NEW ISSUE
BOOK ENTRY ONLY

RATINGS:	Fitch	Moody's	Standard & Poor's
	"F1+"	"MIG1"	"SP-1+"

(See "Ratings" herein)

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 Notes will not be includable in gross income for federal income tax purposes. The interest on the Notes is not an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income and is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Notes is not exempt from Wisconsin income taxes.

$116,000,000
CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES
SERIES 2009 R3

The General Obligation Cash Flow Promissory Notes, Series 2009 R3 (the "G.O. Notes" or the "Notes") are direct general obligations of the City of Milwaukee, Wisconsin (the "City" and the "State", respectively), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount.

The Notes will be dated the Expected Date of Delivery, and will be payable on December 17, 2009. The Notes 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 Notes shall be payable at maturity. The Notes are not subject to redemption.

MATURITY SCHEDULE

Amount	Interest Rate	Yield
$50,000,000	1.25%	0.44%
66,000,000	1.50	0.45

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated March 17, 2009 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 Notice of Sale. Delivery of the Notes will be on or about April 9, 2009 (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 NOTES. 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

March 24, 2009

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:

$116,000,000 General Obligation Cash Flow Promissory Notes, Series 2009 R3 (the "G.O. Notes" or the "Notes")

The following summary statement is furnished solely to provide limited introductory information regarding the City's Notes, 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 NOTES

Issuer:	City of Milwaukee, Wisconsin.
Issue:	$116,000,000 General Obligation Cash Flow Promissory Notes, Series 2009 R3.
Dated Date:	The Expected Date of Delivery, which is anticipated to be April 9, 2009.
Maturity:	December 17, 2009.
Principal:	$116,000,000
Interest Payment Dates:	Payable at maturity; calculated on the basis of 30-day months and a 360-day year (term of 248 days assuming an April 9, 2009 delivery date).
Denominations:	$5,000 or integral multiples thereof.
Purpose:	The Notes 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 Notes 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 Notes. The City has also pledged all other general fund revenues included in the budget for the current calendar year which are due the City, which have not been received as of the date of delivery of the Notes and which are not otherwise pledged or assigned. (See "THE NOTES - SECURITY FOR THE NOTES" herein).
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, including particularly Section 67.12(12) 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 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"), Bond Counsel 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. Bond Counsel are further of the opinion that the interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income and is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate

	alternative minimum tax. Interest on the Notes is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).	
Redemption Feature:	The Notes are not subject to redemption prior to maturity.	
Official Statement:	The City will provide the original purchaser of the Notes with up to 100 copies of this Official Statement within seven business days following the award of the Notes.	
Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Delivery:	Delivery of the Notes will be on or about April 9, 2009 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 Notes are set forth on the front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).	

(The remainder of this page has been intentionally left blank)

THE NOTES

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 January 16, 2009 in accordance with the provisions of Chapters 67.12(12) of the Wisconsin Statutes.

SECURITY FOR THE NOTES

The Notes 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 Notes.

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 Notes 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 Notes. 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 Notes.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation debt the City may issue. The Notes 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 ("LGIP") as a subset of the State Investment Fund (the "Fund"). The LGIP includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The LGIP portion of the Fund is additionally secured as to credit risk.

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of December 31, 2008, the City had approximately 21.24% ($124,477,448) of its and MPS's investments deposited in the LGIP.

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

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. 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 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 590,870 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 15, 2008
(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)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	James N. Witkowiak	(2004)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

The terms of all the above elected positions expire in April, 2012.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,307 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 borrow directly and issue revenue backed financings.

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

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

The second special purpose governmental unit is the Wisconsin Center District ("WC District"), a public entity created by State legislation, which oversees construction/operation of the Midwest Airlines Center, the City's major convention complex. This complex also includes the US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA". The Midwest Airlines Center was financed by $185 million of revenue bonds issued by the WC District and secured by a pledge of dedicated sales tax revenues from lodging, restaurant, and vehicle rentals collected in the WC District.

Phase one of the Midwest Airlines Center was completed during 1998. Phase two was completed in 1999. In 2001, the WC District issued $30 million of bonds to renovate the Milwaukee Auditorium which was renamed the Milwaukee Theatre.

In addition to the facilities noted above, the City is home to a 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. The City also boasts the lakefront Milwaukee Art Museum as well as a major symphony, ballet and opera companies, and other theatre and 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 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 nineteen different bargaining units represented by unions. Seventeen labor agreements expired on December 31, 2006. Two labor agreements covering approximately 2,700 employees are in place through December 31, 2009.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 590,870, represents approximately 40% of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding the City 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 SCMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

CITY OF MILWAUKEE
SELECTED ECONOMIC DATA

Year	Population	Adjusted Gross Income Per Return
2008	590,870	N/A
2007	590,190	$33,225
2006	590,370	32,370
2005	592,765	30,988
2004	593,920	29,922

Sources: Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2003 through December 2008.

General Total

Year	Value	Permits Issued
2003	$334,954,154	$2,884
2004	294,811,125	2,784
2005	529,251,733	2,599
2006	424,763,947	2,655
2007	336,748,300	2,405
2008	249,992,533	2,067

Residential Building

	Single Family		Multi-Family		Total		Permits
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Issued
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
2006	25,146,380	162	95,804,142	519	120,950,522	681	189
2007	24,940,117	160	123,505,408	677	148,445,525	837	187
2008	15,632,811	90	63,975,007	509	79,607,818	599	104

Commercial Building

Year	Value	Permits Issued
2003	$61,824,799	96
2004	63,485,441	89
2005	166,425,515	106
2006	134,084,138	113
2007	82,501,318	105
2008	59,502,236	74

Public Building

Year	Value	Permits Issued
2003	$54,241,508	202
2004	34,176,914	95
2005	51,889,921	49
2006	38,009,733	243
2007	19,791,921	140
2008	9,107,611	85

Alterations and Additions

Year	Value	Permits Issued
2003	$107,026,579	2,399
2004	118,905,782	2,356
2005	163,471,082	2,213
2006	131,719,554	2,110
2007	86,009,536	1,973
2008	101,774,868	1,804

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

LEADING BUSINESS AND INDUSTRIAL FIRMS LOCATED WITHIN MILWAUKEE COUNTY

The listing of large employers in the Milwaukee County area 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.

Name	2007 Full Time Employees	Type of Business or Service
Aurora Health Care, Inc.	17,384	Healthcare System
Wheaton Franciscan Healthcare	12,000	Healthcare System
U.S. Government (includes Zablocki Medical Center)	10,800	Government
Roundy's Supermarkets, Inc.	7,532	Grocery retailer
Milwaukee Public Schools	7,137	Education
Quad Graphics	7,000	Commercial Printing
Marshall & Illsley Corp.	6,869	Banking/Finance and Data Services
Kohl's Corp.	6,700	Specialty department stores
GE Healthcare Technologies	6,462	Medical Imaging & information technology
Milwaukee County	5,568	Government
Wisconsin Energy Corp.	5,177	Holding company with subsidiaries electric generation & electric gas, steam & water distribution
Northwestern Mutual Life Insurance	5,000	Life Insurance
Pro Healthcare, Inc.	5,000	Provides Industrial Automation Power
Medical College of Wisconsin / Froedert Memorial Lutheran Hospital / Children's Hospital	4,500	Private medical and graduate school, biomedical research institute and medical group practice
Manpower, Inc.	4,500	Provides workforce management services
Columbia St. Mary's	4,421	Nonprofit healthcare system specializing in cardiovascular care, cancer care, or orthopedics
Adecco Employment Services	4,336	Contract/Temporary Staffing
AT&T Wisconsin	4,300	Telephone service and advanced communications
Froedert & Community Health, Inc.	4,044	Regional Hospital system
Harley Davidson, Inc.	3,742	Designs, manufactures & sells heavyweight motorcycles & material
Wal-Mart Stores, Inc.	3,680	Discount retail stores and warehouse clubs
Rockwell Automation, Inc.	3,478	industrial automation power control & information services
Bon-Ton Dept. Stores (Carson Pirie Scott & Co.)	3,384	Department Store
Walgreens Co.	3,180	Retail drugstore chain
Target Corp.	3,150	Retail department Store

Source: The 2008 Business Journal Book of Lists. Employer contact March 2008.

EMPLOYMENT AND INDUSTRY

During 2008, the City's unemployment rate averaged approximately 7.2%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2004 through December 2008. 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
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee - Waukesha Metropolitan Area	State of Wisconsin	United States
2008	7.2% [1]	5.1%[1]	4.7%	5.8%
2007	7.2	5.1	4.9	4.6
2006	7.0	4.9	4.7	4.6
2005	7.2	5.0	4.8	5.1
2004	7.8	5.4	5.0	5.5

Source: U.S. Department of Labor, Bureau of Labor Statistics.
[1] Estimated from monthly data as of December, 2008.

RECENT MONTHLY UNEMPLOYMENT RATES
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee - Waukesha Metropolitan Area	State of Wisconsin	United States
December 2008	7.9%	5.8%	5.8%	5.8%

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

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

TEN LARGEST TAXPAYERS WITH 2008 ASSESSED VALUATIONS

US Bank Corporation	$256,738,190
Northwestern Mutual Life Ins.	$203,882,060
Marcus Corp/Milw City Center/Pfister	$125,713,250
Metropolitan Associates	$101,764,920
NNN 411 East Wisconsin LLC	$94,840,000
Crichton-Hauck/Shoreline/Juneau Village	$92,662,300
Towne Realty	$85,806,400
M & I Marshall & Ilsley Bank	$84,574,980
100 E. Wisconsin Ave Joint Venture	$73,121,560
Geneva Exchange Fund	$69,755,000

Source: City of Milwaukee, Assessor's Office January 2009.

(The remainder of this page has been left blank intentionally.)

DEBT STRUCTURE

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

LEGAL DEBT LIMITATIONS

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

DEBT MARGIN
(Includes the Notes)

2008 Equalized Value of Taxable Property in the City		$32,257,525,000
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,612,876,250
General Obligation Debt Outstanding subject to 5% Limit as of 03/01/09	$779,285,001	
Plus: G.O. Notes	$116,000,000	
Less: Provision for current year maturities	($60,385,001)	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 03/01/09		$834,900,000
Total Debt Margin for City Borrowing (in Dollars)		$777,976,250
(As a percentage)		48.2%
(As a percentage excluding Cash Flow Notes)		55.4%
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$645,150,500
General Obligation Debt Outstanding subject to 2% Limit as of 03/01/09	$14,774,150	
Less: Provision for current year maturities	-	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 03/01/09		$14,774,150
Total Debt Margin for School Purpose Borrowing (in Dollars)		$630,376,350
(As a percentage)		97.7%

DEBT REFUNDED

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

$26,035,000 General Obligation Refunding Bonds, Series of 2001-A, dated July 1, 2001, for the purpose of refunding additional portions of four 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 Bank of New York 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, 2009

Tax Increment Districts	$170,102,030
Public Buildings	169,132,413
Schools (5% City Borrowing)	89,909,398
Schools (2% School Purpose Borrowing)	14,774,150
Streets	84,399,887
Finance Real & Personal Property Tax Rec	52,732,966
Sewers	47,809,237
Police	38,425,897
Blight Elimination/Urban Renewal	19,607,589
Fire	19,423,698
Water	16,864,310
Bridges	16,249,190
Local Improvement Projects/Special Assessments	14,057,232
Parking	12,857,786
Playground/Rec Facilities	8,747,342
Library	8,220,552
Municipal Expenses	6,832,062
Harbor	3,125,512
FMIS Replacement	410,000
Grant & Aid Improvements City Share	263,424
Economic Development	51,225
Industrial Land Bank	35,905
Resource Recovery	11,689
Milwaukee Exposition and Conv Center	11,164
Lakefront Development	4,494
Total	$794,059,150

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

	Total G.O. Debt Service as of 12/31/2008 [1]	The Notes		Total Debt Service Requirements After Issuance
		Principal	Interest	
2009	$131,678,497	$116,000,000	$1,112,556	$248,791,053
2010	145,175,243	—	—	145,175,243
2011	112,824,007	—	—	112,824,007
2012	98,469,855	—	—	98,469,855
2013	90,073,491	—	—	90,073,491
2014	83,526,568	—	—	83,526,568
2015	75,243,216	—	—	75,243,216
2016	68,085,110	—	—	68,085,110
2017	60,113,736	—	—	60,113,736
2018	79,971,440 [2]	—	—	79,971,440
2019	41,046,694	—	—	41,046,694
2020	33,715,662	—	—	33,715,662
2021	32,297,255	—	—	32,297,255
2022	24,303,129	—	—	24,303,129
2023	19,658,090	—	—	19,658,090
2024	9,509,105	—	—	9,509,105
2025	4,690,492	—	—	4,690,492
	$1,110,381,590	$116,000,000	$1,112,556	$1,227,494,146

[1] Assumes the maximum interest rate of 12.0% on $54,200,000 of variable rate debt (the tax levy requirement).
[2] The state program end date for $31,200,000 of Commercial Paper.

TRENDS OF GENERAL OBLIGATION DEBT
(THOUSANDS OF DOLLARS)

Year 12/31	Total G.O. Debt	Self-Sustaining G.O. Debt	Levy Supported G.O. Debt
2004	$672,642	$196,549	$476,093
2005	710,409	245,016	465,394
2006	797,462	268,901	528,561
2007	747,298	294,952	452,346
2008	788,579	291,317	497,262

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT
(THOUSANDS OF DOLLARS)

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes [1]	Water	Sewer [2]	Total Self-Sustaining
2004	$98,051	$16,613	$22,824	$26,260	$32,801	$0	$196,549
2005	118,997	13,953	20,428	26,323	27,949	37,366	245,016
2006	146,232	12,747	18,449	27,070	23,257	41,146	268,901
2007	143,886	11,733	16,458	28,320	19,895	74,661	294,952
2008	165,217	10,743	14,631	34,136	17,049	49,541	291,317

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

[1] Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.
[2] Amount reflects the portion of GO Sewer Debt paid by the Sewer Utility.
Beginning in 2007, the Sewer Utility paid the full amount of the GO Sewer Debt.

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

Year 12/31	Population [1]	Net Equalized Valuation	Assessed Valuation	Total GO Debt	GO Debt /Net EV	GO Debt /AV	GO Debt /capita
2004	593,920	$23,491,773,700	$22,772,419,500	$672,642,303	2.86%	2.95%	$1,133
2005	592,765	26,256,713,800	25,222,149,174	710,409,475	2.71	2.82	1,198
2006	590,370	30,226,985,500	28,354,951,841	797,462,085	2.64	2.81	1,351
2007	590,190	31,887,192,100	29,374,372,962	747,298,112	2.34	2.54	1,266
2008	590,870	32,257,525,000	30,431,675,204	788,579,150	2.44	2.59	1,335

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

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

Year 12/31	PDAF Unsegregated Balance	GO Debt /Net EV	GO Debt /capita
2004	$45,042,456	2.67%	$1,057
2005	46,513,313	2.53	1,120
2006	48,727,784	2.48	1,268
2007	50,824,739	2.18	1,180
2008 [1]	50,824,739	2.29	1,249

[1] 12/31/08 balance is unknown at this time. Assumes balance is unchanged for the year.

COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
MARCH 1, 2009

Governmental Unit	Debt Outstanding As of March 1, 2009	Approximate Percentage Applicable	City's Share of Debt As of March 1, 2009
City of Milwaukee [1]	$807,074,150	100.00%	$807,074,150
Area Board of Vocational, Technical and Adult Education, District No. 9	82,475,000	36.49	30,095,128
County of Milwaukee	435,696,683	47.28	205,997,392
Milwaukee Metropolitan Sewerage District [2]	845,055,827	48.34	408,499,987
TOTAL NET DIRECT AND OVERLAPPING DEBT	$2,170,301,660		$1,451,666,656

(1) Includes $87,772,462 general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Does not include the new issues.

(2) Includes approximately $605,575,697 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the MMSD.

FUTURE FINANCING

Prior to the issuance of the Notes, the City has $587,148,438 authorized unissued general obligation debt, for various corporate and capital improvement purposes, which can be issued at any time. In addition, the City has $350 million of authorized unissued revenue anticipation borrowing for City and School purposes. For the past few years, the City portion of revenue anticipation borrowing has been issued on a general obligation basis.

The authorized unissued general obligation debt includes $89 million for sewer purposes. The City intends to borrow as much as possible of that amount from the State of Wisconsin Clean Water Fund program on a revenue bond basis. The borrowings from the Clean Water Fund program are not general obligation debt, but will be secured by revenues of the City's Sewerage System.

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

COMMERCIAL PAPER PROGRAM

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

The CP Notes may be issued at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the CP Notes program is to provide interim financing for expenditures pending the City's next long-term financing. As of December 31, 2008, the City had $103,000,000 of Series C2 Notes and $1,600,000 of Series R3 Notes outstanding. $71,800,000 of Series C2 Notes were refunded by the Offered Obligations dated February 20, 2009. The City has the ability to issue $92,200,000 of CP Notes.

The CP Notes are authorized to be outstanding until January 31, 2018. However, due to federal tax regulation constraints, additional new money draws after August 1, 2009 are more difficult. Since the primary purpose of the CP program is to provide a revolving loan facility, it is anticipated that approximately every two years, a new series of CP Notes will be authorized to replace the prior CP series.

