NEW ISSUE	RATINGS:	Moody's	Standard & Poor's
BOOK-ENTRY ONLY	(See "**Ratings**" herein)	Aa2	AA-

In the opinion of Katten Muchin Rosenman LLP, and 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 Series 2013 Bonds will not be includable in gross income for federal income tax purposes. The Series 2013 Bonds are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Series 2013 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2013 Bonds is not exempt from Wisconsin income taxes.

$37,000,000
CITY OF MILWAUKEE, WISCONSIN
Sewerage System Revenue Bonds
Series 2013 S5

Dated: Date of Delivery **Due:** June 1, 2014 – 2033

The $37,000,000 Sewerage System Revenue Bonds, Series 2013 S5 (the "*Series 2013 Bonds*") will be dated the Date of Delivery, will bear interest payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2013, at the rates, and will mature on June 1 in the years and amounts, as detailed on the inside cover.

The Series 2013 Bonds shall be issued by the City of Milwaukee, Wisconsin (the "*City*") for the purposes of (i) financing the costs of improvements to the City's Sewerage System; (ii) refunding a portion of the City's outstanding Sewerage System Revenue Bonds; (iii) funding the Reserve Account; and (iv) paying the costs of issuance of the Series 2013 Bonds. (See "**Series 2013 Bonds – The Financing Plan**" herein.)

The Series 2013 Bonds maturing on or after June 1, 2024 are subject to optional redemption on or after June 1, 2023 at par, as more fully described herein. (See "**Series 2013 Bonds – Optional Redemption Prior To Maturity**" herein.)

The Series 2013 Bonds will be issued only as fully registered bonds and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as the securities depository of the Series 2013 Bonds. Individual purchases will be made in book entry only form in denominations of $5,000 principal amount or any integral multiple thereof. Purchasers of the Series 2013 Bonds will not receive certificates representing their interest in the Series 2013 Bonds purchased. (See "**Book Entry Only System**" herein.)

The Series 2013 Bonds are limited special obligations of the City payable solely from and secured by the funds pledged therefor on a parity with the City's outstanding Sewerage System Revenue Bonds, Series 2011 S1, dated May 25, 2011 and bonds hereafter issued on a parity therewith. (See "**Security**" herein.)

The Series 2013 Bonds are being offered when, as and if issued and subject to the legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel. It is anticipated that the Series 2013 Bonds will be available for delivery to DTC on or about June 26, 2013 (the "*Date of Delivery*").

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

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

June 11, 2013

MATURITY SCHEDULE

$37,000,000
CITY OF MILWAUKEE, WISCONSIN
Sewerage System Revenue Bonds, Series 2013 S5

The Series 2013 Bonds will be dated the Date of Delivery, will bear interest at the rates, and at the yields, and identified by the CUSIPS shown below, payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2013, and will mature on June 1 of the years and in the amounts shown below.

Maturing (June 1)	Amount	Interest Rate	Yield	CUSIPS (1)
2014	$1,000,000	2.00%	0.38%	60242M CQ4
2015	1,030,000	2.00	0.60	60242M CR2
2016	1,075,000	3.00	0.85	60242M CS0
2017	1,115,000	3.00	1.15	60242M CT8
2018	1,170,000	4.00	1.50	60242M CU5
2019	1,230,000	5.00	1.90	60242M CV3
2020	1,290,000	5.00	2.18	60242M CW1
2021	1,355,000	5.00	2.50	60242M CX9
2022	3,800,000	5.00	2.70	60242M CY7
2023	3,975,000	5.00	2.84	60242M CZ4
2024	1,575,000	5.00	2.98*	60242M DA8
2025	1,660,000	5.00	3.11*	60242M DB6
2026	1,745,000	4.00	3.43*	60242M DC4
2027	1,830,000	4.00	3.55*	60242M DD2
2028	1,925,000	4.00	3.65*	60242M DE0
2029	2,025,000	4.00	3.73*	60242M DF7
2030	2,130,000	4.00	3.83*	60242M DG5
2031	2,240,000	4.00	3.92*	60242M DH3
2032	2,355,000	4.00	4.00	60242M DJ9
2033	2,475,000	4.00	4.06	60242M DK6
TOTAL	$37,000,000			

(1) The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Series 2013 Bonds. The City is not responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2013 Bonds, or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2013 Bonds.

