL ADVISOR

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

LEGISLATION

On February 14, 2006, 2005 Assembly Joint Resolution 77 and its counterpart, 2005 Senate Joint Resolution 63 were introduced and are currently pending before the Wisconsin Legislature. These resolutions propose an amendment to the Wisconsin Constitution that would impose limits on the amount of revenue that could be collected annually by the State and by local governments, including the City. Under the Wisconsin Constitution, a proposed constitutional amendment requires adoption by two successive legislatures, each time by a majority vote of both houses, and subsequent ratification by a majority of the electors voting in a statewide referendum. April 2007 is the earliest possible time that such a referendum could be held. Similar resolutions introduced in 2005, 2005 Assembly Joint Resolution 40 and 2005 Assembly Joint Resolution 71, are also before the Wisconsin Legislature, but do not have a counterpart Senate Joint Resolution. Other similar resolutions have been introduced in the past, but none of them have been adopted in the first session of the two legislative session requirement.

If any of the proposed amendments were to be ratified, the restrictions on expenditures and/or the collection of revenues and taxes contained in the proposed amendments would limit the financial flexibility of the City and could have a material and adverse impact on the future financial condition of the City. For over 10 years, the City has been operating under various statutory forms of revenue and expenditure constraints, the most recent being a levy limit for calendar years 2006, 2007, and 2008. The levy limit does not apply to the debt service on the Offered Obligations.

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

UNDERWRITING

The Offered Obligations have been purchased at competitive bidding conducted on March 16, 2006.

The award of the G.O. Notes and G.O. Bonds was made to Merrill Lynch & Co., New York, New York, its co-managers and associates.

The award of the G.O. CFNs was made to Morgan Stanley & Co., Inc., New York, New York, its co-managers and associates.

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

REPRESENTATIONS OF THE CITY

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

ADDITIONAL INFORMATION

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

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

/s/ W. Martin Morics
Comptroller
City of Milwaukee, Wisconsin

March 16, 2006

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APPENDIX A

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

Selected Sections

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

www.milwaukee.gov

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CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements 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 percent 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 Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 17 to 32 and Exhibit E-1, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 to 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 the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

July 29, 2005,
except for the financial statements and related
note disclosures for the discretely presented
component units as to which the date is
January 10, 2006

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

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, 2004. 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. Dollars are reported in thousands.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2004 by \$1,022 million (net assets); \$396 million in governmental activities and \$626 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$160 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred.
- The city's net assets of \$1,022 million compared to the previous year of \$1,029, decreased by 0.68%; less than one percent.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$974 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$119 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted (\$70) million.
- The City's governmental funds reported total ending fund balance of \$205.5 million this year. Compared to the prior year ending fund balance of \$214.2 million, a decrease of \$8.7 million resulted by year end 2004; a 4% decrease.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$87 million or 15.5% of total General Fund expenditures including transfers and 15.9% of total General fund revenues including transfers.
- Total liabilities of the city increased by \$64 million to \$1,375 million during the fiscal year.
- General obligation bonds and notes payable increased by \$13 million during the current fiscal year from \$660 million to \$673 million. The key factors in this increase were the issuance of over \$90 million in general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools. Other factors contributing to this increase were scheduled retirement of general debt of \$77 million.
- For governmental activities, program revenue (consisting of charges for services, and of operating grants and contributions) supported 19.29% of the total expenses for 2004. Property taxes and other taxes represented 29.27% of the primary government's governmental activities' expenses and state aids for the General Fund equaled 36.81%. Miscellaneous revenues and transfers supported 10.61% of the expenses. As a result of 2004 activity, 4.02% of the expenses are not funded with current year revenues and transfers.
- For business-type activities, program revenue (consisting of charges for services, and of capital grants and contributions) supported 133.35% of the expenses for 2004; and, in total exceeded the expenses by \$44,987. Miscellaneous revenue and transfers out of (\$21,825) were 16.18% of the total expenses for the year.
- During the year, the City had governmental expenses of \$600.5 million more than its program revenues; general revenues and transfers of \$570.6 million resulted in a decrease of net assets of \$30 million. This does not include \$16.9 million budgeted use of prior year surplus used to finance the General Fund expenditures for 2004. Business-type activities generated \$23 million of program revenues, general revenues and transfers greater than its expense at year end; and, had an increase of net assets of 3.8% over 2003.
- The general fund reported a positive fund balance for the year of \$87 million. Compared to \$90 million in 2003; the 2004 year end balance decreased 3.3%. This decrease is primarily a result of management's decision to increase to 16.9

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

million the withdrawal of the Reserve for Tax Stabilization fund balance to finance the 2004 budgeted General Fund expenditures. This was an increase of \$7.6 million from the \$9.3 million in 2003.

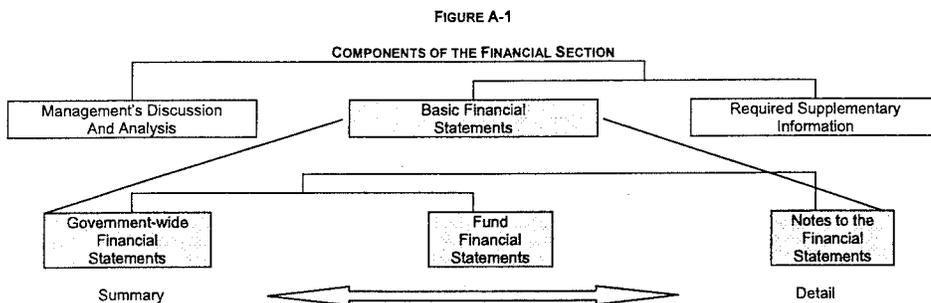
- The operating expenditures of the General Fund were \$4.3 million less than budgeted. This favorable variance is a result of savings from general government departments of \$3.1 million; public safety departments of \$1.1 million and public works, health, culture and recreation and conservation and development departments, in the aggregate, of \$0.1 million. Several major savings in five departments over the amount budgeted contributed to 86%, or \$3.7 million, to these savings. The Comptroller saved \$0.7 million from the amount needed for the payment on the accrual for future salary expenditures and \$0.3 million savings in the aggregate of reduced bond issuance costs (as a result of only one bond sale during 2004), computer upgrade costs, and other various expenditure responsibilities. The Fire Department implemented a strict sick leave control policy during 2004 which drastically reduced the sick leave costs 27% and correspondingly reduced the need to hire auxiliary personnel at overtime costs. This resulted in a departmental savings of nearly \$1.1 million. The City Attorney's Office saved \$0.3 million combined for collection services and insurance expenditures. The Department of Employee Relations also saved \$0.3 on Unemployment Compensation and \$0.1 million on various Tuition Reimbursement requests by employees. Overall, the administrative departmental costs of the Employees' Retirement System netted \$0.9 million over budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the city government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
 - Fiduciary fund statements provide information about the financial relationships—like various 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.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

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.

The 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 way to measure the City's financial health, or financial position.

- Over time, increases or decreases in the City's net assets are one indicator 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 roads are 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.
- *Component units*—The City includes 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 separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the city as a whole. 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on the 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 are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The city's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its employees deferred compensation plan 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 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. Required supplementary information is presented in Exhibit E-1.

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 are depicted separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 1
Summary of Statement of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 741,397	\$ 778,176	\$ 123,888	\$ 116,482	\$ 865,285	\$ 894,658
Capital assets	840,366	841,723	634,178	660,664	1,474,544	1,502,387
Total assets	<u>1,581,763</u>	<u>1,619,899</u>	<u>758,066</u>	<u>777,146</u>	<u>2,339,829</u>	<u>2,397,045</u>
Long-term liabilities outstanding	682,382	702,463	142,960	132,838	825,342	835,301
Other liabilities	473,619	521,653	11,855	17,895	485,474	539,548
Total liabilities	<u>1,156,001</u>	<u>1,224,116</u>	<u>154,815</u>	<u>150,733</u>	<u>1,310,816</u>	<u>1,374,849</u>
Net assets:						
Invested in Capital assets, net of related debt	420,357	444,873	518,861	529,213	939,218	974,086
Restricted	104,600	110,417	-	8,123	104,600	118,540
Unrestricted	<u>(99,195)</u>	<u>(159,507)</u>	<u>84,390</u>	<u>89,077</u>	<u>(14,805)</u>	<u>(70,430)</u>
Total net assets	<u>\$ 425,762</u>	<u>\$ 395,783</u>	<u>\$ 603,251</u>	<u>\$ 626,413</u>	<u>\$ 1,029,013</u>	<u>\$ 1,022,196</u>

Net assets of the city's governmental activities decreased 7% to \$395.8 million for 2004. These net assets are restricted as to use of \$110.4 or are invested in capital assets of \$444.9 (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net assets deficit (\$159.5) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims and to pay for unused employee vacation and sick days. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 3.8% to \$626.4 million in 2004. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term liabilities for governmental activities increased 2.9% from 2003 due primarily by the issuance of long-term debt. For business-type activities, long-term liabilities decreased 7% from 2003 due to the retirement of existing general obligation and revenue bond debt.