AUCTION RATE AND OTHER VARIABLE RATE EXPOSURE

The City has no outstanding Auction Rate securities. The City has no insured debt that has a put option. The City's CP Notes are additionally secured by liquidity facilities provided by State Street Bank. The $23,000,000 outstanding Series 2005 V8 is a 7-day variable rate demand bond secured by a Stand-By Bond Purchase agreement that expires on December 1, 2012. The CP Notes are secured by a direct pay letter of credit that expires on December 1, 2012.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the Milwaukee Public Schools ("MPS"), issued $130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds (IB) whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The IB bondowners do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays MPS 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by MPS, effectively converting the IB to a fixed rate with no basis risk. $70,850,000 of the interest rate swaps were with Lehman Brothers Special Financing Inc. (LBSF), which filed for bankruptcy in September, 2008. As of 12/31/2008, the interest rate swaps with LBSF had a theoretical market value to MPS of $-32.5 million (a negative dollar amount is the amount MPS would owe in the event of an early termination). The City is working with MPS to replace the interest rate swaps with LBSF.

REVENUE BONDING

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

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 31, 2008, the outstanding balance was $10.3 million.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of $29,095,000 of Sewerage System Revenue Bonds and in 2003, the issuance of $33,885,000 Sewerage System Revenue Bonds. As of December 31, 2008, total outstanding Sewerage System Revenue Bonds was $50,855,000 with a final maturity in 2023.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 31, 2008, the City had $49.7 million outstanding under the program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See "FUTURE FINANCING").

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

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

Housing Authority of the City of Milwaukee — Most of the Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority has also issued debt for "stand-alone" projects. The Housing Authority bonds and notes are limited obligations of the Housing Authority and are 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, 2008 the Housing Authority issued revenue bonds of approximately $149 million of which approximately $10.0 million are still outstanding.

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

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

Since its creation, the Redevelopment Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Redevelopment Authority Act. In connection with the financing of a number of such projects, the Redevelopment Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Redevelopment Authority, and do not constitute an indebtedness of the City or a charge against the City's general credit or taxing power.

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

As of December 31, 2008, the Redevelopment Authority had outstanding: two bond issues with $73,375,000 outstanding that have a Moral Obligation Pledge of the City; and $294,035,122 in seven bond issues for MPS, one secured by a lease, and six secured by loan agreement, with the Milwaukee Board of School Directors ("MBSD"). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City's, or MBSD's, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

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

Milwaukee Economic Development Corporation — As of December 31, 2008, the Milwaukee Economic Development Corporation, or through a related entity, funded loans for 1,045 small businesses and redevelopment projects utilizing $223 million to leverage a total of $1,124 million in investment. 887 loans have been enrolled in the Capital Access Program with covered loan amounts totaling $44 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 $10 million as of December 31, 2008.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over $60 million in bonds have financed projects located within tax increment districts ("TID") of the City. The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of December 31, 2008, $165,217,254 general obligation bonds for TID purposes was outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately $42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of $20 million, has the Moral Obligation Pledge of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2008 Assessed Tax Rate for Milwaukee Public Schools is $9.82 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 TlDs, 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 City's general property tax levy.

FINANCIAL INFORMATION

BUDGETING

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits 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 limits with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2006-2011 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 $1,132 million. About $910 million or 80% of planned municipal and school purpose spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 20% is for expansion purposes.

Surface transportation accounts for approximately 29% of the CIP, or about $331 million. 30% ($334 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. $197 million of capital spending (17%) is planned for economic development projects. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 24% ($269 million) is planned for general governmental, health and safety, grant and aid, culture and recreation purposes. All 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 $1,132 million six-year CIP to be financed by the property tax levy totals about $402 million (36%). This in turn is composed of direct tax levy funding of $29 million (3%) and tax levy supported debt financing of $373 million (33%). Cash revenues including Federal and State grants, developer financing and other sources, total $215 million (19%) of planned CIP spending. An additional $158 million (14%) is to be financed by City debt to be repaid with tax increment and other revenues. The remaining $301 million (27%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes. Of the school purpose borrowing, $2 million per year is ADA reimbursable debt, and the balance is tax levy supported.

The Adopted 2009 Capital Improvements Budget totals $234 million compared to a 2008 Budget of $266 million. Major categories include $82 million of public works projects (streets, buildings, etc.), $59 million of water and sewer projects, and $44 million of economic development projects.

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ADOPTED BUDGET - COMBINED REVENUES - 2009

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	$123,740,757	—	$70,605,810	$1,764,320	—	$196,110,887
Provision for Empl Retirement [1]	35,888,093	—	—	—	—	35,888,093
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	164,628,850	—	70,605,810	1,764,320	0	236,998,980
Revenues						
Taxes	14,141,000	—	—	—	—	14,141,000
Licenses and Permits	13,137,900	—	—	—	—	13,137,900
Intergovernmental Revenues	272,252,400	78,370,351	—	—	—	350,622,751
Charges for Service	119,484,681	—	—	—	—	119,484,681
Fines and Forfeitures	5,593,000	—	—	—	—	5,593,000
Miscellaneous Revenues	9,344,195	15,000,000	—	—	—	24,344,195
Fringe Benefits [2]	22,650,000	—	—	—		22,650,000
Parking	18,132,150	—	2,822,454	—	19,533,930	40,488,534
Water Works	—	—	5,139,635	—	73,310,065	78,449,700
Sewer Maintenance Fund	10,097,930	—	10,144,000	—	26,665,700	46,907,630
Retained Earnings	—	—		—	51,437,267	51,437,267
Sinking Fund	—	—	169,950,916	—	—	169,950,916
Special Assessments	—	7,142,523	—	150,300	—	7,292,823
Capital Revenue	—	—	—	19,390,000	—	19,390,000
Total Revenues	484,833,256	100,512,874	188,057,005	19,540,300	170,946,962	963,890,397
Tax Stabilization						
Transfer from Reserves	22,378,500	—	—	—	—	22,378,500
Sale of Bonds and Notes						
Bonds and Notes				104,545,359	31,486,000	136,031,359
Grand Total	$671,840,606	$100,512,874	$258,662,815	$125,849,979	$202,432,962	$1,359,299,236

[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 – 2009

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	$8,850,868	—	—	$1,656,920	—	$10,507,788
Assessor's Office	4,539,601	—	—	—	—	4,539,601
City Attorney	7,104,963	—	—	—	—	7,104,963
City Treasurer	2,959,256	—	—	—	—	2,959,256
Common Council - Clerk	8,228,642	—	—	350,000	—	8,578,642
Municipal Court	3,332,482	—	—	683,645	—	4,016,127
Comptroller	5,483,015	—	—	—	—	5,483,015
Dept of City Development	4,408,117	—	—	43,844,614	—	48,252,731
Election Commission	1,315,764	—	—	40,000	—	1,355,764
Employee Relations, Dept of	4,982,399	—	—	—	—	4,982,399
Fire and Police Commission	1,071,067	—	—	150,000	—	1,221,067
Fire Department	104,997,269	—	—	2,807,500	—	107,804,769
Health Department	13,600,881	—	—	864,000	—	14,464,881
Library Board	21,811,023	—	—	4,144,000	—	25,955,023
Mayor's Office	1,279,774	—	—	—	—	1,279,774
Neighborhood Services	14,104,331	—	—	—	—	14,104,331
Police Department	230,576,730	—	—	6,664,000	—	237,240,730
Port of Milwaukee	4,795,011	—	—	1,500,000	—	6,295,011
DPW - Administration	4,890,430	—	—	350,000	—	5,240,430
DPW - Infrastructure	26,390,916	—	—	31,707,300	—	58,098,216
DPW - Operations	72,301,762	—	—	15,263,000	—	87,564,762
Water Works		—	5,139,635	—	119,660,840	124,800,475
Sewer Maintenance Fund	10,097,930	—	10,144,000	—	56,106,413	76,348,343
Special Purpose Accounts	165,961,816	—	—	—	—	165,961,816
Pension Funds	68,218,434	—	—	—	—	68,218,434
Debt Service - City		—	220,000,242	—	—	220,000,242
Debt Service - Schools		—	20,556,484	—	—	20,556,484
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund		15,000,000	—	—	—	15,000,000
Parking		—	2,822,454	—	26,665,709	29,488,163
Grant and Aid Fund		78,370,351	—	—	—	78,370,351
Special Capital Projects		—	—	15,825,000	—	15,825,000
Economic Development		7,142,523	—	—	—	7,142,523
Fringe Benefit Offset [1]	(124,461,875)	—	—	—	—	(124,461,875)
Grand Total	$671,840,606	$100,512,874	$258,662,815	$125,849,979	$202,432,962	$1,359,299,236

[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, 2003 THROUGH 2007
(Thousands of Dollars)

Revenues:	2003	2004	2005	2006	2007 [1]
Property Taxes	126,749	129,120	135,610	141,102	137,253
Other Taxes	4,318	3,563	3,709	5,202	5,311
Licenses and Permits	10,883	11,530	13,374	13,729	13,704
Intergovernmental	284,565	273,865	272,875	272,417	272,539
Charges for Services	55,714	60,825	63,410	73,528	76,496
Fines and Forfeitures	6,115	5,647	5,893	5,541	5,800
Other	7,814	8,108	12,179	17,353	18,883
TOTAL GENERAL FUND REVENUES	496,158	492,658	507,050	528,872	529,986
Tax Stabilization Fund Withdrawals	9,300	16,870	16,621	16,328	23,175
Other Financing Sources and Equity Transfers (Net)	32,791	34,913	39,444	37,761	43,224
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	538,249	544,441	563,115	582,961	596,385
Expenditures:					
General Government	165,270	179,542	180,590	178,004	201,021
Public Safety	239,698	231,371	248,366	250,672	257,137
Public Works	86,335	89,562	89,180	86,482	93,956
Health	10,677	10,724	10,656	10,428	10,359
Culture and Recreation	17,165	17,822	16,744	17,882	17,548
Conservation and Development	3,833	3,495	2,767	3,217	3,279
TOTAL EXPENDITURES	522,978	532,516	548,303	546,685	583,300
SOURCES OVER (UNDER) EXPENDITURES	15,271	11,925	14,812	36,276	13,085
Fund Balance - January 1 (excludes reserved for use during the year)	76,710	75,111	70,415	68,899	82,000
Fund Balance - December 31	91,981	87,036	85,227	105,175	95,085
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	33,000	30,288	16,382	15,616	21,376
Reserved for Inventory	5,190	5,684	5,095	6,886	6,252
Reserved for Mortgage Trust	276	282	297	280	218
Reserved for Environmental Remediation	303	303	303	303	303
Reserved for Next Year's Budget	16,870	16,621	16,328	23,175	29,457
Reserved for Subsequent Years' Budget	36,342	33,858	46,822	58,915	37,479
TOTAL FUND BALANCE	91,981	87,036	85,227	105,175	95,085

[1] In 2003 and 2007, balances presented on a Budget Basis do not match balances presented on a Generally Accepted Accounting Principles ("GAAP") basis due to borrowing for certain expenditures authorized in the current fiscal year but not completed until the subsequent fiscal year. Budget Basis recognizes the revenues and expenditures in the same fiscal year, whereas GAAP does not recognize the revenues until the year the borrowing actually occurs. On a GAAP basis, the balances for "Reserve for Subsequent Years' Budget" and "Total Fund Balance" in 2003 were $34,342, and $89,981, respectively, and in 2007 were $33,247 and $90,853, respectively.

CITY OF MILWAUKEE
GENERAL FUND-PROJECTED CASH FLOW SUMMARY
(MILLIONS OF DOLLARS)
January 1, 2009 to December 31, 2009

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	**82.494**	**116.307**	**33.450**	**12.875**	**103.070**	**68.005**	**0.379**	**67.335**	**46.012**	**17.511**	**(7.718)**	**157.424**	
RECEIPTS													
Property Taxes	10.039	1.666	15.294	4.071	6.086	5.642	52.371	8.005	13.056	11.827	1.275	72.435	201.767
State Aids													
Shared Revenue	-	-	-	-	-	-	42.253	-	-	-	196.229	-	238.482
Highway Aids	6.631	-	-	6.630	-	-	7.380	-	-	6.630	-	-	27.271
Payment Muni. Services	-	2.079	-	-	-	-	-	-	-	-	-	-	2.079
Computer Exemption Aid	-	-	-	-	-	-	2.250	-	-	-	-	-	2.250
Other	11.538	10.909	12.399	17.377	12.849	9.873	9.898	10.372	6.786	9.598	9.542	9.474	130.615
Delinquent Taxes Transfer	24.671												
Pension Fees	-	4.060	1.990	1.990	1.990	1.990	1.990	1.990	1.990	1.990	1.990	1.990	23.960
City Services Fees	2.451	2.478	2.144	1.767	2.221	1.760	1.914	2.165	1.965	2.659	3.463	3.625	28.612
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	9.913	9.913
Parking Transfers	-	-	-	-	-	10.700	-	-	-	-	-	10.700	21.400
Summerfest Lease	-	-	-	-	-	-	-	-	-	-	-	1.167	1.167
Street Sweeping	-	-	-	-	-	-	-	-	-	-	-	10.098	10.098
Milwaukee Public Schools Fee	-	-	-	-	-	-	-	-	-	-	-	-	-
Potawatomi PILOT	-	-	-	-	-	-	-	5.400	-	-	-		5.400
Year End Transfers	47.860	-	-	-	-	-	-	-	-	-	-		47.860
Note Proceeds [1]	-	-	-	116.000	-	-	-	-	-	-	-	-	116.000
TOTAL RECEIPTS	**103.190**	**21.192**	**31.827**	**147.835**	**23.146**	**29.965**	**118.056**	**27.932**	**23.797**	**32.704**	**212.499**	**119.402**	**891.545**

[1] Includes the delinquent tax financing portion of the Notes.

Note: Maximum deficit occurs in June and November.

CITY OF MILWAUKEE
GENERAL FUND-PROJECTED CASH FLOW SUMMARY
(MILLIONS OF DOLLARS) (CONTINUED)
January 1, 2009 to December 31, 2009

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
DISBURSEMENTS													
Salaries & Benefits	54.516	42.794	36.738	36.690	53.703	36.301	36.891	36.345	36.928	54.146	35.985	39.837	500.874
Services & Supplies	14.861	18.111	15.664	20.950	4.508	10.596	14.209	12.910	15.370	3.787	11.372	4.209	146.547
Purchase Tax Delinquents	-	43.144	-	-	-	-	-	-	-	-	-	-	43.144
Contractual Tax Payment	-	-		-	-	50.694	-	-	-	-	-	-	50.694
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	30.200	30.200
Note Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	116.000	116.000
TOTAL DISBURSEMENTS	**69.377**	**104.049**	**52.402**	**57.640**	**58.211**	**97.591**	**51.100**	**49.255**	**52.298**	**57.933**	**47.357**	**190.246**	**887.459**
BALANCE	**116.307**	**33.450**	**12.875**	**103.070**	**68.005**	**0.379**	**67.335**	**46.012**	**17.511**	**(7.718)**	**157.424**	**86.580**	

Note: Maximum deficit occurs in June and November.

CITY OF MILWAUKEE
GENERAL FUND
PROJECTED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 2009
(Millions of Dollars)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Including Borrowing of $116 million
January	$82.494	$103.190	$69.377	$116.307	$116.307
February	116.307	21.192	104.049	33.450	33.450
March	33.450	31.827	52.402	12.875	12.875
April	12.875	31.835	57.640	(12.930)	103.070 [(1)]
May	(12.930)	23.146	58.211	(47.995)	68.005
June	(47.995)	29.965	97.591	(115.621)	0.379
July	(115.621)	118.056	51.100	(48.665)	67.335
August	(48.665)	27.932	49.255	(69.988)	46.012
September	(69.988)	23.797	52.298	(98.489)	17.511
October	(98.489)	32.704	57.933	(123.718)	(7.718)
November	(123.718)	212.499	47.357	41.424	157.424 [(2)]
December	41.424	119.402	74.246	86.580	86.580
		$775.545	$771.459		

[(1)] Balance includes $116 million RAN principal receipt.

[(2)] Balance includes $116 million principal to be paid off in December, 2009.

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 2008
(Millions of Dollars)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)
January	$69.510	$119.101	$53.517	$135.094
February	135.094	22.198	99.702	57.590
March	57.590	35.875	51.753	41.712
April	41.712	121.151 [1]	56.940	105.923
May	105.923	22.734	61.194	67.463
June	67.463	18.505	93.490	(7.522)
July	(7.522)	122.886	50.464	64.900
August	64.900	22.960	48.639	39.221
September	39.221	17.478	51.649	5.050
October	5.050	26.697	57.169	(25.422)
November	(25.422)	228.705	46.761	156.522
December [3]	156.522	107.301	181.329 [2]	82.494
		$865.591	$852.607	

Notes:
[1] Proceeds from the sale of revenue anticipation Short-Term Promissory Notes was $90 million in April, 2008.
[2] December disbursements include the $90 million principal portion of the notes paid off in December, 2008.
[3] Estimated.