* Yield to first call date of June 1, 2023.

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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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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 offering of $37,000,000 Sewerage System Revenue Bonds, Series 2013 S5 of the City, dated the Date of Delivery (the "*Series 2013 Bonds*"). The following information is furnished solely to provide limited introductory information regarding the Series 2013 Bonds 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 following material is supported, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer:	City of Milwaukee, Wisconsin.
Issue:	$37,000,000 Sewerage System Revenue Bonds, Series 2013 S5.
Dated Date:	Date of Delivery.
Maturities:	June 1 of the years 2014 to 2033, both inclusive.
Interest Payment Dates:	Each June 1 and December 1, beginning December 1, 2013.
Denominations:	$5,000 or integral multiples thereof.
Purpose:	The Series 2013 Bonds are issued for the purposes of (i) financing the costs of improvements to the City's Sewerage System; (ii) refunding a portion of the City's outstanding Sewerage System Revenue Bonds; (iii) funding the Reserve Account; and (iv) paying the costs of issuance of the Series 2013 Bonds. (See **"SERIES 2013 BONDS – The Financing Plan"** herein.)
Security:	Principal and interest on the Series 2013 Bonds will be payable solely from and secured by the funds pledged therefor on a parity with the City's outstanding Sewerage System Revenue Bonds, Series 2011 S1 and bonds hereafter issued on a parity therewith. (See **"SECURITY"** herein.)
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the Series 2013 Bonds in accordance with the provisions of Chapter 66 of the Wisconsin Statutes (the "*Act*").
Form of Issuance:	The Series 2013 Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Series 2013 Bonds. (See **"BOOK-ENTRY-ONLY SYSTEM"** herein).
Tax Matters:	In the opinion of Katten Muchin Rosenman LLP, and 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 Series 2013 Bonds will not be includable in gross income for federal income tax purposes. The Series 2013 Bonds are not "*private activity bonds*" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable

income." However, interest on the Series 2013 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2013 Bonds is not exempt from Wisconsin income taxes. (See **"TAX MATTERS"** herein).

Redemption Feature: The Series 2013 Bonds maturing on or after June 1, 2024 are subject to optional redemption on or after June 1, 2023 at par, as more fully described herein. (See **"SERIES 2013 BONDS – Optional Redemption Prior to Maturity"** herein.)

Professionals:

Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
	Hurtado, S.C. Wauwatosa, Wisconsin
Financial Advisor:	Public Financial Management, Inc. Milwaukee, Wisconsin
Depositary and Paying Agent	The Bank of New York Mellon Trust Company, N.A. Milwaukee, Wisconsin

Delivery: Delivery will be on or about June 26, 2013 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices or yields of the Series 2013 Bonds are detailed on the inside front cover of the 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 Series 2013 Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See **"CONTINUING DISCLOSURE"** herein).

SERIES 2013 BONDS

The Financing Plan

General – The Series 2013 Bonds shall be issued by the City of Milwaukee, Wisconsin (the "*City*") on parity with the $51,035,000 outstanding principal amount of Sewerage System Revenue Bonds, Series 2011 S1, of the City (the "*Outstanding Bonds*") for the purpose of (i) financing the costs of improvements of any plant and equipment within or without the corporate limits of the City for the collection, transportation, pumping, storage, treatment and disposal of sewage or storm water and surface water, including necessary lateral, main and interception sewers and consisting of repair, improvement, and replacement of existing sewers and lift/pumping stations, expansion of capacity, infiltration and inflow reduction projects, flow reduction projects, water quality projects, reduction of total suspended solids in storm water projects, and supervisory control and data acquisition (SCADA) upgrade (through the refinancing of extendable municipal commercial paper obligations ("*EMCP*") previously issued for such purposes); (ii) refunding the City's outstanding Sewerage System Revenue Bonds, Series 2003 S4,

dated July 10, 2003 ("*Prior Bonds*"); (iii) funding the Reserve Account in the Special Redemption Fund of the City; and (iv) paying the costs of issuance of the Series 2013 Bonds.