Total assets, including capital assets increased \$57,216 or 2.45% from 2003. Capital assets of the primary government increased overall only 1.9% from the previous year. For 2004, business-type activities, the Water Works and the Sewer Maintenance Funds have 90% to the city's total net capital assets. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (54%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (36%) includes the all the various sewer mains and connections.

Changes in net assets. The City's total revenues totaled \$691.4 million in the governmental activities. Of revenues, 31% comes from property and other taxes and 52% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services represents only 9% of the total, with the remaining 8% from licenses, permits, finds and forfeits and miscellaneous other sources.

The City's expenses cover a range of services, with about 32% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its revenues for governmental activities by a 7.6% margin while business-type activities had 25.3% more revenues than expenses. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

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

Table 2
Changes in of Net Assets
(Thousands of Dollars)

	<u>Governmental Activities</u>		<u>Business-type</u>		<u>Total Primary Government</u>	
	2003	2004	2003	2004	2003	2004
Revenues:						
Program revenues:						
Charges for services	\$ 55,714	\$ 60,825	\$ 180,435	\$ 177,639	\$ 236,149	\$ 238,464
Operating grants and contributions	94,646	82,664	-	-	94,646	82,664
Capital grants and contributions	-	-	2,053	2,236	2,053	2,236
General revenues:						
Property taxes and other taxes	213,014	217,762	-	-	213,014	217,762
State aids for General Fund	284,565	273,865	-	-	284,565	273,865
Miscellaneous	56,815	56,321	482	797	57,297	57,118
Total revenues	<u>704,754</u>	<u>691,437</u>	<u>182,970</u>	<u>180,672</u>	<u>887,724</u>	<u>872,109</u>
Expenses						
General government	166,270	177,761	-	-	166,270	177,761
Public safety	257,207	241,027	-	-	257,207	241,027
Public Works	137,693	150,591	-	-	137,693	150,591
Health	24,679	27,251	-	-	24,679	27,251
Culture and recreation	19,520	29,014	-	-	19,520	29,014
Conservation and development	64,197	57,967	-	-	64,197	57,967
Capital contribution to						
Milwaukee Public Schools	8,904	15,686	-	-	8,904	15,686
Contributions	22,499	20,582	-	-	22,499	20,582
Interest on long-term debt	26,981	24,159	-	-	26,981	24,159
Water	-	-	56,554	54,030	56,554	54,030
Sewer Maintenance	-	-	26,440	24,361	26,440	24,361
Parking	-	-	21,438	22,283	21,438	22,283
Port of Milwaukee	-	-	3,275	2,981	3,275	2,981
Metropolitan Sewerage District User Charges.	-	-	31,661	31,233	31,661	31,233
Total expenses	<u>727,950</u>	<u>744,038</u>	<u>139,368</u>	<u>134,888</u>	<u>867,318</u>	<u>878,926</u>
Increase in net assets before transfers	(23,196)	(52,601)	43,602	45,784	20,406	(6,817)
Transfers	18,073	22,622	(18,073)	(22,622)	-	-
Increase in net assets	(5,123)	(29,979)	25,529	23,162	20,406	(6,817)
Net assets – Beginning, as Restated	430,885	425,762	577,722	603,251	1,008,607	1,029,013
Net assets – Ending	<u>\$ 425,762</u>	<u>\$ 395,783</u>	<u>\$ 603,251</u>	<u>\$ 626,413</u>	<u>\$ 1,029,013</u>	<u>\$ 1,022,196</u>

Governmental Activities

Revenues for the city's governmental activities were \$691.4 million, while total expenses were \$744 million for 2004. All revenues, excluding transfers, are only supporting 92.9% of the total expenses; or 96% with transfers; leaving the remaining 4% funded with available fund balances. Comparable data for 2003 indicates 96.8% of all revenues, excluding transfers supported 2003's expenses; 99.3% with transfers.

Property taxes represent 31.5% of the total revenues for 2004 compared to 30.2% for 2003; a 1.3% increase. The slight increase in revenues is primarily due to an increase in collections. State aids for the General Fund of \$273.9 million decreased from 2003 by \$10.7 million or 3.75%. The combined property taxes and state aids comprised approximately 71% of the total revenues for governmental funds in 2004 and in 2003. Charges for services equaled 8.8% of the total revenues in 2004 compared to 7.9% in 2003.

CITY OF MILWAUKEE
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Governmental activities had expenses increase 2.2% in 2004 to \$744 million from \$727.9 million in 2003. Expenses for general government, which comprise 23.9% of the total expenses, increased 6.9% in 2004. An increase in health care costs is the main reason for this increase. Public safety expenses represent the largest category of governmental activities or 32.4% of the total expenses for 2004 which is a decrease from 35.3% in 2003. Public safety expenses decreased due to the wage settlements and police overtime that occurred during 2003. In addition, \$1.1 million of budgeted salaries were saved in the Fire Department in 2004 due to implementation of a stricter sick leave policy which correspondingly decreased the need for auxiliary firefighters.

Chart 1
2004 Expenses and Program Revenues - Governmental Activities

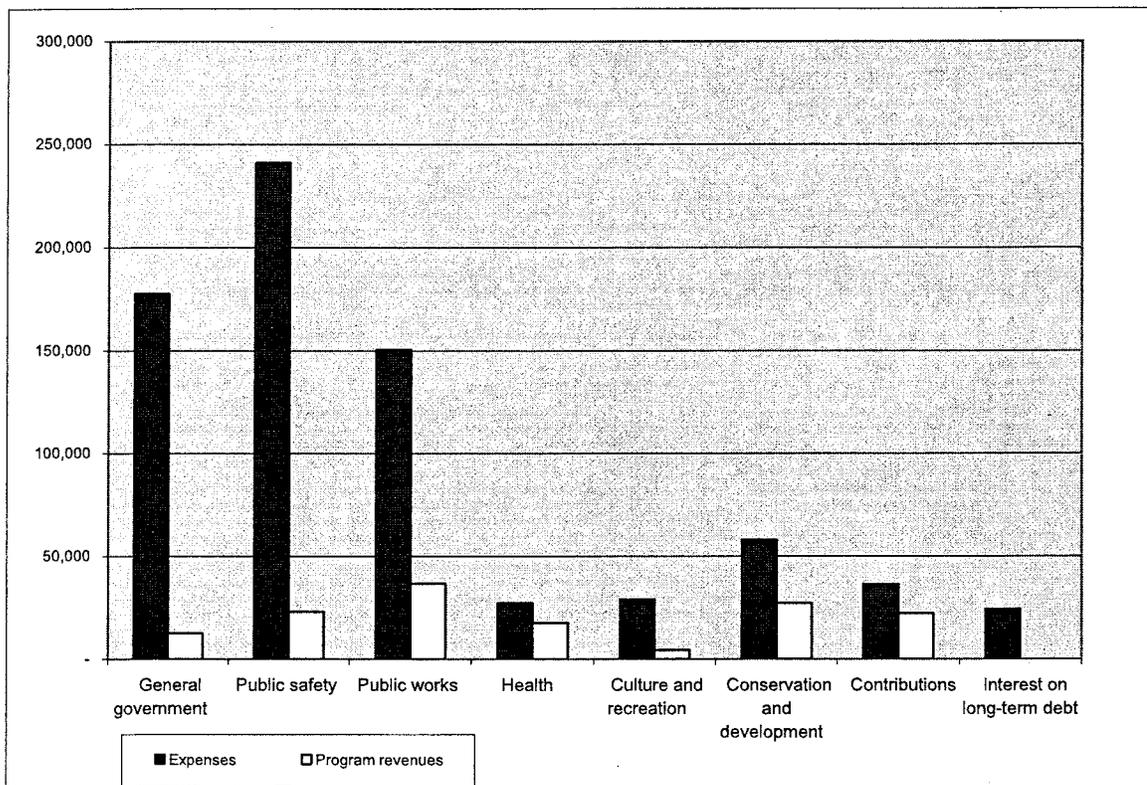


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee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

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Table 3
Governmental Activities
(Thousand of Dollars)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2003	2004	2003	2004
General government	\$ 166,270	\$ 177,761	\$ 153,815	\$ 165,130
Public safety	257,207	241,027	229,741	218,146
Public works	137,693	150,591	99,862	113,801
Health	24,679	27,251	9,770	9,715
Culture and recreation	19,520	29,014	15,288	24,692
Conservation and development	64,197	57,967	33,229	30,874
Contributions	31,403	36,268	8,904	14,032
Interest on long-term debt	26,981	24,159	26,981	24,159
Total Governmental Activities	\$ 727,950	\$ 744,038	\$ 577,590	\$ 600,549

The Table 3 above indicates that the cost of services not funded with direct program revenue increased in 2004 to \$600.5 from \$577.6 million in 2003 or nearly 4%. For 2004, Public Safety's net cost of services represents the largest category of total expenses at 36.3%, a decrease from 39.8% compared to 2003. General Government's net costs of services increased its share of total expenses from 26.6% in 2003 to 27.5% in 2004. The total costs of services increased overall by 2.2%, with the net cost of services increasing 3.9%. This indicates that the total governmental services are increasing, the program revenue for the purposes are decreasing.