CITY OF MILWAUKEE
SCHEDULE OF CASH AND INVESTMENT
BALANCES - ALL FUNDS
2008
(Millions of Dollars)

	General Fund [1]	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds [2]	Total
January	$135.095	$159.913	$52.330	$162.822	$510.160
February	57.590	80.955	77.557	140.646	356.748
March	41.712	140.217	81.864	207.084	470.877
April	105.923	175.315	86.254	150.026	517.518
May	67.493	168.926	85.489	57.577	379.485
June	(7.522)	149.744	97.182	101.064	340.468
July	64.900	149.227	98.851	24.540	337.518
August	39.221	127.140	99.453	(6.692)	259.122
September	5.050	91.168	97.420	231.526	425.164
October	(25.422)	106.003	89.166	143.841	313.588
November	146.522	95.869	68.956	65.174	376.521
December (estimate)	82.494	69.116	22.866	341.964	516.440

[1] Balances include proceeds from the sale of Cash Flow Notes, and their subsequent repayment.
[2] Agency Funds includes Milwaukee Public Schools.

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

CITY OF MILWAUKEE
PROJECTED SCHEDULE OF CASH AND INVESTMENT BALANCES - ALL FUNDS
2009
(MILLIONS OF DOLLARS)

	General Fund [1]	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds [2]	Total
January	$116.307	$124.196	$63.420	$162.546	$466.469
February	33.450	73.394	69.730	143.822	320.396
March	12.875	132.886	78.927	212.716	437.404
April	103.070	203.295	86.411	153.381	546.157
May	68.005	197.955	84.465	59.429	409.854
June	0.379	177.450	101.418	104.158	383.405
July	67.335	147.924	97.241	25.089	337.589
August	46.012	125.327	99.893	(7.662)	263.570
September	17.511	86.436	102.186	238.720	444.853
October	(7.718)	106.551	88.397	147.928	335.158
November	157.424	94.444	68.489	67.064	387.421
December	86.580	122.850	53.335	349.821	612.586

[1] Balances include proceeds from the sale of the RANs and subsequent principal payment.
[2] Agency Funds includes Milwaukee Public Schools.

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

CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS

	Year 2004 For 2005 Purposes	Year 2005 For 2006 Purposes	Year 2006 For 2007 Purposes	Year 2007 For 2008 Purposes	Year 2008 For 2009 Purposes
Real Property					
Residential	$14,301,661,916	$16,093,549,640	$18,211,503,605	$18,753,914,925	$19,173,232,823
Industrial (Manufacturing)	733,599,500	721,966,100	740,265,100	726,692,200	772,959,900
Mercantile (Commercial)	6,903,490,064	7,566,086,684	8,498,282,646	8,950,205,395	9,483,547,328
Total Real Property	$21,938,751,480	$24,381,602,424	$27,450,051,351	$28,430,812,520	$29,429,740,051
Personal Property	833,668,020	830,118,862	904,900,490	943,560,442	1,001,936,153
Total Assessed Valuations	$22,772,419,500	$25,211,721,286	$28,354,951,841	$29,374,372,962	$30,431,676,204
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	$23,491,773,700	$26,256,713,800	$30,226,985,500	$31,887,192,100	$32,257,525,000
Ratio of Assessed to Equalized Valuation	96.94%	96.02%	94.05%	92.12%	94.34%

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

Unit of Government	2005	2006	2007	2008	2009
City Government	$9.19	$8.75	$7.99	$8.01	$8.09
Milwaukee Public Schools	9.40	8.79	8.04	8.84	9.82
Milwaukee County	4.91	4.63	4.37	4.41	4.38
Milwaukee Area Technical College	2.00	1.96	1.89	1.92	1.94
Milwaukee Metropolitan Sewerage District	1.59	1.48	1.39	1.39	1.37
Gross Tax Rate Per $1,000	27.09	25.61	23.68	24.57	25.60
Less: State Tax Credit	($1.23)	($1.11)	($1.27)	($1.43)	($1.57)
Net Tax Rate	$25.86	$24.50	$22.41	$23.14	$24.03

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

Budget	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
Year	Levy	Collections	% of Levy	Amount	% Collected
2003	$234,485	$228,345	97.38%	$5,825	99.87%
2004	240,643	235,012	97.66	5,232	99.83
2005	248,267	242,587	97.71	4,880	99.68
2006	261,685	255,818	97.76	4,240	99.38
2007	265,319	257,350	97.00	0	97.00

COLLECTION PROCEDURES

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

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

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

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

The rate of current tax collections continues at this historically high level. Current collections for 2007 were approximately 97.0 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

EMPLOYES' RETIREMENT SYSTEM

The Employes' 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 11,737 active and 4,147 vested, inactive members at December 31, 2007. There were 10,984 retirees and beneficiaries receiving benefits as of December 31, 2007.

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 District 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, 2007, the latest year for which audited figures are available, required member contributions totaled $33.0 million and required employer contributions totaled zero dollars. 73.67% of these contributions were for requirements of the City employees. The original cost of fund investments totaled $3.988 billion with a corresponding market value of $5.185 billion or 130% of the original cost at December 31, 2007.

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, 2002 to December 31, 2006.

The latest actuarial valuation was as of January 1, 2008. 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 $5.192 billion as of January 1, 2008 and an Actuarial Accrued Liability of $3.958 billion as of that date. This results in a Funded Ratio of 131.2%. The Employes' Retirement System web page reports that fund had a market value of $4.2 billion as of September 30, 2008.

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 the policy.

POLICEMEN'S ANNUITY AND BENEFIT FUND

As of January 3, 2006, the Policemen's Annuity and Benefit Fund board has been dissolved and the Fund is being administered by the Employes' Retirement System.

OTHER POST-EMPLOYMENT BENEFITS

According to the City's Comprehensive Annual Financial Report ("CAFR"), the Governmental Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions effective for fiscal year 2007. This Statement requires the City to account for and report the value of its future other post-employment benefits ("OPEB") obligation currently rather than on a pay-as-you-go basis. The actuarially required contribution ("ARC") is $67.6 million. The City's total annual OPEB pay-as-you-go obligation is $29.4 million which increases the net OPEB obligation for 2007 at $38.2 million. Please see the CAFR at www.milwaukee.gov for more information.

LEGAL MATTERS

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

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of $1 million, existing on March 17, 2009.

Kaye v. City of Milwaukee, et al. Kaye, a real estate developer, brought this case against the City, 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 same time, 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 moved to dismiss the complaint for failure to state a claim upon which relief can be granted, which was granted by the court. Mr. Kaye has appealed that decision to the United States Court of Appeals for the Seventh Circuit. The Court of Appeals sent the case back to the District Court to enter a final order.

The district court entered an order dismissing his case without prejudice and permitting Kaye 30 days to file an amended complaint. That order was signed on February 13, 2008. Kaye filed an amended complaint, which the court again dismissed. On January 13, 2009, Kaye filed an appeal. On February 3, 2009, the District Court entered an order against Kaye dismissing the appeal and awarding attorney's fees and expenses to Ms. Kohler, Mr. Fowler, Mr. D'Amato, and Mr. Ferguson pursuant to Fed. R. Civ. P. 11.

Milwaukee Police Supervisors Organization (MPSO) v. City of Milwaukee and the Milwaukee Employes' 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 estimated 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. Another union, the Association of Law Enforcement Allied Services Personnel ("ALEASP:) has joined this lawsuit as a plaintiff. Both the City and the ERS view the allegations as without merit and are vigorously defending the lawsuit. Discovery continues. The City is preparing a summary judgment motion to dismiss the case.

Frank Jude, Jr., et al. v. City of Milwaukee, et al. On October 24, 2004, Frank Jude, Jr. attended a party hosted by a Milwaukee police officer and attended by a number of other off-duty police officers. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason. He suffered severe injuries. The officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police officers were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its

actual participants, and its course, there is a substantial question of whether the off-duty and on-duty officers involved in the matter were acting within the scope of their employment. Mr. Jude's complaint also alleges that the City is directly liable under a theory that the City violated his constitutional rights by, among other things, condoning a culture where officers were cavalier in their conduct.

The police chief fired most of the officers involved in the incident. The county prosecutor charged three of the off-duty officers with crimes, but in April, 2006, two were found not guilty and the jury could not reach a final verdict as to the battery charge against the third officer. The third officer was subsequently convicted in an unrelated case of making a bomb threat against his former police district station. The District Attorney decided not to retry the third officer on the battery charge. Federal authorities also reviewed the matter and indicted seven of the off-duty officers and one of the on-duty officers with federal civil rights crimes. The federal authorities entered into plea agreements with one of the on-duty officers and three of the off-duty officers. The officers agreed to plead guilty to civil rights violations and all of them but one to testify against the other officers in the government's case. The four remaining officers went to trial in July, 2007. Three of the officers were found guilty and one was acquitted.

Four lawsuits have been filed relative to this matter. Mr. Jude and his wife sued the City and several individuals relative to his beating. The City has settled with three other individuals who attended the party with Mr. Jude and alleged that they were unlawfully arrested and that excessive force was used. Mr. Jude is seeking more than $25 million dollars in damages. The City has answered the suit and maintains that none of the individually named defendant officers, both on and off duty, were acting within the scope of their employment with regard to the subject events. The City has also denied all requests by the individual officer defendants for representation. Discovery has not yet begun, but a full discovery and litigation process is anticipated. The court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009.

Curtis E. Harris v. Kevin G. Clark, et al. This case stems from the arrest of Curtis E. Harris, which took place on or about December 10, 2003. Mr. Harris claims that his arresting officers used excessive force during the arrest, and ultimately, that he was paralyzed as a result. Mr. Harris claims violations of his 4th Amendment rights. Mr. Harris also challenges the constitutionality of the related training and supervision provided to MPD officers. Defendants maintain that Mr. Harris' injuries were accidentally sustained during the course of an officer effecting a lawful control maneuver, and that MPD officers are lawfully trained and supervised. The parties have engaged in significant discovery work to date, after sincere attempts were made to mediate the case. As a result of a summary judgment process, the court dismissed all claims except for the claim alleging that Officer Clark used excessive force when decentralizing Mr. Harris. Trial on this issue has been scheduled to commence October 19, 2009.

LEGAL OPINION

The legal opinion 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 Notes. The draft of the legal opinion for the Notes are included herein as Appendix C. Certain legal matters will be passed upon for the City by its City Attorney.

RATINGS

The City has requested ratings on the Notes from FITCH Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Group. FITCH Ratings has assigned a rating of "F1+" on the Notes. Moody's Investors Service, Inc. has assigned a rating of "MIG1" on the Notes. Standard & Poor's Ratings Group has assigned a rating of "SP-1+" on the Notes.

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 Notes.

TAX MATTERS

Summary of Bond Counsel Opinion

Bond Counsel are of the opinion that under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel 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. Bond Counsel are further of the opinion that the interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income and is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Notes 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 Notes 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.

Notes 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 Notes is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Notes is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Note, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a Note, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of a Note 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 Notes for federal income tax purposes, to the same extent and with the same limitations as current interest.

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

Limitations on Private Use. The Code includes limitations on the amount of Note 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 Notes 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 Notes.

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

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 Notes.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Notes 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 Notes require neither acceleration of payment of principal of, or interest on, the Notes nor payment of any additional interest or penalties to the owners of the Notes.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Notes 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 Notes 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 NOTES.

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

Corporate Owners. Interest on the Notes 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 Notes is taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax. Interest on the Notes is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Individual Owners. Receipt of interest on the Notes 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 Notes 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 Notes 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 Notes.

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 Notes 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 Notes 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 Notes are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Notes.

STATE TAX MATTERS

Interest on the Notes is not exempt from State of Wisconsin income tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Notes 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 has covenanted 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 Notes 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 Notes pursuant to Schedules to be executed and delivered by the City at the time the Notes 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 Notes (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 Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

The SEC has announced that beginning July 1, 2009, the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system will be the central repository for ongoing disclosure. The City will make appropriate changes to its disclosure process to comply with SEC requirements.

FINANCIAL ADVISOR

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

UNDERWRITING

The Notes will be purchased at competitive bidding conducted on March 24, 2009.

The award of $50,000,000 of the Notes was made to Barclays Capital Inc, New York, New York, its co-managers and associates and $66,000,000 of the Notes was made to JP Morgan Securities Inc., New York, New York, its co-managers and associates.

The public reoffering yields of the Notes are detailed on the front cover of the Final Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Notes 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 Notes under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, 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 Notes within seven business days after the award of the Notes 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

City Comptroller and Secretary
City of Milwaukee, Wisconsin

March 24, 2009

APPENDIX A

Audited financial information of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2007

Selected Sections of the Comprehensive Annual Financial Report

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

www.milwaukee.gov

The Independent Auditor has not been engaged to perform and has not performed, since the date of its report, a portion of which is included herein, any procedures on the financial statements addressed in that report. The Independent Auditor has not performed any procedures relating to this offering document.

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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, 2007, 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The information in the management's discussion and analysis and budgetary comparison on pages 17 to 31; and Exhibit E-1, respectively, are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods

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

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated July 30, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2008, except for the financial statements and related
note disclosures for the discretely presented component
units as to which the date is November 21, 2008.

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, 2007. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2007 by $1,028 million (net assets); $376 million in governmental activities and $652 million in business-type activities. Governmental activities' unrestricted assets are a deficit of $299 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 decreased 3.2% compared to the previous year of $1,062 million.

- Total net assets are comprised of the following:
  (1) Capital assets, net of related debt, of $1,140 million 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 $126 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted ($238) million.

- The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* effective for fiscal year 2007. This Statement requires the City to account for and report the value of its future other post-employment benefits (OPEB) obligation currently rather than on a pay-as-you-go basis. The actuarially required contribution (ARC) is $67.6 million. The City's total annual OPEB pay-as-you-go obligation is $29.4 million which increases the net OPEB obligation for 2007 at $38.2 million.

- Total liabilities of the City decreased by $24 million to $1,487 million. Long-term liabilities of $38.2 million for OPEB were added new this year with various reductions in other general obligation debt, claims and obligations.

- The City had governmental expenses of $675.8 million more than its combined program revenues; general revenues and transfers of $636.7 million and resulted in a $39.1 million decrease of net assets. Business-type activities had an increase of net assets of .8% over 2006; generating $5.2 million of program revenues, general revenues and transfers greater than its expense at year end.

- For governmental activities, program revenue supported 18% of the total expenses for 2007. Property taxes and other taxes represented 29% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 33% and miscellaneous revenues and transfers supported 15% of the expenses. As a result of 2007 activity, expenses exceeded revenues and transfers by 5%.

- For business-type activities, program revenue supported 125.7% of the expenses for 2007; and, in total exceeded the expenses by $39.6 million. Miscellaneous revenue net of transfers out reduced this excess to $5.2 million for the year.

- The City's total governmental funds reported total ending fund balance of $185.1 million this year. Compared to the prior year ending fund balance of $270.6 million, a decrease of $85.5 million resulted by year end 2007; a 31.6% decrease.

- The General Fund reported a positive fund balance for the year of $90.9 million. Compared to $105.2 million in 2006; 2007 balance decreased 13.6%. This decrease is a result of total expenditures and other financing uses totaling $14.3 million more than the total actual revenues and other financing sources. This ending fund balance was 13.5% of total General Fund expenditures including transfers and 15.3% of total General Fund revenues including transfers.

- The operating expenditures of the General Fund were $3.2 million less than budgeted. This favorable variance is a result of savings from general government departments of $6.9 million with a combined savings of $.4 in the culture and recreation departments, public safety departments and conservation and development department. These positive variances were offset by a deficit in the public works departments of $4.1. Several major savings over the final budget for the year contributed to the total savings. A total of $3.5 million in several departments was saved in HMO and pension

contribution payments. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved $.9 million for the year. The Department of Public Works Operations Department incurred a deficit of $4.1 million relating to snow removal and cleanup efforts. December 2007 was the second snowiest December on record. Over 30.2 inches of snow fell in December compared to a normal average snow fall of 11.7 inches. The City plans to issue debt in 2008 to offset this deficit.

- General obligation bonds and notes payable decreased by $79 million during the current fiscal year from $807 million to $728 million. The key factors contributing to this decrease were scheduled and early retirement of general obligation debt of $34 million and the issuance of $113 million less in new general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools.

- The City issued General Obligation Cash-flow Promissory Notes for $66 million rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt). The City issued similar debt in 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

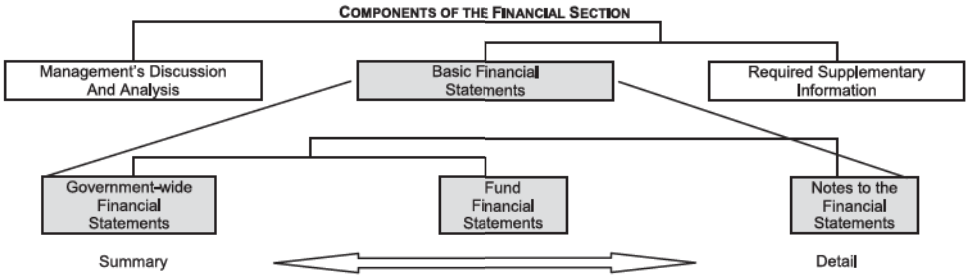
This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes 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.

FIGURE A-1

COMPONENTS OF THE FINANCIAL SECTION



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

FIGURE A-2

MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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 pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow 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.

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

	Governmental Activities		Business-type		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Current and other assets	$ 838,816	$ 741,042	$ 119,505	$ 110,140	$ 958,321	$ 851,182
Capital assets	915,171	941,943	699,209	721,340	1,614,380	1,663,283
Total assets	1,753,987	1,682,985	818,714	831,480	2,572,701	2,514,465
Long-term liabilities outstanding	819,157	778,995	146,080	142,856	965,237	921,851
Other liabilities	519,563	527,822	26,195	36,936	545,758	564,758
Total liabilities	1,338,720	1,306,817	172,275	179,792	1,510,995	1,486,609
Net assets:						
Invested in Capital assets, net of related debt	500,045	558,328	554,966	581,594	1,055,011	1,139,922
Restricted	115,803	116,516	8,748	9,528	124,551	126,044
Unrestricted	(200,581)	(298,676)	82,725	60,566	(117,856)	(238,110)
Total net assets	$ 415,267	$ 376,168	$ 646,439	$ 651,688	$ 1,061,706	$ 1,027,856

Net assets of the City's governmental activities decreased 9.4% to $376.2 million for 2007. These net assets are restricted as to use in the amount of $116.5 or are invested in capital assets in the amount of $558.3 (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. Although the City's investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit ($298.7) 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, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased .8% to $651.7 million in 2007. 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 both governmental and business-type activities decreased 4.9% and 2.2% respectively from 2006 due primarily by a decrease in the issuance of long-term debt.

Total assets, including capital assets decreased $58.2 million or 2.3% from 2006. Capital assets of the primary government increased 3% from the previous year. For 2007, the Water Works and the Sewer Maintenance Funds have 92% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (52%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (40%) includes all the various sewer mains and connections.

Changes in net assets. The calculation of revenues less expenses is the change in net assets. The City's total program and general revenues totaled $751.8 million for the governmental activities. Of revenues, 32% comes from property and other taxes and 46% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 10% of the total revenues, and the remaining 12% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 36% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its program revenues for governmental activities by 82%; total general revenues combined with program revenue and transfers resulted in a negative change in net assets of $39 million or 4.7% of total general expenses for governmental activities. The margin for business-type activities had 25.7% of program revenues greater than expenses and a 2.8% margin of total revenues more than expenses and transfers out. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

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)

	Governmental Activities		Business-type		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	$ 73,528	$ 76,496	$ 180,122	$ 187,493	$ 253,650	$ 263,989
Operating grants and contributions	91,271	75,074	-	-	91,271	75,074
Capital grants and contributions	-	-	7,780	6,062	7,780	6,062
General revenues:						
Property taxes and other taxes	236,043	243,654	-	-	236,043	243,654
State aids for General Fund	272,417	272,539	-	-	272,417	272,539
Miscellaneous	87,510	84,042	2,058	2,121	89,568	86,163
Total revenues	760,769	751,805	189,960	195,676	950,729	947,481
Expenses						
General government	179,647	204,724	-	-	179,647	204,724
Public safety	263,608	297,711	-	-	263,608	297,711
Public Works	154,644	155,288	-	-	154,644	155,288
Health	27,316	23,102	-	-	27,316	23,102
Culture and recreation	21,506	21,298	-	-	21,506	21,298
Conservation and development	66,092	70,025	-	-	66,092	70,025
Capital contribution to Milwaukee Public Schools	14,028	2,788	-	-	14,028	2,788
Contributions	25,412	21,915	-	-	25,412	21,915
Interest on long-term debt	32,131	30,536	-	-	32,131	30,536
Water	-	-	58,074	62,064	58,074	62,064
Sewer Maintenance	-	-	26,605	29,928	26,605	29,928
Parking	-	-	22,609	24,025	22,609	24,025
Port of Milwaukee	-	-	3,671	5,626	3,671	5,626
Metropolitan Sewerage District User Charges.	-	-	31,932	32,301	31,932	32,301
Total expenses	784,384	827,387	142,891	153,944	927,275	981,331
Increase in net assets before transfers	(23,615)	(75,582)	47,069	41,732	23,454	(33,850)
Special item - receipt of loans receivable	-	-	-	-	-	-
Transfers	33,569	36,483	(33,569)	(36,483)	-	-
Increase in net assets	9,954	(39,099)	13,500	5,249	23,454	(33,850)
Net assets – Beginning	405,313	415,267	632,939	646,439	1,038,252	1,061,706
Net assets – Ending	$ 415,267	$ 376,168	$ 646,439	$ 651,688	$ 1,061,706	$ 1,027,856

Governmental Activities

Revenues for the City's governmental activities were $751.8 million, while total expenses were $827.4 million for 2007. All revenues, excluding transfers, are supporting 91% of the total expenses; or 95.3% with transfers. Comparable data for 2006 indicates 97% of all revenues, excluding transfers and special items supported the 2006 expenses and, 101.3% with transfers.

Property taxes represent 32.4% of the total revenues for 2007 compared to 31% for 2006; a 3.2% increase. The increase in revenues is primarily due to an increase in collections. State aids for the General Fund of $272.5 million decreased from 2006 by $.1 million or .04%. The combined property taxes and state aids comprised approximately 68.7% of the total revenues for governmental funds in 2007 compared to 66.8% in 2006. Charges for services equaled 10.2% of the total revenues in 2007 compared to 9.7% in 2006.

Governmental activities had expenses increase 5.5% in 2007 to $827.4 million from $784.4 million in 2006. Expenses for general government, which comprise 24.8% of the total expenses, increased 14% in 2007. Public safety expenses represent the largest category of governmental activities or 36% of the total expenses for 2007 which is an increase of 13% over 2006.

Chart 1
2007 Expenses and Program Revenues - Governmental Activities

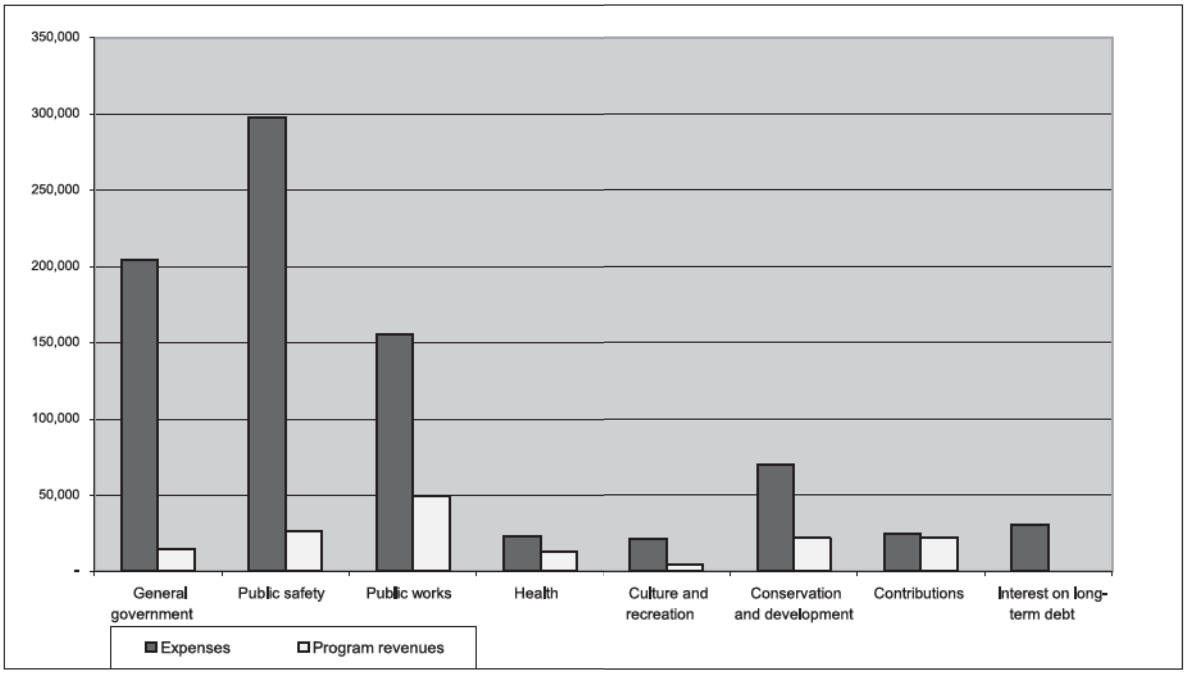


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee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

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2006	2007	2006	2007
General government	$ 179,647	$ 204,724	$ 165,232	$ 190,243
Public safety	263,608	297,711	233,089	271,271
Public works	154,644	155,288	105,865	105,611
Health	27,316	23,102	9,295	10,375
Culture and recreation	21,506	21,298	17,087	17,244
Conservation and development	66,092	70,025	43,253	48,104
Contributions	39,440	24,703	13,633	2,433
Interest on long-term debt	32,131	30,536	32,131	30,536
Total Governmental Activities	$ 784,384	$ 827,387	$ 619,585	$ 675,817

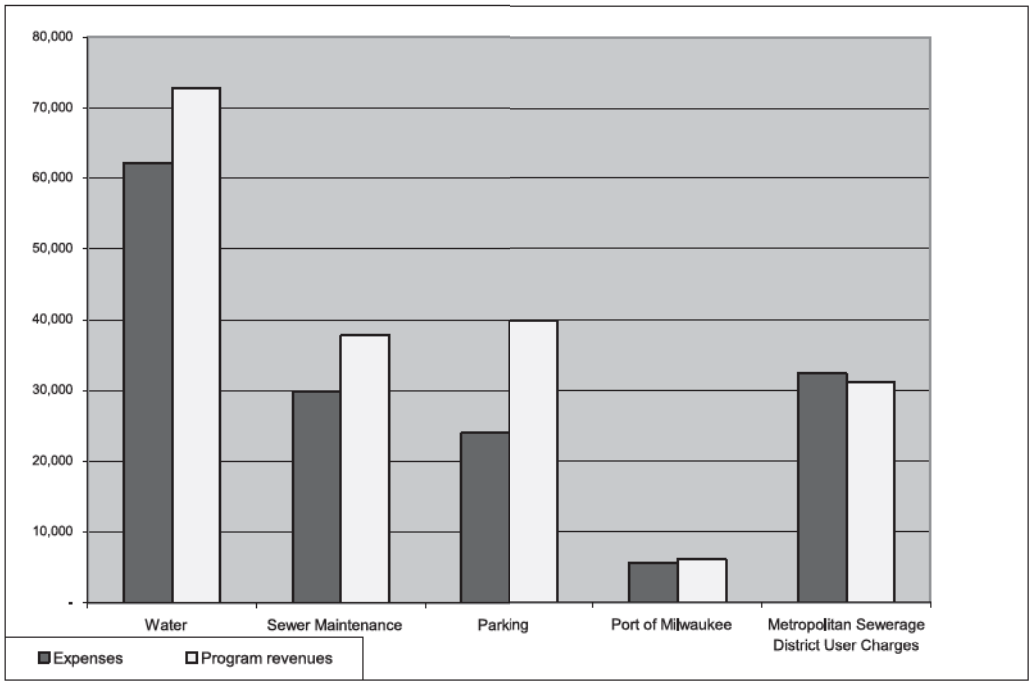
The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2007 to $675.8 million from $619.6 million in 2006 or 9.1% change. For 2007, Public Safety's net cost of services represents the largest category of total expenses at 40.1%, an increase from 16% compared to 2006. The total costs of services increased overall by 5.5%. This indicates that total program revenue for the purposes is not increasing in proportion to the total cost of governmental services.

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 $60.7 million and operating income of $11.8 million. The Sewer Maintenance had operating income of $15.9 million after generating expenses of $21.8 million. The City parking facilities operating expenses during 2007 were $23.4 million with net operating income of $15.9 million.

Total revenues on Table 2 shows an increase of $5.7 million in 2007 compared to 2006, or 3%. Total expenses and transfers of all enterprise funds of the City increased $13.9 million, from $176.5 million in 2006 to $190.4 million in 2006. This resulted in a change in net assets activity for the year 2007 of a decrease of $8.3 million compared to 2006. The year-end Total Net Assets increased by $5.2 million or .8%.

Chart 2
2007 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 $185.1 million, a decrease of $85.5 million or 31.6% over last year. A major contributor for this decrease is due to a decrease in the issuance of general obligation debt in the Capital Projects Funds. As a result, the expenditures for various capital projects in advance of the issuance of debt resulted in a net fund deficit of $67.2 million in 2007 from the positive fund balance at year end 2006 of $14.5 million. Total debt issued for capital projects totaled $135 million in 2006 compared to $21.3 million in 2007. At year end, the capital projects with a fund deficit were Fire ($984,000), Library ($314,000), Playgrounds & Recreation ($1,023,000), Police ($1,535,000), Public Buildings ($17,381,000), Sewers ($487,000), Urban Renewal ($525,000), Streets ($,7,943,000), and Tax Incremental Districts ($26,066,000). The fund balance deficit of $12,951,000 for special assessment capital projects remained constant compared to $14,400,000 in 2006. This 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 projects such as bridges and special projects netted a positive fund balance at year end of $2,016,000.

The total reserves of the General Fund decreased 13.6% to $90.9 million from $105.2 million in 2006. Of this amount, $29.5 will finance the 2008 budget, with $33.2 available for 2009 and subsequent years' budgets.

Chart 3 and 4 graphically depict the spending by function and revenues by sources for all governmental funds. Revenues for governmental functions overall totaled $747.9 million in the fiscal year ended December 31, 2007, which represents a decrease of approximately 1.3% from the fiscal year ended December 31, 2006. Expenditures for governmental funds totaled $979.9 million, an increase of .5%. In the aggregate, expenditures exceeded revenues by $232 million, or approximately 31%. Other financing sources closed the gap, leaving the total net change in fund balances with a decrease of $85.5 million for the year. In comparison for the year 2006 the total net change in fund balances resulted in an increase of $41.5 million. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Chart 3
2007 City Spending by Function - Governmental Funds

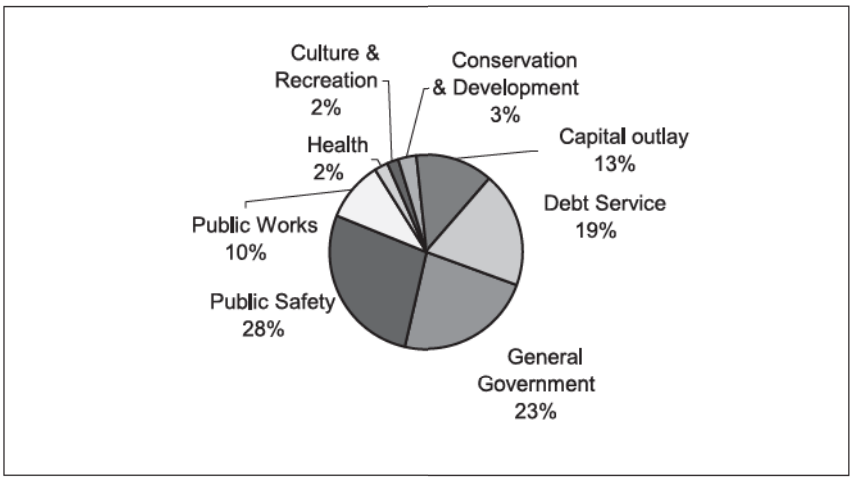
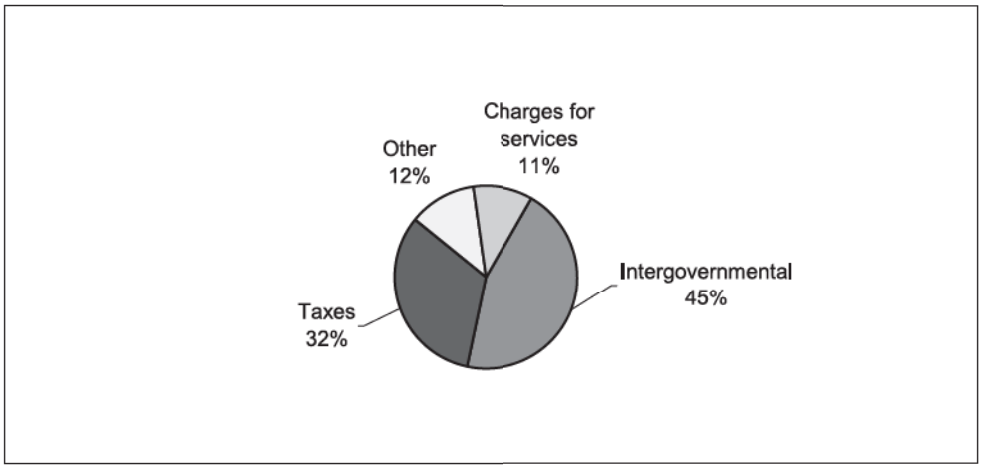


Chart 4
2007 Revenues by Source - Governmental Funds



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 $14.3 million or 13.6%. Key factors contributing to this decrease are revenues and other

financing sources totaled approximately $658.8 million and expenditures and other financing uses totaled approximately $673.1 million - detailed in Table 4 below. While revenues remained consistent with the prior year (decreasing by .44% over 2006), expenditures increased 5.76% over 2006, the net result ended with expenditures exceeding revenues by 9.56%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by $38.5 million. In addition, $23.2 million was withdrawn from the Reserve for Tax Stabilization to fund the 2007 general fund budget. This was an increase of $6.9 million from 2006.