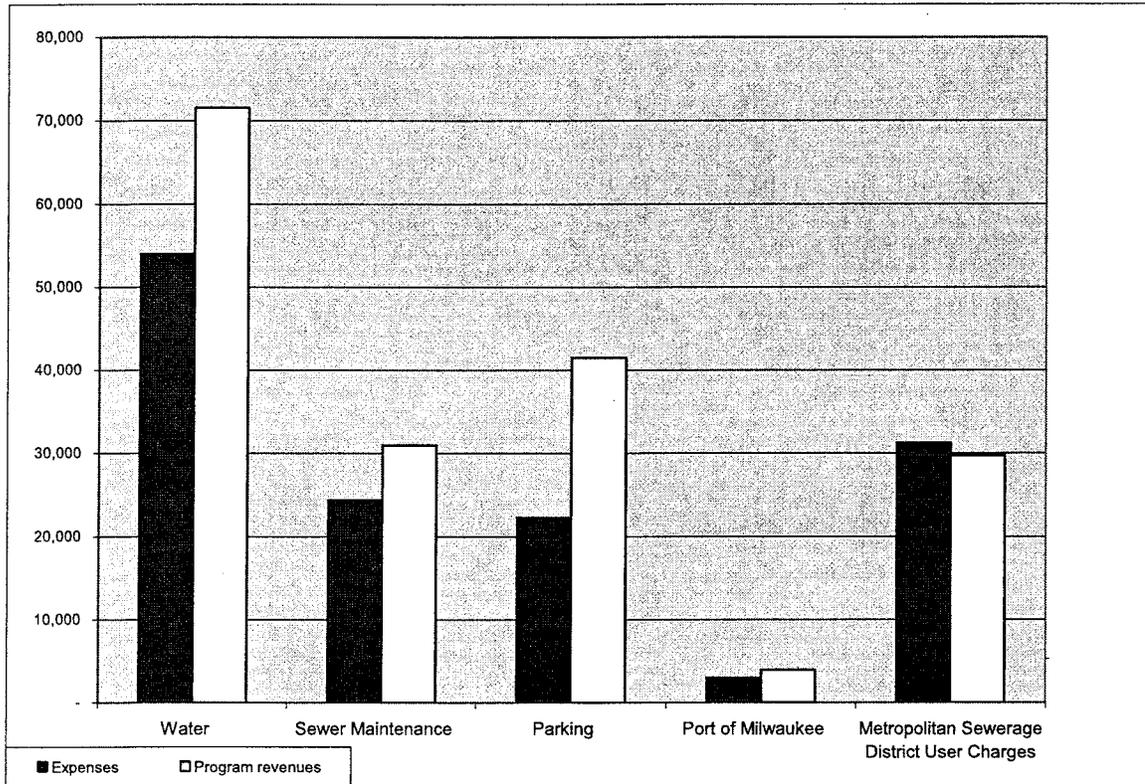
Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$52 million and operating income of \$19.4 million. The Sewer maintenance had operating income of \$13.4 million after generating expenses of \$17.5 million. The City parking facilities operating expenses during 2004 were \$21.1 million with net operating revenue of \$19.9 million.

Total revenues on Table 2 shows a decrease of \$2.3 million in 2004 compared to 2003, or 1.25%. Total expenses and transfers of all enterprise funds of the City remained relatively unchanged at \$157,510 compared to \$157,441 in 2003. This resulted in a net decrease of \$2.4 million in net assets during 2004. This decline in revenue can be attributed to the decline in water consumption, which is the basis for both the Water Works and the Sewer Maintenance Funds billing to its customers.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Chart 2
2004 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the 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 the year, its governmental funds (as presented in the balance sheet on Exhibits A-1) reported a combined fund balance of \$205.5 million, a decrease of \$8.7 million or 4% over last year. A major contributor for this decrease is due to the increase in the withdrawal from the Reserve for Tax Stabilization to fund 2004 budgeted general fund expenditures. This increase amounted to \$7.6 million from \$9.3 million in 2003 to \$16.9 million in 2004. The use of the Reserve was in compliance with the City policies and State Statutes governing its use. In addition, the expenditures for various capital projects (such as streets, tax incremental districts and special assessment projects) in advance of the issuance of debt resulted in a net fund deficit of \$12.3 million compared to a net deficit of \$2.5 million in 2003. Total debt issued for capital projects totaled \$72.3 million in 2004 compared to \$66 million in 2003. At year end, the capital projects associated with the Tax Incremental Districts incurred a fund deficit of \$18.7 million and for Streets, a \$6.2 million deficit. The fund balance deficit of \$13.1 million for special assessment capital projects remained constant compared to \$11.5 million in 2003. This

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deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years. Other capital project such as bridges, public buildings, fire, police, library, sewers, urban renewal, playgrounds and special projects netted a positive fund balance at year end of \$25.7 million.

The total reserves of the General Fund decreased 3.3% to \$87 million from \$90 million in 2003. Of this amount, \$16.7 will finance the 2005 budget, with \$33.9 available for 2006 and subsequent years' budgets.

Revenues for governmental functions overall totaled \$690.6 million in the fiscal year ended December 31, 2004, which represents a decrease of approximately 2.2% from the fiscal year ended December 31, 2003. Expenditures for governmental funds totaled \$821.7 million, a decrease of 1.4%. In the aggregate, expenditures exceeded revenues by \$131 million, or approximately 19%. Other financing sources lessen the gap, but did not close it; leaving the total net change in fund balances with a decrease of \$8.7 million for the year. In comparison for the year 2003, the total net change in fund balances resulted in a decrease of \$21 million. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$3 million or 3.3%. Key factors contributing to this decrease include 0.7% decline in revenues, to \$514.9 million; with a 1.4% increase in expenditures to \$553.1; and, an overall increase in revenue and other financing sources of 18.2%.

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

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

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2003	2004	% Change	Expenditures:	2003	2004	% Change
Property taxes	\$ 126,749	\$ 129,120	1.87%	General Government.....	\$ 187,047	\$ 200,124	6.99%
Other taxes	4,318	3,563	-17.48%	Public Safety.....	240,261	231,371	-3.70%
Licenses and permits	10,883	11,530	5.95%	Public Works.....	86,335	89,562	3.74%
Intergovernmental	284,565	273,865	-3.76%	Health.....	10,677	10,724	0.44%
Charges for services	55,714	60,825	9.17%	Culture and recreation	17,165	17,822	3.83%
				Conservation and development	3,833	3,495	-8.82%
Fines and forfeits	6,115	5,647	-7.65%		-	-	
Contributions received	22,499	22,236	-1.17%	Total Expenditures	545,318	553,098	1.43%
Other	7,814	8,108	3.76%				
Total Revenues	518,657	514,894	-0.73%	Other Financing Uses			
Other Financing Sources				Transfers out	77	10	-87.01%
Debt proceeds	2,000	2,000	0.00%	Total Expenditures and other Financing Uses	\$ 545,395	\$ 553,108	1.41%
Transfers in	28,146	33,269	18.20%				
Total Revenues and Other Financing Sources	549,366	550,163	0.15%				
Excess of Revenues over Expenditures	(26,661)	(38,204)	43.30%				
Net Change in over Expenditures	\$ 3,971	\$ (2,945)	-174.16%				

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The General Obligation Debt Service Fund increased its fund balance from \$35.4 million to \$43.8 million primarily due to a 3.8% increase in revenues related to property taxes and other taxes. The Public Debt Amortization Fund showed a slight decrease of 2.3% from \$76.6 million to \$74.8 million at year-end for its fund balance. While Other Revenues, consisting of interest on investments, increased significantly from 2.9 million in 2003 to \$3.6 million in 2004, a significant 2003 transfer in from other funds did not occur in 2004; this contributed to its overall final decrease for its year end fund balance.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction, repair of major capital facilities other than those financed by proprietary funds. At year end, 2004 showed a deficit fund balance of \$12.3 million (an increase in the deficit of \$9.8 million from the \$2.5 million in 2003). In 2004, total debt proceeds amounted to \$72.3 million as compared to \$66 million in 2003, a 9.5% increase. Total revenues decreased 2.7% from \$26.3 million to \$25.6 million; expenditures also decreased from \$107.8 million to \$104.8 million or 2.8%. Due to the issuance of only one bond and note sale occurring during 2004 for capital purposes, the borrowing proceeds combined with revenues and transfers were insufficient to cover the current year's expenditures and prior year deficit. The detail of the deficit can be attributed to street projects of \$6.2 million, tax incremental districts of \$18.7 million, and special assessments of \$13.1 million. Other capital projects at year end had accumulated positive fund balances of \$25.7 million. Expenditures incurred prior to the issuance of debt are the leading reasons for the overall deficit in these funds.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$89. This was an increase from \$84.4 million at December 31, 2003 or 5.5%. This increase consists of, \$6.5 million in the Sewer Maintenance, \$3.1 million in the Parking, and a decreases of \$1.2 million in the Water Works and \$3.7 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds decreased 1% from 2003 - \$178.4 million to \$176.7 million in 2004; total operating expenses decreased to \$124.4 in 2004 from \$127.5 in 2003 or 2.4%. The Water Works is the largest enterprise activity for the City, comprising approximately 40% of the total operating revenues. The Sewer Maintenance Fund comprises almost 18% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2004 both revenues and water consumption have both gone down from the previous year. Specifically, the Water works revenues decreased by \$2.7 million and gallons sold decreased by 2.1 billion gallons. The 2004 decrease in gallons sold represents the largest decrease in the last five years, or over five times the decrease in 2003. In 2003, the gallons sold decreased by 479 million gallons. This is, in part explained by the cool summer Milwaukee experienced in 2004.