Total General Fund revenues for 2007 totaled $552.3 million. The largest revenue category is intergovernmental at $272.5 million with 49.4% of the total revenue. The second largest revenue source is Property Taxes with $137.3 million or 24.9%. Charges for Services, which includes revenues for services provided by City departments, comprises 13.9% or $76.5 million. These three categories combined comprise 88% of the total revenues for 2007. The largest increase in revenues compared to 2006 was the Other category with an 8.82% increase.

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

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

Revenues and Other Financing Sources

Revenues:	2006	2007	% Change
Property taxes	$ 141,102	$ 137,253	-2.73%
Other taxes	5,202	5,311	2.10%
Licenses and permits	13,729	13,704	-0.18%
Intergovernmental	272,417	272,539	0.04%
Charges for services	73,528	76,496	4.04%
Fines and forfeits	5,541	5,800	4.67%
Contributions received	25,807	22,270	-13.71%
Other	17,353	18,883	8.82%
Total Revenues	554,679	552,256	-0.44%
Other Financing Sources			
Debt proceeds	66,000	66,000	
Transfers in	38,996	40,561	4.01%
Total Revenues and Other Financing Sources	659,675	658,817	-0.13%
Excess of Revenues over Expenditures	(17,418)	(52,804)	203.16%
Net Change in Fund Balance	$ 19,948	$ (14,322)	-171.80%

Expenditures and Other Financing Uses

Expenditures:	2006	2007	% Change
General Government	$ 203,416	$ 222,781	9.52%
Public Safety	250,672	257,137	2.58%
Public Works	86,482	93,956	8.64%
Health	10,428	10,359	-0.66%
Culture and recreation	17,882	17,548	-1.87%
Conservation and development	3,217	3,279	1.93%
	-	-	
Total Expenditures	572,097	605,060	5.76%
Other Financing Uses			
Transfers out	67,630	68,079	225%
Total Expenditures and other Financing Uses	$ 639,727	$ 673,139	5.22%

Beginning in 2006, the City issued General Obligation Cash-flow Promissory Notes rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. For 2007, $66 million was issued. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

The General Obligation Debt Service Fund increased its fund balance from $52.3 million to $56.8 million or 8.6%. The Public Debt Amortization Fund showed a decrease of 4.6% from $73.6 million to $70.2 million at year-end for its fund balance due to principal payment of $4.2 million. Total revenues of the General Obligation Debt Service decreased slightly from $89.9 million in 2006 to $88.1 million in 2007. Revenues combined with Other Financing Sources totaled $195.1 million; expenditures combined with Other Financing Uses totaled $190.6 million; resulting in a Net Change in Fund Balance for year end 2007 of $4.5 million.

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, 2007 showed a fund balance deficit of $67.2 million (a decrease in the fund balance of $81.7 million attributed to the accumulated fund balance of $14.5 million in 2006). In 2007, total debt proceeds amounted to $21.3 million as compared to $135 million in 2006, an 84.2% decrease. Total revenues increased 3.5% from $25.9 million to $26.8 million; expenditures decreased from $145.1 million to $127.3 million or 12.3%. The issuance of bonds and notes during 2007 for capital purposes combined with revenues and transfers were insufficient to cover the current year's expenditures in total and resulted in a deficit in fund balance at year end 2007.

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 $60.6 million. This was a decrease from $82.7 million at December 31, 2006 or 26.7%. This decrease consists of $3.8 million in Water Works, $15.5 million in Sewer Maintenance, $2.1 million in Parking and $.7 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds increased 4.4% from 2006 - $178.9 million to $186.8 million in 2007; total operating expenses increased to $143.7 in 2007 from $132.8 in 2006 or 8.2%. The Water Works is the largest enterprise activity for the City, comprising approximately 38.8% of the total operating revenues. The Sewer Maintenance Fund comprises 20.2% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2007 Water Works and Sewer Maintenance operating revenues increased 4.4% and 10.2%, respectively; all other enterprise funds combined increased by 1.73%. Water Works non-operating revenues for 2007, which is mainly composed of interest income, increased by 7.8% or $146,000 from 2006. While the interest income increased only 1.1% over 2006, other miscellaneous non-operating revenue increased from $176,000 to $304,000 in 2007. These miscellaneous revenues consisted of fees for servicing of branch water mains and water tapping service combined with a higher rate charge in 2007; in addition, rental income on antennas increased due to renegotiated contract fees.

The Water Works had total operating and non-operating expenses of $62.1 million for 2007 compared to $58.1 million for 2006. Excluding depreciation expense, operating expenses increased over the previous year by $3.8 million or 8.8%. The non-operating expenses of the Water Works decreased by $276,000 due to the declining principal balances on outstanding debt.

The total operating expenses of all the enterprises funds, except Water Works, increased approximately 8.7% over 2006.

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted six 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. Specifically, $35,258 for the Department of Administration relating to the Automated Mapping and Land Information System (MCAMLIS) reimbursed by Milwaukee County, $74,122 for City Clerk cable purposes, $120,000 for Department of Neighborhood Services razing activities, and, $10,775 for the Special Purpose non-departmental account for Firemen's Relief were increased. In addition, Other Financing Sources for contributions received were increased $684,500 relating to Federal Forfeiture activities for the Police Department.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2006 less the encumbrances carried over to 2008. The Final budget includes the original budget as defined plus appropriations authorized for carry over from 2006 by Common Council less those appropriations authorized for carryover to 2008. 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 $574.5 million with the final budget at $586.5 million. This is an increase over the fiscal year 2006 with original budget at $562.3 million and final budget at $565.8 million. The resulted increase was 2.2% and 3.7% for the original and final budgets, respectively.

The original budget relating to estimated revenues of the General Fund was $524.7 million with the final budget increasing by $240,000 to $524.9 million per the authorized resolutions detailed above. The 2007 original and final budgets as depicted in

Exhibit E-1 show a 1.2% and 1.1%, respectively, net change from the previous year's original 2006 budget and final 2006 budget of $518.7 million and $519.0 million, respectively.

For the fiscal year ended December 31, 2007, the General Fund had a positive variance of $5.0 million in revenues over estimated revenues. Most actual revenue categories increased compared to 2006 in a range from .04% in Intergovernmental to 8.82% in Other. Licenses and Permits decreased .18% from 2006 by $25,000 and Property Taxes decreased 2.73% or $3.8 million. An overall revenue increase of $1.1 million over 2006's total revenue of $528.9 million calculates to total revenue for 2007 of $530 million, or a .2% increase. While the categories indicate various individual fluctuations, two of the noteworthy changes over 2006 actual revenue include $3.0 million increase in Charges for Services, with no one particular revenue source contributing to this increase. However, three accounts have major increases: Fire paramedic revenue increased $.8 million over 2006; Department of Public Works had two new revenue sources: $.8 million for conduit rental and $.3 for litter nuisance. The Other category increased $1.5 million from 2006; interest income on investments is included in this category. Interest earnings revenue increased $.47 million due to a combination of rate increase and available investable balance. The average interest rate of return on the pooled investments with the State's Local Government Pooled Investment Fund was 5.095% compared to 4.78% in 2006 with a decrease in the average investable balance from $275.3 million in 2006 to $244.2 million in 2007.

A favorable variance of $3.2 million in unexpended budget resulted by year end 2007. The general government contributed $6.9 million; public works reduced the favorable variance by $4.1, and public safety, health culture and recreation and conservation and development, in the aggregate, added $.4 million. A total of $3.5 million in several departments was saved in HMO and pension contribution payments. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved $.9 million for the year. The Comptroller saved $1 million on prior year appropriations carried over for debt related issues which did not materialize. Minor savings in other general government departments make up the remaining savings of $1.5 million. The Department of Public Works Operations Department incurred a deficit of $4.1 million relating to snow removal and cleanup efforts. December 2007 was the second snowiest December on record. Over 30.2 inches of snow fell in December compared to a normal average snow fall of 11.7 inches.

Overall the total 2007 budgeted expenditures increased $36.6 million compared to 2006 or 6.7%. Salaries and Wages increased $7 million or 2.1%, Other Operating Costs increased $30.1 million or 14.7% and Equipment decreased $459,000 or 6.8% as a result of less equipment purchases in Fire and Library equipment.

The City's General Fund's beginning fund balance of $105.2 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 $23.2 million. For 2007, expenditures exceeded appropriations in the General Fund in the net amount of $4.1 million. The Department of Public Works snow plowing operations were overdrawn $4.2 million. The Council has approved the issuance of short-term promissory notes to fund this deficit in 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2007 total $1,663.3 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 $49 million or 3%. Governmental activities' capital assets increased $26.8 million or a 2.9% increase from 2006. Business-type activities' capital assets increased $22.1 million or 3.2% at the end of 2007. A schedule comparing the assets by type for 2006 and 2007 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 $35.6 million and deletions were $8.8 million for 2006 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of $18.4 million. Of the sewer maintenance fund's net assets at year end, 86.2% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 64.2% of its total net assets with 29.5% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 1.7%.

Debt issued to finance tax incremental districts (TID) consists of $141.1 million outstanding at year end. The majority of these expenditures have no related assets for TID, so net increases in TID debt reduce unrestricted net assets by an equal amount.

In addition, debt issued for school purposes at year end was $93.5 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statutes, MPS cannot issue its own debt. As a result, the City issues debt for schools purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and as a result, reduces unrestricted net assets by an equal amount.

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

	Governmental Activities		Business-type		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Capital assets not being depreciated:						
Land	$ 164,425	$ 163,769	$ 18,309	$ 16,115	$ 182,734	$ 179,884
Construction in progress	75,228	106,357	40,865	52,699	116,093	159,056
Capital assets being depreciated:						
Buildings	191,225	194,137	84,261	85,000	275,486	279,137
Infrastructure	1,316,526	1,337,345	638,099	664,521	1,954,625	2,001,866
Improvements other than buildings	11,036	11,198	25,183	27,300	36,219	38,498
Machinery and equipment	138,418	145,659	210,915	211,715	349,333	357,374
Furniture and furnishings	-	-	70	77	70	77
Nonutility property	-	-	5,317	5,316	5,317	5,316
Accumulated depreciation	(981,687)	(1,016,522)	(323,810)	(341,403)	(1,305,497)	(1,357,925)
Total	$ 915,171	$ 941,943	$ 699,209	$ 721,340	$ 1,614,380	$ 1,663,283

Debt

At year-end, the City had $728.3 million in general obligation bonds and notes, and $64.7 million in revenue bonds outstanding as itemized in Table 6.

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

	Governmental Activities		Business-type		Total Primary Government	
	2006	2007	2006	2007	2006	2007
General obligation bonds (backed by the City)	$ 733,327	$ 669,404	$ 74,135	$ 58,936	$ 807,462	$ 728,340
State loans	-	-	-	14,369	-	14,369
Revenue bonds (backed by specific fee revenues)	-	-	68,150	64,711	68,150	64,711
Total	$ 733,327	$ 669,404	$ 142,285	$ 138,016	$ 875,612	$ 807,420

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled $115.8 million, of which $12.9 million related to Sewer Maintenance, Parking, and Port 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 June 2007 general obligation bonds issues.

The city's gross general obligation debt per capita, excluding enterprise fund debt, was $1,153 at the end of 2006, and $1,038 at the end of 2007; a 10.0% decrease from the prior year. As of December 31, 2007, the City's outstanding net general obligation debt was 2.03% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 44.4% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2007, notes were issued in the amount of approximately $15.6 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 2007 for 2008 purposes increased $.02 cents per thousand dollars of assessed valuation to a rate of $8.01.

The property tax levy will provide $104 million revenue for the general city purposes budget in 2008. This represents an increase of $8 million from 2007 or 8.4%. The total city tax levy increased from $220.1 million for 2007 to $227.5 million for 2008 or a $7.4 million increase. The resulting property tax rate of $8.01 is a 2 cent increase from the 2007 rate of $7.99 per $1,000 of assessed valuation. The 2008 budget includes $80.6 million in revenue from charges for services, an increase of $3.8 million. This category of funding encompasses revenue received for services provided by City operating departments. The solid waste fee is the largest revenue source in this category and is expected to generate $25 million for 2008. This specific fee represents 31% of the total charges for services in the 2008 budget.

Estimated intergovernmental revenues, primarily from the State of Wisconsin, are projected to be $271.3 million; a decrease of $1.8 million from 2007 or less than one percent.

The 2008 adopted City Budget is about $1.2 billion with the budget for the General Fund at $642.1 million. The General Fund budgets increased more than 2.9% over the 2007 budget of $624.3 million. Of this increase, 42.3% is attributable to two areas. In 2008, the City will pay $109.9 million for health insurance and related costs compared to $106.7 million budgeted for 2007, an increase of 3.0%. Another major increase involves the cost of the pending labor contract settlements and cost of living rate increases; $12.7 million has been increased over 2007 of $9.7 million. Estimated Full-time Equivalents (FTE) for all General Fund Departments have a budgeted increase of 33 with the Police Department having an increase of 48 and the Fire Department having a decrease of 14 FTE's for 2008.

The unemployment rate for 2007 is 6.5 percent, the same as in the previous year; but, down from the record high over the last ten years of 8.9 percent which occurred in 2002. The per capita income for the most recent fiscal year available (2006) was $34,128 (a 4.9% increase from 2005).

The City's population over the last five years is depicted in the table below. This data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes and differs from the U.S. Census Bureau. The U.S. Census Bureau has accepted the City's challenge that Milwaukee's 2006 population should be 602,782 instead of the Census' original figure of 573,358. As a result, Milwaukee moves from the 25th largest city in the U.S. to the 22nd largest.

2003	595,245
2004	593,920
2005	592,765
2006	590,370
2007	596,974

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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2007
(Thousands of Dollars)

Exhibit 1

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 231,249	$ 59,552	$ 290,801	$ 54,257
Investments	8,910	-	8,910	6,478
Receivables (net):				
Taxes	180,873	-	180,873	-
Accounts	17,318	33,368	50,686	2,145
Unbilled accounts	748	14,043	14,791	-
Special assessments	15,157	-	15,157	-
Notes and loans	54,173	-	54,173	77,014
Accrued interest	1,734	156	1,890	2,691
Due from component units	17,503	-	17,503	-
Due from primary government	-	-	-	268
Due from other governmental agencies	204,270	-	204,270	18,405
Inventory of materials and supplies	6,595	2,345	8,940	-
Inventory of property for resale	26	-	26	13,471
Prepaid items	165	94	259	1,406
Deferred charges	2,321	479	2,800	1,308
Other assets	-	103	103	278
Total non-capital assets	741,042	110,140	851,182	177,721
Capital assets:				
Capital assets not being depreciated:				
Land	163,769	16,115	179,884	57,965
Construction in progress	106,357	52,699	159,056	49,205
Capital assets being depreciated:				
Buildings	194,137	85,000	279,137	423,983
Infrastructure	1,337,345	664,521	2,001,866	-
Improvements other than buildings	11,198	27,300	38,498	599
Machinery and equipment	145,659	211,715	357,374	4,238
Furniture and furnishings	-	77	77	-
Nonutility property	-	5,316	5,316	-
Accumulated depreciation	(1,016,522)	(341,403)	(1,357,925)	(221,517)
Total Capital Assets	941,943	721,340	1,663,283	314,473
Total Assets	1,682,985	831,480	2,514,465	492,194

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2007
(Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable	$ 43,121	$ 14,505	$ 57,626	$ 8,933
Accrued expenses	28,442	2,760	31,202	5,596
Accrued interest payable	10,675	1,570	12,245	-
Internal balances	(18,073)	18,073	-	-
Due to component units	268	-	268	-
Due to other governmental agencies	429	-	429	2,403
Deferred revenue	274,960	28	274,988	1,266
Revenue anticipation notes payable	188,000	-	188,000	-
Other payables	-	-	-	-
Other liabilities	-	-	-	10,345
Due to primary government:				
Due within one year	-	-	-	1,098
Due in more than one year	-	-	-	16,405
Long-term obligations:				
Due within one year	90,848	30,377	121,225	11,795
Due in more than one year	688,147	112,479	800,626	126,239
Total Liabilities	1,306,817	179,792	1,486,609	184,080
NET ASSETS				
Invested in capital assets, net of related debt	558,328	581,594	1,139,922	182,854
Restricted for:				
Debt Service	116,298	9,528	125,826	-
Temporarily restricted	-	-	-	9,205
Other purposes	218	-	218	32,300
Unrestricted	(298,676)	60,566	(238,110)	83,755
Total Net Assets	**$ 376,168**	**$ 651,688**	**$ 1,027,856**	**$ 308,114**

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, 2007
(Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 204,724	$ 12,408	$ 2,073	$ -
Public safety	297,711	15,121	11,319	-
Public works	155,288	45,855	3,822	-
Health	23,102	798	11,929	-
Culture and recreation	21,298	1,888	2,166	-
Conservation and development	70,025	426	21,495	-
Capital contribution to Milwaukee Public Schools	2,788	-	-	-
Contributions	21,915	-	22,270	-
Interest on long-term debt	30,536	-	-	-
Total Governmental Activities	827,387	76,496	75,074	-
Business-type Activities:				
Water	62,064	72,808	-	2,178
Sewer Maintenance	29,928	37,756	-	3,265
Parking	24,025	39,730	-	-
Port of Milwaukee	5,626	6,034	-	619
Metropolitan Sewerage District User Charges	32,301	31,165	-	-
Total Business-type Activities	153,944	187,493	-	6,062
Total Primary Government	$ 981,331	$ 263,989	$ 75,074	$ 6,062
Component units:				
Housing Authority	$ 82,289	$ 19,299	$ 43,179	$ 16,061
Redevelopment Authority	12,866	5,863	7,739	13,263
Milwaukee Economic Development Authority	4,133	3,642	2,444	-
Neighborhood Improvement Development Corporation	1,369	792	587	-
Total Component Units	$ 100,657	$ 29,596	$ 53,949	$ 29,324

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

Change in Net Assets

Net Assets – Beginning, as restated

Net Assets - Ending

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

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (190,243)		$ (190,243)	
(271,271)		(271,271)	
(105,611)		(105,611)	
(10,375)		(10,375)	
(17,244)		(17,244)	
(48,104)		(48,104)	
(2,788)		(2,788)	
355		355	
(30,536)		(30,536)	
(675,817)		(675,817)	
-	$ 12,922	12,922	
-	11,093	11,093	
-	15,705	15,705	
-	1,027	1,027	
-			
-	(1,136)	(1,136)	
-	39,611	39,611	
(675,817)	39,611	(636,206)	
			$ (3,750)
			13,999
			1,953
			10
			12,212
243,654	-	243,654	-
272,539	-	272,539	-
84,042	2,121	86,163	5,474
36,483	(36,483)	-	-
636,718	(34,362)	602,356	5,474
(39,099)	5,249	(33,850)	17,686
415,267	646,439	1,061,706	290,428
$ 376,168	**$ 651,688**	**$ 1,027,856**	**$ 308,114**

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FUND FINANCIAL STATEMENTS

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	$ 69,534
Investments	218
Receivables (net):	
Taxes	113,903
Accounts	16,699
Unbilled accounts	748
Special assessments	-
Notes and loans	99
Accrued interest	1,302
Due from other funds	78,660
Due from component units	3,370
Due from other governmental agencies	523
Advances to other funds	14,032
Inventory of materials and supplies	6,226
Inventory of property for resale	26
Prepaid items	165
Total Assets	**$ 305,505**
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 28,598
Accrued expenses	27,915
Due to other funds	898
Due to component units	-
Due to other governmental agencies	-
Deferred revenue	157,241
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	214,652
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	21,376
Reserved for inventory	6,252
Reserved for mortgage trust	218
Reserved for environmental remediation	303
Reserved for tax stabilization - 2008	29,457
Reserved for tax stabilization - 2009 and subsequent years' budgets and advances to other funds	33,247
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	90,853
Total Liabilities and Fund Balances	**$ 305,505**

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
$ 102,295	$ 42,543	$ 2,142	$ 14,735	$ 231,249
-	8,692	-	-	8,910
53,925	-	4,787	8,258	180,873
-	-	264	355	17,318
-	-	-	-	748
-	-	15,157	-	15,157
14,929	18,838	-	20,307	54,173
310	122	-	-	1,734
-	-	-	-	78,660
13,966	-	-	167	17,503
188,000	-	5,049	10,698	204,270
-	-	-	-	14,032
-	-	369	-	6,595
-	-	-	-	26
-	-	-	-	165
$ 373,425	**$ 70,195**	**$ 27,768**	**$ 54,520**	**$ 831,413**
$ 3	$ -	$ 10,270	$ 4,250	$ 43,121
68	-	260	199	28,442
6,522	-	46,983	6,184	60,587
-	-	158	110	268
-	-	-	429	429
122,054	-	23,258	8,910	311,463
188,000	-	-	-	188,000
-	-	14,032	-	14,032
316,647	-	94,961	20,082	646,342
56,778	70,195	-	9,962	136,935
-	-	-	6,717	6,717
-	-	-	1,402	1,402
-	-	(54,611)	-	(33,235)
-	-	369	-	6,621
-	-	-	-	218
-	-		-	303
-	-	-	-	29,457
-	-	-	-	33,247
-	-	-	16,357	16,357
-	-	(12,951)	-	(12,951)
56,778	70,195	(67,193)	34,438	185,071
$ 373,425	**$ 70,195**	**$ 27,768**	**$ 54,520**	**$ 831,413**

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CITY OF MILWAUKEE

Exhibit A-2

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

DECEMBER 31, 2007

(Thousands of Dollars)

Fund balances - total governmental funds		$ 185,071
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	$ 163,769	
Buildings, net of $71,381 accumulated depreciation	122,756	
Infrastructure, net of $855,033 accumulated depreciation	482,312	
Improvements other than buildings, net of $7,427 accumulated depreciation	3,771	
Machinery and equipment, net of $82,681 accumulated depreciation	62,978	
Construction in progress	106,357	
		941,943
Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds.		2,321
Some revenues are deferred in the funds because they are not available to pay current period's expenditures.		
Taxes to be collected after year end	7,644	
Special assessments to be collected after year end	13,930	
Notes and loans receivable to repay long-term bonds and notes	14,929	
		36,503
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.		
Accrued interest payable	(10,675)	
Bonds and Notes Payable	(669,404)	
Deferred amount on refunding	6,453	
Unamortized premiums	(25,775)	
Compensated absences	(30,784)	
Net other postemployment benefits obligation	(36,877)	
Claims and judgments	(22,608)	
		(789,670)
Total net assets of governmental activities (Exhibit 1)		**$ 376,168**

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

CITY OF MILWAUKEE

Exhibit A-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

	General
Revenues:	
Property taxes	$ 137,253
Other taxes	5,311
Special assessments	-
Licenses and permits	13,704
Intergovernmental	272,539
Charges for services	76,496
Fines and forfeits	5,800
Contributions received	22,270
Other	18,883
Total Revenues	552,256
Expenditures:	
Current:	
General government	222,781
Public safety	257,137
Public works	93,956
Health	10,359
Culture and recreation	17,548
Conservation and development	3,279
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	605,060
Excess (deficiency) of Revenues over Expenditures	(52,804)
Other Financing Sources (Uses):	
General obligation bonds and notes issued	66,000
Loans receivable activities	-
Issuance premium	-
Transfers in	40,561
Transfers out	(68,079)
Total Other Financing Sources and Uses	38,482
Net Change in Fund Balances	(14,322)
Fund Balances - Beginning	105,175
Fund Balances - Ending	**$ 90,853**

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 67,422	$ -	$ 12,906	$ 3,501	$ 221,082
13,287	2,269	-	-	20,867
-	-	3,542	-	3,542
-	-	-	-	13,704
715	-	7,584	56,032	336,870
3,258	-	-	-	79,754
-	-	-	-	5,800
-	-	-	-	22,270
3,421	8,736	2,809	10,141	43,990
88,103	11,005	26,841	69,674	747,879
45	-	-	3,067	225,893
-	-	-	11,319	268,456
-	-	-	3,822	97,778
	-	-	11,929	22,288
-	-	-	2,166	19,714
-	-	-	27,675	30,954
-	-	127,336	-	127,336
147,893	4,184	-	-	152,077
35,360	-	-	-	35,360
78	-	-	-	78
183,376	4,184	127,336	59,978	979,934
(95,273)	6,821	(100,495)	9,696	(232,055)
-	-	21,318	15,610	102,928
-	-	-	4,975	4,975
2,129	-	-	-	2,129
104,886	-	-	-	145,447
(7,248)	(10,230)	(2,502)	(20,905)	(108,964)
99,767	(10,230)	18,816	(320)	146,515
4,494	(3,409)	(81,679)	9,376	(85,540)
52,284	73,604	14,486	25,062	270,611
$ 56,778	**$ 70,195**	**$ (67,193)**	**$ 34,438**	**$ 185,071**

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CITY OF MILWAUKEE

Exhibit A-4

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

FOR THE YEAR ENDED DECEMBER 31, 2007

(Thousands of Dollars)

Net change in fund balances - total governmental funds (Exhibit A-3)		$ (85,540)
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 ($73,536) exceeded depreciation expense ($45,595) in the current period less loss on disposals ($1,169)		26,772
Notes and loans receivable to repay long-term bonds and notes		(2,188)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Taxes accrued in prior years	$ 1,705	
Special assessments deferred revenue beginning of the year $15,515 less deferred at end of the year $13,930	(1,585)	
		120
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(102,928)	
Issuance premiums	(2,129)	
Repayments:		
Principal retirement	152,077	
Bond issuance costs	74	
Amortization:		
Issuance costs	(449)	
Premiums	6,412	
Deferred amount on refunding	(1,278)	
		51,779
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	4,762	
Net other postemployment benefits obligation	(36,877)	
Claims and judgments	2,383	
Accrued interest on bonds and notes	(310)	
		(30,042)
Changes in net assets of governmental activities (Exhibit 2)		**$ (39,099)**

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

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit B-1

ASSETS	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Current Assets:					
Cash and cash equivalents	$ 28,539	$ -	$ 21,485	$ -	$ 50,024
Restricted cash and cash equivalents	643	438	-	-	1,081
Receivables (net):					
Accounts	12,600	10,576	146	10,046	33,368
Unbilled accounts	9,770	2,129	-	2,144	14,043
Accrued interest	131	25	-	-	156
Due from other funds	4,702	1,285	-	1,117	7,104
Inventory of materials and supplies	2,345	-	-	-	2,345
Prepaid items	94	-	-	-	94
Deferred charges	-	479	-	-	479
Other assets	103	-	-	-	103
Total Current Assets	58,927	14,932	21,631	13,307	108,797
Noncurrent assets:					
Restricted cash and cash equivalents	-	8,447	-	-	8,447
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,440	6,107	16,115
Construction in progress	12,249	36,800	3,650	-	52,699
Capital assets being depreciated:					
Buildings	21,292	-	50,645	13,063	85,000
Infrastructure	318,139	346,382	-	-	664,521
Improvements other than buildings	-	-	5,429	21,871	27,300
Machinery and equipment	201,183	4,260	1,496	4,776	211,715
Furniture and furnishings	-	22	-	55	77
Nonutility property	5,316	-	-	-	5,316
Accumulated depreciation	(182,649)	(102,421)	(30,217)	(26,116)	(341,403)
Total Noncurrent Assets	377,098	293,490	39,443	19,756	729,787
Total Assets	436,025	308,422	61,074	33,063	838,584

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 3,326	$ 762	$ 1,295	$ 9,122	$ 14,505
Accrued expenses	1,454	631	523	152	2,760
Accrued interest payable	346	810	183	109	1,448
Compensated absences	1,025	-	-	-	1,025
Due to other funds	9,790	5,451	-	9,936	25,177
Deferred revenue	-	-	28	-	28
General obligation debt payable - current	2,845	19,701	2,218	483	25,247
Revenue bonds payable - current	891	-	-	-	891
Total Current Liabilities	19,677	27,355	4,247	19,802	71,081
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	-	3,214	-	-	3,214
Accrued interest payable	-	122	-	-	122
Total Current Liabilities Payable from Restricted Assets	-	3,336	-	-	3,336
Noncurrent Liabilities:					
General obligation debt	17,474	3,934	9,579	3,207	34,194
Revenue bonds payable	10,315	66,647	-	-	76,962
Other post employment benefits obligation	790	274	214	45	1,323
Total Noncurrent Liabilities	28,579	70,855	9,793	3,252	112,479
Total Liabilities	48,256	101,546	14,040	23,054	186,896
Net Assets:					
Invested in capital assets, net of related debt	345,572	191,547	28,409	16,066	581,594
Restricted for Debt Service	643	8,885	-	-	9,528
Unrestricted	41,554	6,444	18,625	(6,057)	60,566
Total Net Assets	**$ 387,769**	**$ 206,876**	**$ 47,034**	**$ 10,009**	**$ 651,688**

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

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CITY OF MILWAUKEE

Exhibit B-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	$ 59,301	$ -	$ -	$ -	$ 59,301
Statutory sewer user fee	-	-	-	30,258	30,258
Sewer maintenance fee	-	37,756	-	-	37,756
Rent	-	-	7,124	6,022	13,146
Fire protection service	6,234	-	-	-	6,234
Parking meters	-	-	4,088	-	4,088
Parking permits	-	-	2,914	-	2,914
Vehicle towing	-	-	6,250	-	6,250
Parking forfeitures	-	-	18,950	-	18,950
Other	6,969	-	-	907	7,876
Total Operating Revenues	72,504	37,756	39,326	37,187	186,773
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges	-	-	-	27,808	27,808
Employee services	-	7,442	7,269	1,622	16,333
Administrative and general	6,634	-	-	34	6,668
Depreciation	12,943	4,086	2,415	2,385	21,829
Transmission and distribution	18,872	-	-	2,742	21,614
Services, supplies and materials	-	10,305	13,752	1,545	25,602
Water treatment	12,506	-	-	-	12,506
Water pumping	7,057	-	-	-	7,057
Billing and collection	2,678	-	-	1,601	4,279
Total Operating Expenses	60,690	21,833	23,436	37,737	143,696
Operating Income (Loss)	11,814	15,923	15,890	(550)	43,077
Nonoperating Revenues (Expenses):					
Investment income	1,707	414	-	-	2,121
Interest expense	(1,374)	(3,495)	(589)	(190)	(5,648)
Gain (loss) on disposal of fixed assets	-	-	133	-	133
Other	304	(4,600)	271	12	(4,013)
Total Nonoperating Revenues (Expenses)	637	(7,681)	(185)	(178)	(7,407)
Income (Loss) before Contributions and Transfers	12,451	8,242	15,705	(728)	35,670
Capital contributions	2,178	3,265	-	619	6,062
Transfers in	-	-	-	683	683
Transfers out	(7,767)	(9,000)	(17,346)	(3,053)	(37,166)
Change in Net Assets	6,862	2,507	(1,641)	(2,479)	5,249
Total Net Assets - Beginning	380,907	204,369	48,675	12,488	646,439
Total Net Assets - Ending	**$ 387,769**	**$ 206,876**	**$ 47,034**	**$ 10,009**	**$ 651,688**

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, 2007
(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	$ 70,998	$ 35,351	$ 39,376	$ 34,776	$ 180,501
Payments to suppliers	(17,762)	(11,018)	(13,445)	(33,967)	(76,192)
Payments to employees	(24,178)	(7,171)	(7,000)	(1,540)	(39,889)
Payments from other funds	-	-	-	3,001	3,001
Payments to other funds	(5,995)	5,451	-	379	(165)
Net Cash Provided by Operating Activities	23,063	22,613	18,931	2,649	67,256
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	304	-	-	-	304
Other nonoperating expenses	-	(4,600)	-	-	(4,600)
Transfers from other funds	-	-	-	683	683
Transfers to other funds	(7,767)	(9,000)	(17,346)	(3,053)	(37,166)
Net Cash Used for Noncapital Financing Activities	(7,463)	(13,600)	(17,346)	(2,370)	(40,779)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	575	575
Proceeds from sale of bonds and notes	-	11,825	1,065	12	12,902
Proceeds from sale of revenue bonds	-	14,369	-	-	14,369
Acquisition of property, plant and equipment	(14,319)	(19,250)	(2,059)	(197)	(35,825)
Retirement of bonds, notes and revenue bonds	(4,231)	(24,750)	(2,080)	(480)	(31,541)
Interest paid	(1,425)	(3,214)	(592)	(200)	(5,431)
Other	-	-	542	11	553
Net Cash Provided by (Used for) Capital and Related Financing Activities	(19,975)	(21,020)	(3,124)	(279)	(44,398)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	1,748	393	-	-	2,141
Net Decrease in Cash and Cash Equivalents	(2,627)	(11,614)	(1,539)	-	(15,780)
Cash and Cash Equivalents - Beginning	31,809	20,499	23,024	-	75,332
Cash and Cash Equivalents - Ending	**$ 29,182**	**$ 8,885**	**$ 21,485**	**$ -**	**$ 59,552**

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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	$ 28,539	$ -	$ 21,485	$ -	$ 50,024
Restricted Cash	643	8,885	-	-	9,528
	$ 29,182	$ 8,885	$ 21,485	$ -	$ 59,552
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 11,814	$ 15,983	$ 15,890	$ (550)	$ 43,137
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	12,943	4,026	2,415	2,385	21,769
Changes in assets and liabilities:					
Receivables	(2,029)	(1,988)	59	(2,411)	(6,369)
Due from other funds	(415)	(417)	-	(257)	(1,089)
Inventories	(136)	-	-	-	(136)
Prepaid items	(73)	-	-	-	(73)
Other assets	31	-	-	-	31
Accounts payable	455	(713)	307	(237)	(188)
Accrued liabilities	473	271	269	82	1,095
Due to other funds	-	5,451	-	3,637	9,088
Deferred revenue	-	-	(9)	-	(9)
Net Cash Provided by Operating Activities	$ 23,063	$ 22,613	$ 18,931	$ 2,649	$ 67,256

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of $2.178 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing $95,007 with a net value of $0, and, received donated assets in the amount of $3.265 million.