The Water Works had total operating and non-operating expenses of \$54.0 for 2004 compared to \$56.5 for 2003. Excluding depreciation expense, the transmission and distribution expenses decreased by \$3.0 million due to the 2003 major project involving painting and maintaining the Hawley Road Tank, whereas, in 2004 there was no similar project. Also, during 2004, 638 water main breaks occurred compared to 851 in 2003. This resulted in lower transmission and distribution expenses for 2004. Early in 2003, the Water Works experienced a large number of water main breaks. This surge in the level of main breaks caused an unusual increase in overtime pay and an increase in salaries and wages expenses. The non-operating expenses of the Water Works decreased by \$.233 due to the declining principal balances on outstanding debt.

The total operating expenses of all the enterprises funds, except Water Works, remained consistent with 2003 and decreased approximately 1.2%

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted two resolutions which increased the appropriations of the general fund due to greater than anticipated revenues. These increased budgets permitted departments to spend additional appropriations due to the increase in revenues related to the purpose being expended. \$439,000 was received from third party workers' compensation claims as insurance settlements during 2004. In addition, \$845,000 was received over the amounts anticipated in the budget relating to the Common Council's approval for the receipt and expenditure of funds for Federally Forfeited Tangible Property in accordance with the 21 U.S.C.8819(c) U.S. Attorney General's General Guidelines on Seized and Forfeited Property and other various contributions and donations which are accounted for as Other Financing sources and uses in the General Fund.

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The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2003 less the encumbrances carried over to 2005. The Final budget includes the original budget as defined plus appropriations authorized for carry over from 2003 by Common Council less those appropriations authorized for carryover to 2005. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section, Exhibit E-1, the General Fund original budget for expenditures was \$525.8 million with the final budget at \$536.8 million. This is an increase over the fiscal year 2003 with original budget at \$515.2 million and final budget at \$530 million. The resulted increase was 2% and 1.3% for the original and final budgets, respectively.

The original budget relating to estimated revenues of the General Fund was \$485,261 with the Final budget increased by \$439 to \$485,700 per the authorized resolution detailed above. The 2004 original and final budgets as depicted in Exhibit E-1 show a less than one percent net change from the previous year or 0.35% decrease from the original 2003 budget, and a 0.59% decrease over the final 2003 budget of \$486,987 and \$488,573, respectively.

For the fiscal year ended December 31, 2004, the General Fund had a positive variance of \$6.9 million in revenues over estimated revenues. Revenue sources from property taxes, other taxes, licenses and permits, intergovernmental, charges for services, fines and forfeits, and other revenue remained constant compared to the total of the prior year. An overall decrease of \$3.5 million from 2003's total revenue of \$496,158 calculates to a total for 2004 of \$492,658, or a 0.7% decrease. While the categories indicate various individual fluctuations, the primary changes over 2003 actual revenue include \$10.6 million decrease in state shared revenues plus additional revenue generated in charges for services and collections on fines and forfeits. During 2004, the City generated additional deposits in the last quarter of the year as a result of a new recycling contract. This contract has earned \$1.2 million in 2004. Over \$1.1 million of re-inspection and razing fees were also recorded. In addition, in 2004, the City entered into a new contract with Milwaukee County for its Paramedic Program. This payment from the County for participating in the Advance Life Support Service was \$3.7 million and is reflected as revenue to the Fire Department rather than a grant payment. Collections on various fines and forfeits increased \$0.5 million, and interest income increased \$0.5 million and a net increase of \$0.1 in all other categories.

A favorable variance of \$4.3 million in unexpended budget resulted by year end 2004. The general government contributed \$3.1 million; public safety added \$1.1 million and public works, health culture and recreation and conservation and development, in the aggregate, added \$1 million. Several major savings in five departments over the amount budgeted contributed to 86%, or \$3.7 million, of these savings. The Comptroller saved \$0.7 million from the amount needed for the payment on the accrual for future salary expenditures and \$0.3 million savings in the aggregate of reduced bond issuance costs (as a result of only one bond sale during 2004), computer upgrade costs, and other various expenditure responsibilities. The Fire Department implemented a strict sick leave control policy during 2004 which drastically reduced the sick leave costs 27% and correspondingly reduced the need to hire auxiliary personnel at overtime costs. This resulted in a departmental savings of nearly \$1.1 million. The City Attorney's Office saved almost \$0.3 million combined for collection services and insurance expenditures. The Department of Employee Relations also saved almost \$0.3 on Unemployment Compensation and \$0.1 million on various Tuition Reimbursement requests by employees. Overall, the administrative department costs for the Employees' Retirement System also netted nearly \$0.9 million over budget in savings.

Overall the total 2004 expenditures increased \$9.5 million compared to 2003. However, salaries decreased \$4.1 million, primarily due to wage settlements and a management decision to incur significant police overtime during 2003. Purchases of equipment increased modestly by \$0.1 million. Operating expenditures increased \$13.5 million. This significant increase is due primarily to increased pension and health care costs. The total expenditures of approximately \$5.5 million were paid to the Employees' Retirement Plan for the city's contribution to the Employers' Reserve Fund. This will allow the City to reduce future liability and risk if the rate of return on investment falls below the actuarial estimate. In addition, the 2004 budget and expenditure includes an additional \$0.5 million to fund part of the unfunded past service liability of the Policemen's Annuity and Benefit Fund. This liability amount will be amortized beginning in 2004 over the next five years. As with other cities, health care costs and workers' compensation expenditures increased over \$7.5 million.

The City's General Fund's beginning fund balance of \$92.0 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 \$16.9 million. For budgetary purposes, this withdrawal is reflected as other financing sources, whereas for accounting purposes it is reflected as part of the fund balance. In addition, the 2003 appropriation short-fall for police overtime of \$2 million was funded by a short-term note issued in the Spring of 2004. The debt proceeds were reflected as other financing sources for the 2003 budgetary purposes and as 2004 other financing sources for accounting purposes.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Chart 3
2004 City Spending by Function - Governmental Funds

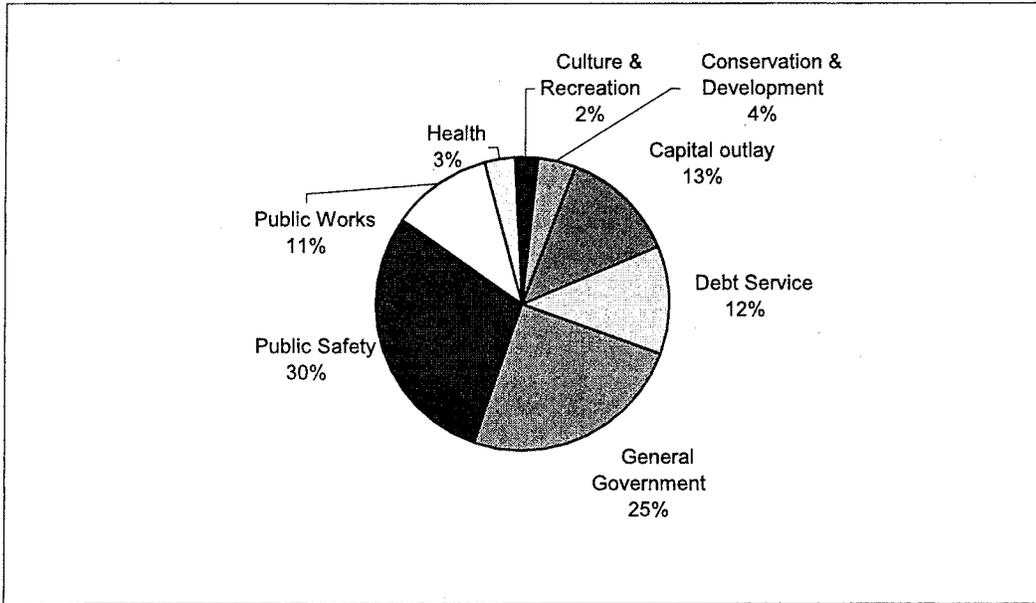
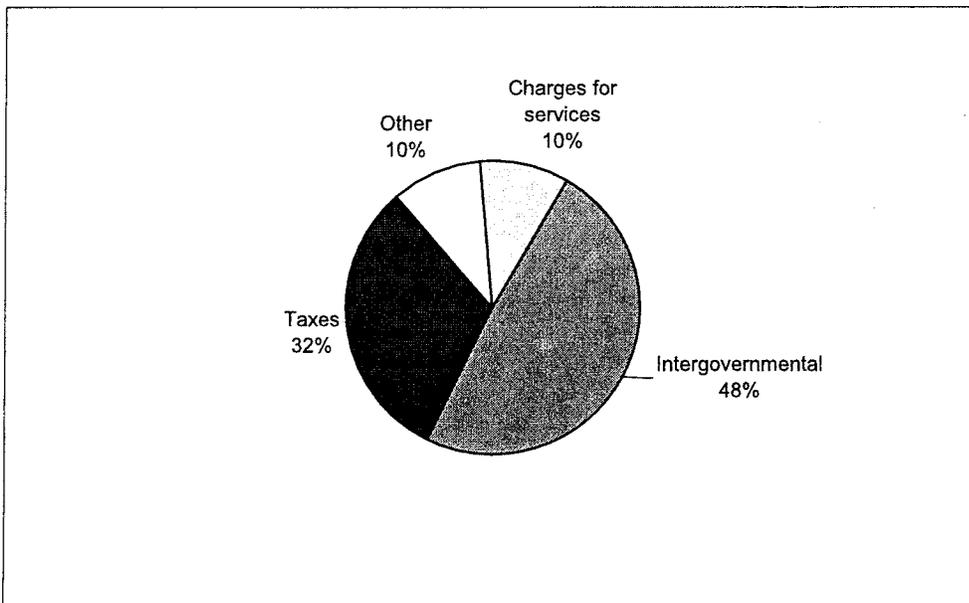