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

CITY OF MILWAUKEE

Exhibit C-1

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

DECEMBER 31, 2007

(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	$ 310	$ 2,215	$ 274,369
Investments	-	3,247	-
Total Assets	310	5,462	**$ 274,369**
LIABILITIES			
Liabilities:			
Accounts payable	37	47	1,444
Due to other governmental agencies	-	-	272,925
Total Liabilities	37	47	**$ 274,369**
Net Assets			
Employees' pension benefits and other purposes	**$ 273**	**$ 5,415**	

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

CITY OF MILWAUKEE

Exhibit C-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts
Additions		
Contributions:		
Plan members	$ 1,203	$ -
Private donations	-	1,058
Total Contributions	1,203	1,058
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest	-	296
Total Additions	1,203	1,354
Deductions		
Benefits	1,154	-
Fees remitted from Trust	-	1,028
Other	-	1,249
Total Deductions	1,154	2,277
Change in Net Assets	49	(923)
Net Assets - Beginning	224	6,338
Net Assets - Ending	**$ 273**	**$ 5,415**

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, 2007
(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	$ 24,084	$ 25,016	$ 3,697	$ 1,460	$ 54,257
Investments	5,878	300	-	300	6,478
Receivables (net):					
Accounts	970	540	579	56	2,145
Notes and loans	19,109	15,878	41,455	572	77,014
Accrued interest	2,361	61	166	103	2,691
Due from primary government	2	241	25		268
Due from other governmental agencies	2,903	435	15,067	-	18,405
Inventory of property for resale	1,657	8,877	899	2,038	13,471
Prepaid items	1,316	90	-	-	1,406
Deferred charges	419	889	-	-	1,308
Other assets	147	-	131	-	278
Total Noncapital Assets	58,846	52,327	62,019	4,529	177,721
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	48,858	9,107	-	-	57,965
Construction in progress	35,942	13,263	-	-	49,205
Capital assets being depreciated:					
Buildings	344,885	79,098	-	-	423,983
Improvements other than buildings	599	-	-	-	599
Machinery and equipment	4,094	-	144	-	4,238
Accumulated depreciation	(217,877)	(3,562)	(78)	-	(221,517)
Total Capital Assets, Net of Depreciation	216,501	97,906	66	-	314,473
Total Assets	275,347	150,233	62,085	4,529	492,194

CITY OF MILWAUKEE

Exhibit D-1 (Continued)

COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2007
(Thousands of Dollars)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 4,842	$ 3,583	$ 433	$ 75	$ 8,933
Accrued expenses	3,101	2,495	-	-	5,596
Due to other governmental agencies	1,042	1,284	77	-	2,403
Deferred revenue	19	1,137	-	110	1,266
Other liabilities	3,583	2,755	2,922	1,085	10,345
Total Current Liabilities	12,587	11,254	3,432	1,270	28,543
Due to primary government:					
Due within one year	924	39	-	135	1,098
Due in more than one year	2,439	12,485	1,481	-	16,405
Total Due to Primary Government	3,363	12,524	1,481	135	17,503
Long-term obligations:					
Due within one year	11,795	-	-	-	11,795
Due in more than one year	34,126	88,606	3,507	-	126,239
Total Noncurrent Liabilities	45,921	88,606	3,507	-	138,034
Total Liabilities	61,871	112,384	8,420	1,405	184,080
NET ASSETS:					
Invested in capital assets, net of related debt	163,643	19,211	-	-	182,854
Restricted	29,075	2,653	-	572	32,300
Temporarily restricted	-	-	9,205	-	9,205
Unrestricted	20,758	15,985	44,460	2,552	83,755
Total Net Assets	**$ 213,476**	**$ 37,849**	**$ 53,665**	**$ 3,124**	**$ 308,114**

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, 2007
(Thousands of Dollars)

Exhibit D-2

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Housing Authority				
Low income housing	$ 82,289	$ 19,299	$ 43,179	$ 16,061
Redevelopment Authority				
Prevention and elimination of blight	12,866	5,863	7,739	13,263
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	4,133	3,642	2,444	-
Neighborhood Improvement Development Corp.				
Housing improvements	1,369	792	587	-
Total Component Units	$100,657	$ 29,596	$ 53,949	$ 29,324
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
$ (3,750)	$ -	$ -	$ -	$ (3,750)
-	13,999	-	-	13,999
-	-	1,953	-	1,953
-	-	-	10	10
(3,750)	13,999	1,953	10	12,212
3,559	1,335	527	53	5,474
3,559	1,335	527	53	5,474
(191)	15,334	2,480	63	17,686
213,667	22,515	51,185	3,061	290,428
$213,476	**$ 37,849**	**$ 53,665**	**$ 3,124**	**$308,114**

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

The component units columns in the government-wide financial statements 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 Employes' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the 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.

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 employee flexible spending plans.

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

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

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2007 that will be collected in 2008 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. 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.

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

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled – Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security 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. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2007 is $1,990,000.

H. Unbilled Services

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

I. Special Assessments

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

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is $8,542,000 as of December 31, 2007.

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

K. Inventories

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

L. Prepaid Items

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

M. Capital Assets

Capital assets, which 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

N. Pension Contributions

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

O. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and 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.

P. Claims and Judgments

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

Q. Bond Premiums, Discounts, and Issuance Costs

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

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

R. Advance Refundings of Debt

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

S. Fund Balances

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

T. Net Assets

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

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

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

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

U. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

V. Use of Estimates

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

W. New Accounting Pronouncements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)* during the year ended December 31, 2007. This statement establishes uniform financial reporting standards for other post employment benefits. This standard was implemented prospectively. As a result, there was no effect to the beginning net assets (as of January 1, 2007) in the government wide or proprietary fund financial statements for the net OPEB obligation.

The City implemented Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* during the year ended December 31, 2007. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. There was no effect to the City's financial statements as a result of implementing this standard.

In November 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City will implement Statement No. 49 beginning with the year ending December 31, 2008.

X. Reclassifications

Certain 2006 amounts have been reclassified to conform with the 2007 presentation.

2. Deposits and Investments

A. Primary Government

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

As of December 31, 2007, the City's deposits and investments are as follows:

		Investment Maturities (in Years) *(Thousands of Dollars)*			
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Credit Rating**
Governmental and Business-type activities:					
Investment type					
Pooled Deposits and Investments	$ 160,627	$ 154,626	$ 6,001	$ -	see below
Segregated Deposits and Investments					
Interest Checking	21,936	21,936	-	-	not rated
Wisconsin Local Government Investment Pool	100,009	100,009	-	-	not rated
U.S. Treasuries	8,692	3,162	5,083	447	AAA
Treasuries (Fiscal Agent)	8,447	8,447	-	-	AAA
	$ 299,711	$ 288,180	$ 11,084	$ 447	
Fiduciary activities:					
Investment type					
Investments in the Pool	$ 276,429	$ 276,429	$ -	$ -	see below
Other Deposits	348	348	-	-	not rated
Segregated Deposits and Investments					
Wisconsin Local Government Investment Pool	117	117	-	-	not rated
U.S. Treasuries	3,247	418	1,528	1,301	AAA
	$ 280,141	$ 277,312	$ 1,528	$ 1,301	

Pooled Deposits and Investments

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

As of December 31, 2007, the City had the following investments and maturities in the Pool:

		Investment Maturities (in Years) *(Thousands of Dollars)*			
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Credit Rating**
Pooled Deposits and Investments					
Bank Demand Deposits	$ 51,469	$ 51,469	$ -	$ -	not rated
Other Deposits	1,237	1,237	-	-	not rated
Deposits and Investments					
Interest Checking	352,958	352,958	-	-	not rated
Wisconsin Local Government Investment Pool	4,788	4,788	-	-	not rated
Government Money Market	105	105	-	-	AAA
Certificates of Deposits	17,500	17,500	-	-	not rated
U.S. Agency Securities					
Federal Farm Credit Bank	-	-	-	-	AAA
Federal Home Loan Bank	3,999	1,998	2,001	-	AAA
Freddie Mac	3,000	-	3,000	-	AAA
Federal National Mortgage Association	2,000	1,000	1,000	-	AAA
	$ 437,056	$ 431,055	$ 6,001	$ -	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of $500,000. As of December 31, 2007, the City's bank balances of $291,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

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

Credit risk

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

B. Component Units

Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of $100,000 for interest bearing accounts and $100,000 for noninterest bearing accounts. An additional $400,000 is covered by the State Deposit Guarantee Fund.

Interest Rate Risk

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

Credit Risk

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

The component units have the following investments on December 31, 2007:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair value	Less than 1	1-2	10-15	15 and greater	Credit Rating
Component Units:						
Local Government Investment Pool	$ 28,492	$ 28,492	-	-	-	not rated
US Treasury Money Market Fund	8,996	8,996	-	-	-	Aaa
US. Treasury Bond	-	-	-	-	-	Aaa
US Treasury Note	-	-	-	-	-	Aaa
US Agencies						
Government National Mortgage Association	1,063	-		1,063		Aaa
Certificates of Deposit	300	300	-	-	-	N/A
	$ 38,851	$ 37,788	$ -	$ 1,063	$ -	

Custodial Credit Risk

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

As of December 31, 2006 Component Units bank balances exposed to Custodial Credit Risk is as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority	$ 11,631,019	$ 11,031,019
Redevelopment Authority	5,264,282	4,758,537
Milwaukee Economic Development Corporation	3,250,681	2,483,188
Neighborhood Improvement Development Corporation	1,902,390	1,016,825

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

As of December 31, 2007, the Housing Authority had investments of $1,063,000 exposed to custodial credit risk as neither insured nor registered and held by the counterparty. The Redevelopment Authority had $8,997,000 of investments exposed to custodial credit risk as uninsured and uncollaterialized as of December 31, 2007.

3. PROPERTY TAXES

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

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

At December 31, 2007, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	(Thousands of Dollars)		
2002 and prior	$ 1,033	$ 1,522	$ 2,555
2003	312	483	795
2004	703	1,103	1,806
2005	1,619	2,523	4,142
2006	7,803	13,271	21,074
Total delinquent property taxes receivable	$ 11,470	$ 18,902	30,372
Property taxes receivable on foreclosed property			13,948
Less: Allowance for uncollectible taxes			(15,743)
Net delinquent property taxes receivable, including tax deeded property			$ 28,577

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

Governmental activities	**Balance 01-01-07**	**Additions**	**Deletions**	**Balance 12-31-07**
		(Thousands of Dollars)		
Capital assets not being depreciated:				
Land	$ 164,425	$ 223	$ 879	$ 163,769
Construction in progress	75,228	38,780	7,651	106,357
Total capital assets not being depreciated	239,653	39,003	8,530	270,126
Capital assets being depreciated:				
Buildings	191,225	3,400	488	194,137
Infrastructure	1,316,526	22,529	1,710	1,337,345
Improvements other than buildings	11,036	184	22	11,198
Machinery and equipment	138,418	16,071	8,830	145,659
Total capital assets being depreciated	1,657,205	42,184	11,050	1,688,339
Less accumulated depreciation for:				
Buildings	67,374	4,406	399	71,381
Infrastructure	826,126	30,617	1,710	855,033
Improvements other than buildings	7,135	304	12	7,427
Machinery and equipment	81,052	10,268	8,639	82,681
Total accumulated depreciation	981,687	45,595	10,760	1,016,522
Total capital assets being depreciated, net	675,518	(3,411)	290	671,817
Government activity capital assets, net	$ 915,171	$ 35,592	$ 8,820	$ 941,943

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

General government	$ 362
Public safety	6,337
Public works	37,909
Health	155
Culture and recreation	832
Total	$ 45,595

Business-type activities	Balance 01-01-07	Additions	Deletions	Balance 12-31-07
		(Thousands of Dollars)		
Waterworks				
Capital assets not being depreciated:				
Land	$ 1,568	$ -	$ -	$ 1,568
Construction in progress	9,145	28,707	25,603	12,249
Total capital assets not being depreciated	10,713	28,707	25,603	13,817
Capital assets being depreciated:				
Buildings	20,693	621	22	21,292
Infrastructure	306,507	12,372	740	318,139
Machinery and equipment	201,262	3,262	3,342	201,182
Nonutility property	5,317	-	-	5,317
Total capital assets being depreciated	533,779	16,255	4,104	545,930
Less accumulated depreciation for:				
Buildings	13,546	665	223	13,988
Infrastructure	73,155	3,519	727	75,947
Machinery and equipment	84,246	8,781	3,239	89,788
Nonutility property	2,831	95	-	2,926
Total accumulated depreciation	173,778	13,060	4,189	182,649
Total capital assets being depreciated, net	360,001	3,195	(85)	363,281
Waterworks capital assets, net	370,714	31,902	25,518	377,098
Sewer Maintenance				
Capital assets not being depreciated:				
Construction in progress	29,925	16,897	10,022	36,800
Total capital assets not being depreciated	29,925	16,897	10,022	36,800
Capital assets being depreciated:				
Infrastructure	331,592	14,885	95	346,382
Machinery and equipment	3,505	755	-	4,260
Furniture and furnishings	22	-	-	22
Total capital assets being depreciated	335,119	15,640	95	350,664
Less accumulated depreciation for:				
Infrastructure	97,132	3,765	95	100,802
Machinery and equipment	1,277	320	-	1,597
Furniture and furnishings	21	1	-	22
Total accumulated depreciation	98,430	4,086	95	102,421
Total capital assets being depreciated, net	236,689	11,554	-	248,243
Sewer maintenance capital assets, net	266,614	28,451	10,022	285,043

	Balance 01-01-07	Additions	Deletions	Balance 12-31-07
		(Thousands of Dollars)		
Parking				
Capital assets not being depreciated:				
Land	$ 8,562	$ -	$ 122	$ 8,440
Construction in progress	1,795	1,996	141	3,650
Total capital assets not being depreciated	10,357	1,996	263	12,090
Capital assets being depreciated:				
Buildings	50,505	140	-	50,645
Improvements other than buildings	5,498	-	69	5,429
Machinery and equipment	1,388	129	21	1,496
Total capital assets being depreciated	57,391	269	90	57,570
Less accumulated depreciation for:				
Buildings	24,187	2,047	-	26,234
Improvements other than buildings	3,093	226	67	3,252
Machinery and equipment	531	206	6	731
Total accumulated depreciation	27,811	2,479	73	30,217
Total capital assets being depreciated, net	29,580	(2,210)	17	27,353
Parking capital assets, net	39,937	(214)	280	39,443
Other business-type activities:				
Capital assets not being depreciated:				
Land	8,179	-	2,072	6,107
Construction in progress	-	-	-	-
Total capital assets not being depreciated	8,179	-	2,072	6,107
Capital assets being depreciated:				
Buildings	13,063	-	-	13,063
Improvements other than buildings	19,685	2,246	60	21,871
Machinery and equipment	4,760	16	-	4,776
Furniture and Furnishings	48	7	-	55
Total capital assets being depreciated	37,556	2,269	60	39,765
Less accumulated depreciation for:				
Buildings	6,139	246	-	6,385
Improvements other than buildings	13,905	1,945	60	15,790
Machinery and equipment	3,706	189	-	3,895
Furniture and furnishings	41	5	-	46
Total accumulated depreciation	23,791	2,385	60	26,116
Total capital assets being depreciated, net	13,765	(116)	-	13,649
Other business-type activities, net	21,944	(116)	2,072	19,756
Busines-type activity capital assets, net	$ 699,209	$ 60,023	$ 37,892	$ 721,340

	Balance 01-01-07	Additions	Deletions	Balance 12-31-07
		(Thousands of Dollars)		
Component Units				
Capital assets not being depreciated:				
Land	$ 58,399	$ 36	$ 470	$ 57,965
Construction in Progress	18,251	34,654	3,700	49,205
Total capital assets not being depreciated	76,650	34,690	4,170	107,170
Capital assets being depreciated:				
Buildings	426,311	3,681	6,009	423,983
Improvements other than buildings	599	-	-	599
Machinery and equipment	4,177	111	50	4,238
Total capital assets being depreciated	431,087	3,792	6,059	428,820
Less accumulated depreciation for:				
Buildings	207,953	14,355	4,647	217,661
Improvements other than buildings	108	20	-	128
Machinery and equipment	3,660	108	40	3,728
Total accumulated depreciation	211,721	14,483	4,687	221,517
Total capital assets being depreciated, net	219,366	(10,691)	1,372	207,303
Component units capital assets, net	$ 296,016	$ 23,999	$ 5,542	$ 314,473

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
		(Thousands of Dollars)			
Current property taxes	$ 149,263	$ 93,257	$ 8,276	$ -	$ 250,796
Delinquent property taxes	6,103	-	-	1,541	7,644
Unearned revenue	1,875	-	4,862	7,369	14,106
Long-term receivables	-	28,797	-	-	28,797
Unbilled special assessments	-	-	10,120	-	10,120
Total	$ 157,241	$ 122,054	$ 23,258	$ 8,910	$ 311,463

6. SHORT-TERM DEBT

During 2007, the City issued $66,000,000 of General Obligation Cash Flow Promissory Notes, Series 2007 R2 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2007.