Chart 4
2004 Revenues by Source - Governmental Funds



CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2004, total \$1,502 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 \$27.8 million or 1.9%. Governmental activities' capital assets increased \$1.3 million. Business-type activities' capital assets increased \$26.5 million or 4.2% at the end of 2004. A schedule comparing the assets by type for 2003 and 2004 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 \$39 million and deletions were \$37.7 million for 2004 for governmental activities. The sewer maintenance fund had a net change in capital assets that resulted in an increase of \$17.7 million. Of the sewer maintenance fund's net assets at year end, 89% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 57.5% of its total net assets and 33.7% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 2%.

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

	Governmental Activities		Business-type		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Capital assets not being depreciated:						
Land	\$ 163,536	\$ 163,552	\$ 18,794	\$ 18,388	\$ 182,330	\$ 181,940
Construction in progress	69,556	59,902	37,219	45,909	106,775	105,811
Capital assets being depreciated:.....						
Buildings	123,160	140,186	81,137	84,395	204,297	224,581
Infrastructure	1,244,214	1,263,394	552,259	576,906	1,796,473	1,840,300
Improvements other than buildings	8,720	8,733	24,484	24,457	33,204	33,190
Machinery and equipment	112,704	121,327	199,476	203,243	312,180	324,570
Furniture and furnishings	-	-	74	70	74	70
Nonutility property	-	-	540	540	540	540
Accumulated depreciation	(881,524)	(915,371)	(279,805)	(293,244)	(1,161,329)	(1,208,615)
Total	\$ 840,366	\$ 841,723	\$ 634,178	\$ 660,664	\$ 1,474,544	\$ 1,502,387

Debt

At year-end, the City had \$672.9 million in general obligation bonds and notes, \$0.3 million in capital lease payable, and \$74.7 million in revenue bonds outstanding as itemized in Table 6.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

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

	Governmental Activities		Business-type		Total Primary Government	
	2003	2004	2003	2004	2003	2004
General obligation bonds (backed by the City)	\$ 598,275	\$ 618,988	\$ 61,807	\$ 53,943	\$ 660,082	\$ 672,931
Capital lease payable	523	349	-	-	523	349
Revenue bonds (backed by specific fee revenues)	-	-	76,528	74,690	76,528	74,690
Total	<u>\$ 598,798</u>	<u>\$ 619,337</u>	<u>\$ 138,335</u>	<u>\$ 128,633</u>	<u>\$ 737,133</u>	<u>\$ 747,970</u>

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$90.4 million, of which \$1.1 million related to the 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 2004 general obligation bonds issue.

The city's general obligation debt per capita, excluding enterprise fund debt, was \$953.36 at the end of 2004, a 2.4% increase from the prior year. As of December 31, 2004, the City's outstanding net general obligation debt was 2.41% of the City's equalized property value. 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 reached about 53% of this limit. For the 14th year, the City issued general obligation notes to purchase a portion of General Fund delinquent taxes in the amount of \$15 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total property taxes levied for all funds of the City in 2004 for 2005 purposes decreased \$.54 cents per thousand dollars of assessed valuation to a rate of \$9.19. There were no new fees for services. The Council supported the Mayor's recommendation to maintain the following fees for services provided by the Department of Public Works at the current 2004 levels:

- The Solid Waste Fee will remain at \$75. It will continue to generate \$13.9 million (43% recovery of cost) in 2005.
- The Snow and Ice Control Fee will remain at its current rate of \$0.2736 per foot of property frontage, and generate \$2.4 million.
- Leaf pick-up and street-sweeping costs are recovered through the City's sewer maintenance fee. These will be in the form of service charges to the Sewer Fund by the Department of Public Works-Operations Division. Revenue received for this service is projected at \$4.2 million in 2005.

The 2005 adopted City Budget is about \$1.1 billion with the budget for the General Fund at \$580 million. The General Fund budgets increased more than 2% over the 2004 budget of \$567 million. There is no question that escalating health care costs aggravate our fiscal condition. In 2005, the city will pay \$94.7 million for health insurance, an increase of 11.8% (adjusted for carryover of funds). The most visible city service level changes residents may notice in 2005 are reductions in library hours and certain boulevard plantings. There will also be a change in the way bulky items ("special pick-ups") are collected; bulky items will be collected on regularly scheduled garbage collection days; collection of major appliances will be discontinued; and brush will be collected only from March to November, with a reduction in the maximum amount of brush collected to 4 cubic yards.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Reductions in State Shared Revenue will again decrease; for 2005 this decrease will amount to \$1 million. The property tax levy will provide \$93.8 million revenue for the general city purposes budget in 2005. This represents an increase of \$8.7 million from 2004, but is partially offset by decreases in the tax levy for capital improvements, debt service, and employee retirement. The total city tax levy increased from \$199 million in 2004 to \$203 million in 2005 or a \$4 million increase. The 2005 budget includes \$60.1 million in revenue from charges for services, an increase of \$2.7 million. This category of funding encompasses revenue received for services provided by city operating departments. Charges for services revenue has steadily increased since 1995. The Assessor's Office has proposed a new service charge for appraisal services. This service charge would be charged for new construction and building additions/remodeling where an appraiser from the Assessor's Office is required to make an inspection of the property. Initial review of the proposal indicates that approximately \$500,000 could be generated by implementing this service charge. One of the city's top 2005 priorities is to work toward securing the city's financial future. The current atmosphere of fiscal stress experienced by the city is projected to continue in coming years. For this reason, the Budget and Management Division will develop a multi-year fiscal stability plan to guide future policy decisions. The plan will identify operating and capital revenue sources. The plan will also establish expenditure priorities that can be funded within the revenue sources. This process will involve elected officials, institutional stakeholders and the general public.

The City's population is beginning to show a minor but continual decline since 2000. The following table depicts this change over the last five years and represents a 2% decrease from 2000 to 2004:

2000	605,572
2001	595,508
2002	595,958
2003	595,245
2004	593,920

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it 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, 2004
 (Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 259,928	\$ 50,538	\$ 310,466	\$ 53,517
Investments	55,736	24,361	80,097	1,885
Receivables (net):				
Taxes	159,997	-	159,997	-
Accounts	16,333	23,811	40,144	4,605
Unbilled accounts	485	14,084	14,569	-
Special assessments	15,520	-	15,520	-
Notes and loans	44,952	-	44,952	80,015
Accrued interest	1,031	85	1,116	1,377
Due from component units	18,061	-	18,061	-
Due from primary government	-	-	-	3,597
Due from other governmental agencies	197,654	-	197,654	13,321
Inventory of materials and supplies	5,920	2,597	8,517	-
Inventory of property for resale	26	-	26	12,934
Prepaid items	562	13	575	1,501
Deferred charges	1,971	657	2,628	147
Other assets	-	336	336	697
Total non-capital assets	778,176	116,482	894,658	173,596
Capital assets:				
Capital assets not being depreciated:				
Land	163,552	18,388	181,940	55,788
Construction in progress	59,902	45,909	105,811	21,787
Capital assets being depreciated:				
Buildings	140,186	84,395	224,581	337,789
Infrastructure	1,263,394	576,906	1,840,300	-
Improvements other than buildings	8,733	24,457	33,190	258
Machinery and equipment	121,327	203,243	324,570	3,893
Furniture and furnishings	-	70	70	-
Nonutility property	-	540	540	-
Accumulated depreciation	(915,371)	(293,244)	(1,208,615)	(181,483)
Total Capital Assets	841,723	660,664	1,502,387	238,032
Total Assets	1,619,899	777,146	2,397,045	411,628