As of December 31, 2006, the City had outstanding $175,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2007, the City repaid the outstanding balance and issued $188,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 4.5% and will mature on September 4, 2008. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2007 were as follows:

	Balance 01-01-07	Additions	Deductions	Balance 12-31-07	Amounts Due within One Year
		(Thousands of Dollars)			
Governmental activities:					
General obligation bonds and notes					
City	$ 614,198	$ 102,328	$ 140,626	$ 575,900	$ 73,077
Milwaukee Public Schools	104,355	600	11,451	93,504	11,131
Deferred amount on refundings	(7,731)	-	(1,278)	(6,453)	-
Unamortized premiums	30,058	2,129	6,412	25,775	-
Compensated absences	35,546	-	4,762	30,784	1,739
Net other postemployment benefits obligation	-	64,560	27,683	36,877	-
Claims and judgments	24,991	8,327	10,710	22,608	4,901
Total governmental activities	$ 801,417	$ 177,944	$ 200,366	$ 778,995	$ 90,848
Business-type activities					
Water Works					
General obligation bonds and notes	$ 23,258	$ -	$ 3,362	$ 19,896	$ 2,845
Deferred amount on refundings	(695)	-	(176)	(519)	-
Unamortized premiums	1,139	-	197	942	-
Revenue bonds	12,075	-	869	11,206	891
Compensated absences	1,034	69	78	1,025	1,025
Net other postemployment benefits obligation	-	1,815	1,025	790	-
Total Water Works	36,811	1,884	5,355	33,340	4,761
Sewer Maintenance					
General obligation bonds and notes	33,990	11,825	22,180	23,635	19,701
State Loans	-	14,369	-	14,369	564
Revenue bonds	56,075	-	2,570	53,505	2,650
Unamortized premiums	2,214	70	297	1,987	-
Net other postemployment benefits obligation	-	630	356	274	-
Total sewer maintenance	92,279	26,894	25,403	93,770	22,915
Parking					
General obligation bonds and notes	12,748	1,065	2,080	11,733	2,218
Deferred amount on refundings	(233)	-	(40)	(193)	-
Unamortized premiums	313	-	56	257	-
Net other postemployment benefits obligation	-	492	278	214	-
Total parking	12,828	1,557	2,374	12,011	2,218
Other Enterprise Funds					
General obligation bonds and notes	4,140	12	480	3,672	483
Deferred amount on refundings	(55)	-	(10)	(45)	-
Unamortized premiums	77		14	63	-
Net other postemployment benefits obligation	-	103	58	45	-
Total Other Enterprise	4,162	115	542	3,735	483
Total business-type activities	$ 146,080	$ 30,450	$ 33,674	$ 142,856	$ 30,377

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.

	Balance 01-01-07	New Issues	Repayments	Balance 12-31-07	Amounts Due within One Year
		(Thousands of Dollars)			
Component Units					
Revenue bonds	$ 111,701	$ 2,524	$ 3,088	$ 111,137	$ 11,465
Unamortized discounts	(118)	-	(8)	(110)	-
Notes payable	27,769	4,986	7,013	25,742	100
Advance from other organizations	300	-	300	-	-
Compensted absences	273	492	-	765	230
Net other postemployment benefits	-	500	-	500	-
Total component units	$ 139,925	$ 8,502	$ 10,393	$ 138,034	$ 11,795

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, 2007, general obligation bonds totaling $5,976,000 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. Prior to 2007, the City financed projects by issuing Bonds and Notes to other funds using the Public Debt Amortization funds per the Wisconsin Statutes. For legal purposes these are debt obligations of the City but for GAAP purposes are considered transfers and or receivables. On December 31, 2007, the total amount of these bonds and notes is $23,021,000.

Through 2007, $131,027,000 has been borrowed and outstanding for forty-eight tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to $180,373,000. Tax increments received through 2007 total $153,552,796. 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 $93,504,000 of Milwaukee Public School long-term debt outstanding at December 31, 2007 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, 2007, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately $949,666,000. 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 2007 the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of $14,369,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

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.

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, 2007, installment loans totaling $30,952,000 were issued to provide the school district cashflow, finance building projects and purchase 2006's delinquent taxes.

E. Debt Service Requirements

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

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
		(Thousands of Dollars)			
Governmental activities					
2008	$ 84,208	$ 31,445	$ -	$ -	$ 115,653
2009	71,974	27,512	-	-	99,486
2010	65,085	24,086	-	-	89,171
2011	59,619	20,901	-	-	80,520
2012	55,073	18,020	-	-	73,093
2013-2017	214,439	53,481	-	-	267,920
2018-2022	99,986	13,653	-	-	113,639
2023-2027	19,020	736	-	-	19,756
Total	$ 669,404	$ 189,834	$ -	$ -	$ 859,238
Business-type activities					
Water Works					
2008	$ 2,845	$ 959	$ 891	$ 284	$ 4,979
2009	1,989	850	915	260	4,014
2010	2,492	753	939	236	4,420
2011	2,966	634	964	211	4,775
2012	2,492	494	989	185	4,160
2013-2017	7,067	807	5,351	513	13,738
2018-2020	45	3	1,157	15	1,220
Total	$ 19,896	$ 4,500	$ 11,206	$ 1,704	$ 37,306
Sewer Maintenance					
2008	$ 19,701	$ 974	$ 3,214	$ 2,836	$ 26,725
2009	268	176	3,318	2,721	6,483
2010	270	164	3,432	2,594	6,460
2011	271	153	3,547	2,456	6,427
2012	273	141	3,672	2,305	6,391
2013-2017	1,467	514	20,723	8,846	31,550
2018-2022	1,385	173	23,218	3,592	28,368
2023-2027	-	-	6,750	323	7,073
Total	$ 23,635	$ 2,295	$ 67,874	$ 25,673	$ 119,477
Parking					
2008	$ 2,218	$ 554	$ -	$ -	$ 2,772
2009	1,640	451	-	-	2,091
2010	1,237	379	-	-	1,616
2011	1,169	320	-	-	1,489
2012	1,012	263	-	-	1,275
2013-2017	3,493	655	-	-	4,148
2018-2022	964	96	-	-	1,060
Total	$ 11,733	$ 2,718	$ -	$ -	$ 14,451

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
			(Thousands of Dollars)		
Other Enterprise					
2008	$ 483	$ 180	$ -	$ -	$ 663
2009	504	155	-	-	659
2010	425	131	-	-	556
2011	425	110	-	-	535
2012	385	88	-	-	473
2013-2017	1,226	186	-	-	1,412
2018-2022	224	18	-	-	242
Total	$ 3,672	$ 868	$ -	$ -	$ 4,540
Total Component Units					
2008	$ 100	$ 885	$ 11,465	$ 4,046	$ 16,496
2009	110	881	495	3,595	5,081
2010	118	873	515	3,570	5,076
2011	127	865	535	3,544	5,071
2012	135	856	570	3,517	5,078
2013-2017	1,987	4,110	1,900	17,278	25,275
2018-2022	2,503	3,600	6,967	16,352	29,422
2023-2027	49	3,083	21,295	13,684	38,111
2028-2032	63	3,069	-	11,963	15,095
2033-2037	2,081	2,806	-	11,963	16,850
2038-2042	4,893	2,245	67,395	6,379	80,912
2043-2047	9,883	846	-	-	10,729
2048-2052	59	50	-	-	109
2053-2057	127	31	-	-	158
Total	$ 22,235	$ 24,200	$ 111,137	$ 95,891	$ 253,463

F. 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, 2007 the City's legal debt margin was $1,444,327,000. Of this amount, $604,540,000 was for school purposes and $839,787,000 was for City purposes.

G. 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, 2007, $115,405,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

H. 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, 2007 is approximately $65,446,000 for the City and $549,000,000 for RACM.

8. RETIREMENT PLANS

Pension Benefits

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

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires 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, 2007, 2006, and 2005, were $23,330,000, $22,751,000, and $23,619,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

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

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

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

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

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

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

Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2007, the City and plan members receiving benefits paid approximately $28,100,000 and $1,300,000, respectively, toward medical and life insurance for retirees.

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

Annual Required contrilbution (ARC)	$ 67,600,000
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost	67,600,000
Contribution made	29,400,000
Increase in net OPEB Obligation	38,200,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 38,200,000

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 were as follows:

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$ 67,600,000	43.5%	$ 38,200,000

Funded Status and Funding Progress. As of January 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $806,300,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $806,300,000. The covered payroll (annual payroll of active employees covered by the plan) was $412,700,000 million and the ratio of the UAAL to the covered payroll was 195.4 percent.

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

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

The OPEB valuation uses a discount rate assumption of 4.5 percent based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 10 percent initially, and reduced by decrements to the ultimate rate of 4.5 percent after 10 years.

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 2007, approximately $9,897,000 was paid for sick leave from all funds. At December 31, 2007 accumulated sick leave earned but not taken totaled approximately $151,466,000 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 2007 terminal leave payments totaled $1,137,000 to employees retiring during the year. As of December 31, 2007, the City has accrued approximately $15,621,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of $30,784,000 with the remainder accrued vacation leave of $15,163,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, $62,704,000 at December 31, 2007, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of $14,032,000 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 $14,032,000 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.

Fund deficit

The Capital Projects Fund had a deficit fund balance of $67,193 as of December 31, 2007 which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2008.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2007, were as follows:

Due To	Due From: General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
		(Thousands of Dollars)			
General Fund	$ -	$ 898	$ -	$ -	$ 898
General Obligation Debt	2,718	3,804	-	-	6,522
Capital Projects	46,983	-	-	-	46,983
Nonmajor Governmental Funds	6,184	-	-	-	6,184
Water Works	7,388	-	1,285	1,117	9,790
Sewer Maintenance	5,451	-	-	-	5,451
Nonmajor Enterprise Funds	9,936	-	-	-	9,936
Totals	$ 78,660	$ 4,702	$ 1,285	$ 1,117	$ 85,764

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, 2007 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	$ 6,568	Funding for debt payments
	Nonmajor Governmental Funds	6,345	Subsidize uncollected property taxes
	Water Works	7,767	Payment in Lieu of taxes
	Parking	1,028	Payment in Lieu of taxes
	Parking	15,800	Subsidy for operations
	Nonmajor Enterprise Funds	3,053	Excess earnings of Port
	Subtotal General Fund	**40,561**	
Debt Service	General	66,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Public Debt Amortization	10,230	Funding for debt payments
	Capital Projects	2,502	Tax Incremental District closeouts
	Nonmajor Governmental Funds	14,560	Funding for debt payments
	Sewer Maintenance	9,000	Subsidy for operations
	Parking	518	Subsidy for operations
	Subtotal Debt Service	**104,886**	
Nonmajor Enterprise	General Fund	3	Subsidy for operations
	General Obligation Debt	680	Funding for debt payments
	Subtotal Nonmajor Proprietary	**683**	
	Total Interfund Transfers	**$ 146,130**	

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

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2007, consist of the following:

Component Unit Payable	Primary Government's Receivable (Thousands of Dollars)
Due from HACM for reimbursable expenditues	$ 2,439
Due from HACM for payment in lieu of taxes	924
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	12,485
Due from RACM for reimbursable expenditures	7
Due from RACM for	32
Due from MEDC for tax incremental district loans	1,481
Due from NIDC for home and Community Development Block grants	135
Due from NIDC for reimbursements for expenditures	-
Total	$ 17,503

Component Unit Receivable	Primary Government's Payable (Thousands of Dollars)
Due to RACM Community Development Block grants and Home grants	$ 85
Due to RACM for project expenditures	158
Due to MEDC Community Development Block grants	25
Total	$ 268

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2008 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount
	(Thousands of Dollars)
2008	$ 3,286
2009	2,927
2010	3,188
2011	2,948
2012	2,958
2013-2017	13,702
2018-2022	9,033
2023-2027	2,906
2028 and beyond	8,026
Total	$ 48,974

13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2007 expenditures exceeded appropriations for services and salaries in the operations division of the Department of Public Works within the General Fund by $4,232,000. The Council has approved the issuance of general obligation debt to provide funding for these over-expenditures.

14. 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 at December 31, 2007 are as follows:

General liability claims	$ 11,642,000
Workers' compensation claims	880,000
Unemployment claims	7,440,000
Health insurance claims	2,646,000

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

	2006	2007
Beginning of year liability	$ 25,665,000	$ 24,991,000
Current year claims and changes in estimates	8,977,000	8,327,000
Claim payments	(9,651,000)	(10,710,000)
End of year liability	$ 24,991,000	$ 22,608,000

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employes' Retirement System (ERS) was prohibited by City ordinance from spending more than $3 million to purchase and install a computer information system. It is estimates that the total cost of ERS information system is approximately $25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP) has joined the lawsuit as a plaintiff. The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS. Extensive discovery has commenced in the case.

On October 24, 2004, Frank Jude, Kirsten Antonissen, Katie Brown, and Lovell Harris attended a party in the city hosted by a Milwaukee police officer and to which a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. The four above cases have been consolidated and all proceedings had been stayed pending the outcome of criminal trials. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009.

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 $980,000 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.

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of $45,788,000 and $5,498,000, respectively, for various capital improvement projects at December 31, 2007.

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, 2006.

15. SUBSEQUENT EVENTS

On February 8, 2008 the City issued $75,000,000 of Commercial Paper notes, 2008 Program Series C2, all of which mature during 2008 with automatic rollovers at maturity to finance various public improvements.

On March 13, 2008, the City issued $90,000,000 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 December 15, 2008 with interest.

On March 13, 2008, the City issued $6,925,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on March 15 of each year beginning 2019 until 2023. Interest is payable on March 15 and September 15 commencing March 15, 2019.

On March 13, 2008, the City issued $37,125,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on March 15 of each year beginning 2009 until 2018. Interest is payable on March 15 and September 15 commencing March 15, 2009.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILWAUKEE

Exhibit E-1

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

(Thousands of Dollars)

	Budgeted Amounts		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	$ 143,598	$ 143,598	$ 137,253	$ (6,345)
Other taxes	3,498	3,498	5,311	1,813
Licenses and permits	11,776	11,776	13,704	1,928
Intergovernmental	273,032	273,043	272,539	(504)
Charges for services	73,613	73,807	76,496	2,689
Fines and forfeits	5,206	5,206	5,800	594
Other	14,014	14,049	18,883	4,834
Total Revenues	524,737	524,977	529,986	5,009
Expenditures:				
Current:				
General government	206,646	207,931	201,021	6,910
Public safety	248,957	257,219	257,137	82
Public works	87,888	89,885	93,956	(4,071)
Health	10,329	10,359	10,359	-
Culture and recreation	17,447	17,791	17,548	243
Conservation and development	3,222	3,320	3,279	41
Total Expenditures	574,489	586,505	583,300	3,205
Deficiency of Revenues over Expenditures	(49,752)	(61,528)	(53,314)	8,214
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	13,369	70,232	56,863
Transfers in	25,920	32,488	40,561	8,073
Transfers out	-	(3)	(68,079)	(68,076)
Contributions received	29,473	30,157	22,270	(7,887)
Contributions used	(29,401)	(27,666)	(21,760)	5,906
Use of fund balance - reserved for tax stabilization	23,175	23,175	23,175	-
Total Other Financing Sources and Uses	49,167	71,520	66,399	(5,121)
Net Change in Fund Balance	(585)	9,992	13,085	3,093
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	82,000	82,000	82,000	-
Fund Balance - Ending	**$ 81,415**	**$ 91,992**	**$ 95,085**	**$ 3,093**

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 $23.175 million at January 1, 2007. 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.

Remainder of Required Supplementay Information
Combined and Individual Fund Statements and Schedules
Miscellaneous Financial Data
Statistical Section

Pages 95-153 Omitted

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APPENDIX B

Draft Form of Legal Opinion

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April 9, 2009

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 $116,000,000 aggregate principal amount of General Obligation Cash Flow Promissory Notes, Series 2009 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 January 16, 2009.

The Notes constitute an issue of "promissory notes" under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of $5,000 or any integral multiple thereof. The Notes are dated as of April 9, 2009, bear interest from their date payable at maturity and mature (without option of prior redemption) on December 17, 2009. $50,000,000 aggregate principal amount of the Notes bear interest at the rate of one and one quarter percent (1.25%) per annum, and $66,000,000 aggregate principal amount of the Notes bear interest at the rate of one and one-half percent (1.50%) per annum.

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

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

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APPENDIX C

Master Continuing Disclosure Certificate

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MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "Certificate") dated as of 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 Notes, 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 Notes;
(vii) modifications to rights of Note Holders;
(viii) bond calls;
(ix) defeasances;
(x) release, substitution, or sale of property securing repayment of the Notes; 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) "Notes" 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 Notes.

(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 Notes.

ARTICLE II - The Undertaking

Section 2.1. Purpose. This Certificate shall apply to Notes, 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 Notes 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 Notes.

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 Notes, 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 Notes 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 Notes. 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 Notes 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 SHORT-TERM OBLIGATIONS

This Addendum Describing Annual Report for Short-Term Obligations (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 obligations maturing within 18 months of the date of issue. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Content of Annual Financial Information for Issuer:

None. (Exception for securities with a stated maturity of 18 months or less).

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:

$116,000,000 General Obligation Cash Flow Promissory Notes, Series 2009 R3

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

Date of Issue(s):

April 9, 2009

IN WITNESS WHEREOF,
I have caused this Supplemental Certificate to be executed this 9th day of April, 2009.

CITY OF MILWAUKEE, WISCONSIN

By:_____
Comptroller

WMM:RSL

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

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BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U. S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 vvww.dtc.org.

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

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

DTC may discontinue providing its services as depository with respect to the Notes 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, Note 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 NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE NOTES; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE NOTES; 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 NOTES.