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

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 41,902	\$ 15,342	\$ 57,244	\$ 7,848
Accrued expenses	23,053	2,008	25,061	8,014
Accrued interest payable	8,506	939	9,445	-
Internal balances	554	(554)	-	-
Due to component units	3,597	-	3,597	-
Due to other governmental agencies	4,852	-	4,852	6,871
Deferred revenue	267,189	160	267,349	1,922
Revenue anticipation notes payable	172,000	-	172,000	-
Other liabilities	-	-	-	6,919
Due to primary government:				
Due within one year	-	-	-	1,959
Due in more than one year	-	-	-	16,102
Long-term obligations:				
Due within one year	89,958	13,281	103,239	7,251
Due in more than one year	612,505	119,557	732,062	52,582
Total Liabilities	<u>1,224,116</u>	<u>150,733</u>	<u>1,374,849</u>	<u>109,468</u>
NET ASSETS				
Invested in capital assets, net of related debt	444,873	529,213	974,086	189,903
Restricted for:				
Debt Service	110,135	8,123	118,258	-
Other purposes	282	-	282	52,011
Unrestricted	(159,507)	89,077	(70,430)	60,246
Total Net Assets	<u>\$ 395,783</u>	<u>\$ 626,413</u>	<u>\$ 1,022,196</u>	<u>\$ 302,160</u>

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

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 177,761	\$ 10,460	\$ 2,171	\$ -
Public safety	241,027	13,153	9,728	-
Public works	150,591	33,305	3,485	-
Health	27,251	911	16,625	-
Culture and recreation	29,014	2,412	1,910	-
Conservation and development	57,967	584	26,509	-
Capital contribution to Milwaukee Public Schools	15,686	-	-	-
Contributions	20,582	-	22,236	-
Interest on long-term debt	24,159	-	-	-
Total Governmental Activities	<u>744,038</u>	<u>60,825</u>	<u>82,664</u>	<u>-</u>
Business-type Activities:				
Water	54,030	71,579	-	2,093
Sewer Maintenance	24,361	30,959	-	-
Parking	22,283	41,470	-	-
Port of Milwaukee	2,981	3,943	-	143
Metropolitan Sewerage District User Charges	31,233	29,688	-	-
Total Business-type Activities	<u>134,888</u>	<u>177,639</u>	<u>-</u>	<u>2,236</u>
Total Primary Government	<u>\$ 878,926</u>	<u>\$ 238,464</u>	<u>\$ 82,664</u>	<u>\$ 2,236</u>
Component units:				
Housing Authority	\$ 87,306	\$ 16,684	\$ 54,250	\$ 8,142
Redevelopment Authority	11,113	2,236	9,774	-
Milwaukee Economic Development Authority	1,744	2,364	25	-
Neighborhood Improvement Development Corporation	4,018	1,486	3,768	-
Total Component Units	<u>\$ 104,181</u>	<u>\$ 22,770</u>	<u>\$ 67,817</u>	<u>\$ 8,142</u>
General revenues:				
Property taxes and other taxes				
State aids for General Fund				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning, as Restated				
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			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (165,130)		\$ (165,130)	
(218,146)		(218,146)	
(113,801)		(113,801)	
(9,715)		(9,715)	
(24,692)		(24,692)	
(30,874)		(30,874)	
(15,686)		(15,686)	
1,654		1,654	
(24,159)		(24,159)	
<u>(600,549)</u>		<u>(600,549)</u>	
-	19,642	19,642	
-	6,598	6,598	
-	19,187	19,187	
-	1,105	1,105	
-	(1,545)	(1,545)	
-	<u>44,987</u>	<u>44,987</u>	
<u>(600,549)</u>	<u>44,987</u>	<u>(555,562)</u>	
			\$ (8,230)
			897
			645
			<u>1,236</u>
			<u>(5,452)</u>
217,762	-	217,762	-
273,865	-	273,865	-
-	-	-	-
56,321	797	57,118	2,576
22,622	(22,622)	-	-
<u>570,570</u>	<u>(21,825)</u>	<u>548,745</u>	<u>2,576</u>
(29,979)	23,162	(6,817)	(2,876)
<u>425,762</u>	<u>603,251</u>	<u>1,029,013</u>	<u>305,036</u>
<u>\$ 395,783</u>	<u>\$ 626,413</u>	<u>\$ 1,022,196</u>	<u>\$ 302,160</u>

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**FUND
FINANCIAL
STATEMENTS**

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

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 118,556
Investments	282
Receivables (net):	
Taxes	102,499
Accounts	10,901
Unbilled accounts	485
Special assessments	-
Notes and loans	299
Accrued interest	840
Due from other funds	27,583
Due from component units	2,026
Due from other governmental agencies	668
Advances to other funds	13,431
Inventory of materials and supplies	5,658
Inventory of property for resale	26
Prepaid items	271
Total Assets	<u>\$ 283,525</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 25,457
Accrued expenses	23,053
Due to other funds	1,566
Due to component units	6
Due to other governmental agencies	1
Deferred revenue	146,406
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>196,489</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	30,288
Reserved for inventory	5,684
Reserved for mortgage trust	282
Reserved for environmental remediation	303
Reserved for tax stabilization - 2005	16,621
Reserved for tax stabilization - 2006 and subsequent years' budgets and advances to other funds	33,858
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>87,036</u>
Total Liabilities and Fund Balances	<u>\$ 283,525</u>

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

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

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

Exhibit A-2

Fund balances - total governmental funds \$ 205,520

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

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

Land	\$ 163,552	
Buildings, net of \$62,116 accumulated depreciation	78,070	
Infrastructure, net of \$768,943 accumulated depreciation	494,451	
Improvements Other than buildings, net of \$6,750 accumulated depreciation	1,983	
Machinery and equipment, net of \$77,562 accumulated depreciation	43,765	
Construction in progress	<u>59,902</u>	
		841,723

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

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

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

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

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

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

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

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

Exhibit A-3

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

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

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

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

Exhibit A-4

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

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$44,246) exceeded depreciation expense (\$42,361) in the current period less loss on disposals (\$528) 1,357

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

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
Bonds and notes issued	(89,331)	
Issuance premiums	(10,467)	
Repayments:		
Principal retirement	68,618	
Bond issuance costs	679	
Capital lease current payment	174	
Amortization:		
Issuance costs	(445)	
Premiums	6,820	
Deferred amount on refunding	(1,530)	
		(25,482)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.

Compensated absences	767	
Claims and judgments	4,868	
Accrued interest on bonds and notes	(829)	
		4,806

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

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

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

Exhibit B-1

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

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

Exhibit B-1 (Continued)

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

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

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

Exhibit B-2

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

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

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

Exhibit B-3

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

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

Exhibit B-3 (Continued)

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

Non-cash Activities:

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

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

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

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

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

Exhibit C-1

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

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

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

Exhibit C-2

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

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

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
 DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 20,186	\$ 21,164	\$ 9,397	\$ 2,770	\$ 53,517
Investments	567	-	1,018	300	1,885
Receivables (net):					
Accounts	3,293	816	406	90	4,605
Notes and loans	15,410	14,820	36,490	13,295	80,015
Accrued interest	931	64	226	156	1,377
Due from primary government	214	2,758	2	623	3,597
Due from other governmental agencies	7,414	2,103	3,743	61	13,321
Inventory of property for resale	1,729	8,396	1,495	1,314	12,934
Prepaid items	1,478	21	-	2	1,501
Deferred charges	-	147	-	-	147
Other assets	524	-	173	-	697
Total Noncapital Assets	<u>51,746</u>	<u>50,289</u>	<u>52,950</u>	<u>18,611</u>	<u>173,596</u>
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	46,681	9,107	-	-	55,788
Construction in progress	21,787	-	-	-	21,787
Capital assets being depreciated:					
Buildings	320,160	17,629	-	-	337,789
Improvements other than buildings	258	-	-	-	258
Machinery and equipment	3,792	-	96	5	3,893
Accumulated depreciation	<u>(180,908)</u>	<u>(510)</u>	<u>(61)</u>	<u>(4)</u>	<u>(181,483)</u>
Total Capital Assets, Net of Depreciation	<u>211,770</u>	<u>26,226</u>	<u>35</u>	<u>1</u>	<u>238,032</u>
Total Assets	<u>263,516</u>	<u>76,515</u>	<u>52,985</u>	<u>18,612</u>	<u>411,628</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
 DECEMBER 31, 2004
 (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	\$ 4,649	\$ 2,349	\$ 494	\$ 356	\$ 7,848
Accrued expenses	4,156	3,858	-	-	8,014
Due to other governmental agencies	-	6,871	-	-	6,871
Deferred revenue	10	1,817	-	95	1,922
Bonds and notes payable - current	-	-	-	-	-
Revenue bonds payable - current	-	-	-	-	-
Other liabilities	1,136	4,271	264	1,248	6,919
Total Current Liabilities	9,951	19,166	758	1,699	31,574
Due to primary government:					
Due within one year	1,781	-	-	178	1,959
Due in more than one year	-	13,442	2,660	-	16,102
Total Due to Primary Government	1,781	13,442	2,660	178	18,061
Long-term obligations:					
Due within one year	6,701	550	-	-	7,251
Due in more than one year	27,647	24,935	-	-	52,582
Total Noncurrent Liabilities	34,348	25,485	-	-	59,833
Total Liabilities	46,080	58,093	3,418	1,877	109,468
NET ASSETS:					
Invested in capital assets, net of related debt ...	182,994	6,873	35	1	189,903
Restricted	30,394	913	6,758	13,946	52,011
Unrestricted	4,048	10,636	42,774	2,788	60,246
Total Net Assets	\$ 217,436	\$ 18,422	\$ 49,567	\$ 16,735	\$ 302,160

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, 2004
 (Thousands of Dollars)

Exhibit D-2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Housing Authority				
Low income housing	\$ 87,306	\$ 16,684	\$ 54,250	\$ 8,142
Redevelopment Authority				
Prevention and elimination of blight	11,113	2,236	9,774	-
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	1,744	2,364	25	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>4,018</u>	<u>1,486</u>	<u>3,768</u>	<u>-</u>
 Total Component Units	 <u>\$104,181</u>	 <u>\$ 22,770</u>	 <u>\$ 67,817</u>	 <u>\$ 8,142</u>

General revenues:	
Miscellaneous	
 Total General Revenues	
 Change in Net Assets	
 Net Assets - Beginning, as Restated.....	
 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
\$ (8,230)	\$ -	\$ -	\$ -	\$ (8,230)
-	897	-	-	897
-	-	645	-	645
-	-	-	1,236	1,236
<u>(8,230)</u>	<u>897</u>	<u>645</u>	<u>1,236</u>	<u>(5,452)</u>
<u>2,149</u>	<u>261</u>	<u>147</u>	<u>19</u>	<u>2,576</u>
<u>2,149</u>	<u>261</u>	<u>147</u>	<u>19</u>	<u>2,576</u>
(6,081)	1,158	792	1,255	(2,876)
<u>223,517</u>	<u>17,264</u>	<u>48,775</u>	<u>15,480</u>	<u>305,036</u>
<u>\$217,436</u>	<u>\$ 18,422</u>	<u>\$ 49,567</u>	<u>\$ 16,735</u>	<u>\$302,160</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes 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 nonprofit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

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

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

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

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

B. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

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

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2004 that will be collected in 2005 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

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

D. Cash and Cash Equivalents

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

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

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

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

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

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

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

G. Unbilled Services

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

H. Special Assessments

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

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

I. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary.

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

J. Inventories

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

K. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

L. Capital Assets

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

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

Capitalization thresholds and the estimated useful lives for the City 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
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

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

M. Pension Contributions

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

N. Compensated Absences

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

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

O. Claims and Judgments

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

P. Bond Premiums, Discounts, and Issuance Costs

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

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

Q. Advance Refundings of Debt

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

R. Fund Balances

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

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

S. Net Assets

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

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

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

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

T. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

U. Use of Estimates

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

V. New Accounting Pronouncements

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

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

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

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet. The Debt Service Funds, Water Works Enterprise Fund, and component units maintain separate cash and investments. In addition, investments are separately held by several other City funds. No violations of legal provisions for deposits and investments were committed during the year.

Deposits

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

At December 31, 2004, the reported amount of the City's deposits and cash on hand for component units was \$15,489,000 and the related bank balance was \$16,206,000. Of the components units deposits \$2,565,000 are entirely insured and \$13,641,000 are uninsured and uncollateralized at the end of the year.

Cash Equivalents and Investments

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

Cash and investments with fiscal agents include \$2,424,185 placed in trust for Housing Authority debt retirement, \$8,759,851 for Redevelopment Authority debt retirement.

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

Governmental and business-type activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
			(Thousands of Dollars)		
<i>Categorized:</i>					
U.S. Treasury Obligations	\$ -	\$ 38,536	\$ -	\$ 38,536	\$ 38,536
U.S. Agency Securities	-	50,780	-	50,780	50,780
Capital Appreciation Bonds	-	13,430	-	13,430	13,430
Municipal Bonds and Notes	-	-	3,488	3,488	3,488
	<u>\$ -</u>	<u>\$ 102,746</u>	<u>\$ -</u>	106,234	106,234
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				7,794	7,794
Local Government Pooled - Investment Fund				123,646	123,646
Total Cash Equivalents and Investments				<u>\$ 237,674</u>	<u>\$ 237,674</u>
Fiduciary activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
			(Thousands of Dollars)		
<i>Categorized:</i>					
U.S. Treasury Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 4,753	\$ 4,753
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				149	149
Deferred Compensation Investments				468,202	468,202
Total Cash Equivalents and Investments				<u>\$ 473,104</u>	<u>\$ 473,104</u>
Component Units:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
			(Thousands of Dollars)		
<i>Categorized:</i>					
Securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ -	\$ -
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				2,424	2,424
Local Government Pooled - Investment Fund				28,097	28,097
U.S. Government Money Market				9,220	9,220
Investments in partnerships				172	172
Total Cash Equivalents and Investments				<u>\$ 39,913</u>	<u>\$ 39,913</u>

The pooled investments have not been categorized based on custodial risk because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship. The Local Government Pooled – Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.

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.

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

At December 31, 2004, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

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

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

4. CAPITAL ASSETS

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

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

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

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

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

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

CITY OF MILWAUKEE
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	Balance 01-01-04	Additions	Deletions	Balance 12-31-04
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 55,990	\$ 142	\$ 344	\$ 55,788
Construction in Progress	<u>20,786</u>	<u>3,981</u>	<u>2,980</u>	<u>21,787</u>
Total capital assets not being depreciated	<u>76,776</u>	<u>4,123</u>	<u>3,324</u>	<u>77,575</u>
<i>Capital assets being depreciated:</i>				
Buildings	326,752	15,384	4,347	337,789
Improvements other than buildings	204	54	-	258
Machinery and equipment	<u>3,541</u>	<u>365</u>	<u>13</u>	<u>3,893</u>
Total capital assets being depreciated	<u>330,497</u>	<u>15,803</u>	<u>4,360</u>	<u>341,940</u>
Less accumulated depreciation for:				
Buildings	162,120	16,186	247	178,059
Improvements other than buildings	47	17	-	64
Machinery and equipment	<u>3,201</u>	<u>166</u>	<u>7</u>	<u>3,360</u>
Total accumulated depreciation	<u>165,368</u>	<u>16,369</u>	<u>254</u>	<u>181,483</u>
Total capital assets being depreciated, net ..	<u>165,129</u>	<u>(566)</u>	<u>4,106</u>	<u>160,457</u>
Component units capital assets, net	<u>\$ 241,905</u>	<u>\$ 3,557</u>	<u>\$ 7,430</u>	<u>\$ 238,032</u>

Certain prior year balances for the component units have been adjusted to correspond with the proper classification reflected in the Statement of Net Assets.

5. DEFERRED REVENUE

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

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

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

6. SHORT-TERM DEBT

During 2004, the City issued \$66,000,000 of Revenue Anticipation Notes (RANs) The RANs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November 2004.

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

CITY OF MILWAUKEE
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 FOR THE YEAR ENDED DECEMBER 31, 2004

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

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

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

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

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

	Balance 01-01-04	New Issues	Repayments	Balance 12-31-04	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Component Units					
Revenue bonds	\$ 42,317	\$ -	\$ 3,361	\$ 38,956	\$ 965
Deferred amount on refundings	-	-	-	-	-
Unamortized premiums	-	-	-	-	-
Unamortized discounts	(136)	-	(6)	(130)	-
Notes payable	8,876	11,472	41	20,307	5,886
Advance from other organizations	1,100	-	400	700	400
Total component units	<u>\$ 52,157</u>	<u>\$ 11,472</u>	<u>\$ 3,796</u>	<u>\$ 59,833</u>	<u>\$ 7,251</u>

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2004, general obligation bonds totaling \$24,200,000 were issued to finance capital improvements.

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

Through 2004, \$94,853,794 has been borrowed and outstanding for forty-three tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$133,479,461. Tax increments received through 2004 total \$104,093,004. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$121,885,000 of Milwaukee Public School long-term debt outstanding at December 31, 2004 consists of a portion of the City's general obligation bonds and notes which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2004, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$776,135,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During the year ended December 31, 2004, the City did not issue revenue bonds.

The component units issue revenue bonds to provide funds for capital construction and mortgage-backed securities. As such, they are not backed by the general credit or taxing powers of the City.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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D. Notes Payable

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

E. Capital Leases Payable

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

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

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

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

F. Debt Service Requirements

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

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

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

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
Other Enterprise					
2005	\$ 506	\$ 221	\$ -	\$ -	\$ 727
2006	477	197	-	-	674
2007	444	173	-	-	617
2008	443	154	-	-	597
2009	463	131	-	-	594
2010-2014	1,752	355	-	-	2,107
2015-2019	444	36	-	-	480
Total	<u>\$ 4,529</u>	<u>\$ 1,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,796</u>
Component Units					
2005	\$ 5,886	\$ 612	\$ 965	\$ 980	\$ 8,443
2006	47	501	995	940	2,483
2007	3,551	498	1,040	898	5,987
2008	55	494	465	853	1,867
2009	59	488	495	830	1,872
2010-2014	494	2,247	2,850	3,751	9,342
2015-2019	1,723	2,091	670	2,927	7,411
2020-2024	42	1,947	7,576	1,985	11,550
2025-2029	54	1,934	23,900	365	26,253
2030-2034	69	1,919	-	-	1,988
2035-2039	2,091	1,446	-	-	3,537
2040-2044	4,906	571	-	-	5,477
2045-2049	1,318	21	-	-	1,339
2050-2052	12	1	-	-	13
Total	<u>\$ 20,307</u>	<u>\$ 14,770</u>	<u>\$ 38,956</u>	<u>\$ 13,529</u>	<u>\$ 87,562</u>

G. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2004 the City's legal debt margin was \$1,015,300,000. Of this amount, \$448,641,000 was for school purposes and \$566,659,000 was for City purposes.

H. Refundings

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2004, \$160,205,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

I. Conduit Debt

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, 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, is payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2004 is approximately \$78,710,000, \$18,200,000, and \$525,000,000 for the City, HACM, and RACM, respectively.

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

8. RETIREMENT PLANS

Pension Benefits

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

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2004, 2003, and 2002, were \$21,693,000, \$22,015,000, and \$20,233,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

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

The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters with single enrollment status and police officers with single enrollment status. The City contribution for firefighters between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

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

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

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

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

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

still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

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

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2004, approximately \$8,974,000 was paid for sick leave from all funds. At December 31, 2004 accumulated sick leave earned but not taken totaled approximately \$114,355,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2004 terminal leave payments totaled \$1,300,000 to employees retiring during the year. As of December 31, 2004, the City has accrued approximately \$21,727,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$37,003,000, with the remainder accrued vacation leave of \$15,276,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$50,479,000 at December 31, 2004, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$13,431,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$13,431,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Deficit Fund Equity

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

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

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

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

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

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

Interfund transfers for the year ended December 31, 2004 were as follows:

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

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

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

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

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

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

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

12. OPERATING LEASES

The City leases various properties under operating lease agreements expiring at various dates through 2007 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount <i>(Thousands of Dollars)</i>
2005	\$ 2,942
2006	2,601
2007	2,611
2008	2,344
2009	1,960
2010-2014	10,591
2015-2019	10,249
2020-2023	<u>4,165</u>
 Total	 <u>\$ 37,463</u>

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

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

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

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

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

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

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

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

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

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

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

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

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

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

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$1,085,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Intergovernmental grants

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

14. SUBSEQUENT EVENTS

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

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

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

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

Exhibit E-1

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

Explanation of Differences of Budget to GAAP:

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$16,870 million at January 1, 2004. In addition, budgeted expenditures do not include capital lease payments as public safety expenditures.

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

See accompanying independent auditors' report.

Combined and Individual Fund Statements and Schedules
Miscellaneous Financial Data
Statistical Section

Pages 92-150 Omitted

APPENDIX B

Draft Forms of Legal Opinions

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April 6, 2006

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 \$83,310,000 aggregate principal amount of General Obligation Promissory Notes, Series 2006 N1 (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 13, 2005.

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 April 6, 2006. The Notes mature (without option of prior redemption) on February 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on August 15, 2006 and semiannually thereafter on February 15 and August 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2007	\$14,655,000	5.00%
2008	10,090,000	5.00
2009	7,885,000	5.00
2010	7,680,000	5.00
2011	7,535,000	5.00
2012	7,480,000	5.00
2013	6,965,000	5.00
2014	6,985,000	5.00
2015	7,005,000	5.00
2016	7,030,000	4.00

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

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the

opinion that the Notes are not “private activity bonds” within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

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

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

Respectfully submitted,

LG/be

April 6, 2006

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 \$25,540,000 aggregate principal amount of General Obligation Corporate Purpose Bonds, Series 2006 B2 (the "Bonds") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on January 18, 2006.

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 April 6, 2006. The Bonds mature on February 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on August 15, 2006 and semiannually thereafter on February 15 and August 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2017	\$4,755,000	4.00%
2018	4,780,000	4.00
2019	4,805,000	4.25
2020	4,835,000	4.25
2021	4,860,000	4.25
2022	735,000	4.25
2023	770,000	4.25

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 February 15, 2016 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

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

We are further of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is

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

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

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

Respectfully submitted,

LG/be

April 6, 2006

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 \$66,000,000 aggregate principal amount of General Obligation Cash Flow Promissory Notes, Series 2006 R3 (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 February 7, 2006.

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 April 6, 2006. The Notes mature (without option of prior redemption) on April 5, 2007 and bear interest from their date at the rate of four and one-half percent (4.50%) per annum, payable at 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.

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

APPENDIX C

Master Continuing Disclosure Certificate

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MASTER CONTINUING DISCLOSURE CERTIFICATE

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

ARTICLE I - Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(13) "SEC" means the United States Securities and Exchange Commission.

(14) "Security Holders" means the holders from time to time of Offered Obligations.

(15) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

(16) "State" means the State of Wisconsin.

(17) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been unaudited.

(18) "Underwriters" means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II - The Undertaking

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

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

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

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

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

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

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

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

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

ARTICLE III - Operating Rules

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

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

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

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

ARTICLE IV - Termination, Amendment and Enforcement

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

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

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

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

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

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

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

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

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

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

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

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING NRMSIRs

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

Repositories and Contact Information

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

Disclosure USA
www.disclosureusa.org

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

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

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

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

Content of Annual Financial Information for Issuer:

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

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

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

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

SUPPLEMENTAL CERTIFICATE

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

Name of Obligations:

\$83,310,000 General Obligation Promissory Notes, Series 2006 N1
\$25,540,000 General Obligation Corporate Purpose Bonds, Series 2006 B2
\$66,000,000 General Obligation Cash Flow Promissory Notes, Series 2006 R3

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER

Date of Issues:

April 6, 2006

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this 6th day of April, 2006.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

WMM:RSL

APPENDIX D

Specimen of Financial Guaranty Insurance Policy-AMBAC
(maturities 2009-2015 and 2019, only).

Specimen of Financial Guaranty Insurance Policy-CIFG
(maturities 2016-2018 and 2020-2023, only).

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Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

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

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

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

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

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

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

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

President



Secretary

Effective Date:

Authorized Representative

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

Authorized Officer of Insurance Trustee

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



CIFG Assurance North America, Inc.
825 Third Avenue, Sixth Floor
New York, NY 10022
For information, contact (212) 909-3939
Toll-free (866) 243-4212

FINANCIAL GUARANTY INSURANCE POLICY

ISSUER: _____

Policy No.: CIFG NA-##

CUSIP: _____

Effective Date: _____, 200_

OBLIGATIONS: _____

CIFG ASSURANCE NORTH AMERICA, INC. ("CIFG NA"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to each Policyholder, subject only to the terms and conditions of this Policy (which includes each endorsement hereto), the full and complete payment by or on behalf of the Issuer of Regular Payments of principal of and interest on the Obligations.

For the further protection of each Policyholder, CIFG NA irrevocably and unconditionally guarantees:

(1) payment of any amount required to be paid under this Policy by CIFG NA following CIFG NA's receipt of notice and instruments of assignment as described in Endorsement No. 1 hereto and

(2) payment of the amount of any distribution of principal of and interest on the Obligations made during the Term of this Policy to such Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law, all as described in Endorsement No. 1 hereto.

CIFG NA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFG NA hereunder. Upon disbursement in respect of an Obligation, CIFG NA shall become the owner of the Obligation, appurtenant coupon, if any, and all rights to payment of principal thereof or interest thereon.

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any endorsement hereto, for all purposes of this Policy. "Effective Date," "Issuer" and "Obligations" mean, respectively, the Effective Date, Issuer and Obligations referenced above. "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registration books maintained by or on behalf of the Issuer for such purpose or, if the Obligations are in bearer form, the holder of any Obligation; provided, however, that any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Policyholder to the extent of such trustee's authority. "Regular Payments" means payments of interest and principal which are agreed to be made during the Term of this Policy in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, (b) an election by the Issuer to pay principal or other amounts on an accelerated basis or (c) any other cause, shall not constitute "Regular Payments" unless CIFG NA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration. "Term of this Policy" has the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFG NA, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations (except a contemporaneous or subsequent agreement or instrument given by CIFG NA or to which CIFG NA has given its written consent) or by the merger, consolidation or dissolution of the Issuer. The premiums paid in respect of this Policy are nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Obligations prior to maturity. This Policy may not be cancelled or revoked during the Term of this Policy, including for nonpayment of premium due to CIFG NA. Payments under this Policy may not be accelerated except at the sole option of CIFG NA.

In witness whereof, CIFG ASSURANCE NORTH AMERICA, INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

CIFG ASSURANCE NORTH AMERICA, INC.

By _____
Authorized Officer