The City will create and establish the Series 2013 Debt Service Reserve Account as a subaccount of the Reserve Account of the Sewerage System Special Redemption Fund, and from and after the time of the delivery of the Series 2013 Bonds, there shall be on deposit in the Sewerage System Special Redemption Fund for credit to the Series 2013 Debt Service Reserve Account therein, an amount equal to the Reserve Account Requirement which shall equal an amount equal to the maximum annual principal and interest requirements for the Outstanding Bonds and the Series 2013 Bonds, less the amount on deposit in the debt service reserve accounts for the Outstanding Bonds. Any increase in the Reserve Account Requirement resulting from the issuance of the Series 2013 Bonds shall be funded from the proceeds of the Series 2013 Bonds. On each principal payment date of the Outstanding Bonds, the excess amounts in the Outstanding Bond subaccounts of the Reserve Account shall be transferred to the Series 2013 Debt Service Reserve Account. (See **"FUNDS AND ACCOUNTS"** herein.)

The Refunding Plan – The Prior Bonds were previously issued to finance the costs of improvements of any plant and equipment within or without the corporate limits of the City for the collection, transportation, storage, treatment and disposal of sewage or storm water and surface water, including necessary lateral, main and interception sewers. The Prior Bonds are described below:

Issue or Series	Redemption Date	Maturity Date	Principal Amount
Sewerage System Revenue Bonds, Series 2003 S4	06/01/2013	2022	$2,375,000
Redemption Price: 100%	06/01/2013	2023	2,475,000
		TOTAL	$4,850,000

The Prior Bonds were refunded on June 1, 2013 with a temporary borrowing, which, in turn, will be refunded by the application of proceeds of sale of the Series 2013 Bonds.

Sources and Uses

Sources of Funds	
Par Amount of Series 2013 Bonds	$37,000,000
Net Original Issue Premium	3,256,538
Total Sources of Funds	$40,256,538

Uses of Funds	
Deposit to finance projects (including refunding of temporary borrowing issued to finance projects)	$32,800,000
Deposit to retire commercial paper that funded the redemption of Prior Bonds	4,850,000
Deposit to Debt Service Reserve Account Fund	2,330,594
Costs of Issuance (including Underwriters' Discount)	275,944
Total Uses of Funds	$40,256,538

The Bond Resolution

Pursuant to a Bond Resolution adopted on August 2, 2001 as amended by a resolution adopted on April 15, 2003 and as amended by a resolution adopted on November 23, 2010 (the "*Master Resolution*") and the Series 2013 Resolution adopted on April 30, 2013 (the "*Series Resolution*," and together with the Master Resolution, the "*Bond Resolution*"), the Common Council has authorized and approved the sale of the Series 2013 Bonds including providing certain of the details and form of the Series 2013 Bonds and setting out certain covenants with respect thereto. Pursuant to the Master Resolution, bonds may be issued thereunder in series from time to time. Upon the issuance of the Series 2013 Bonds, the City will have outstanding the Series 2013 Bonds, and the Outstanding Bonds and the City may hereafter authorize and issue additional Sewerage System Revenue Bonds (the "*Additional Bonds*"). The Series 2013 Bonds, the Outstanding Bonds and any Additional Bonds on parity therewith are hereinafter referred to as the "*Bonds*."

The City may at any time or from time to time, issue evidences of indebtedness payable out of, and which may be secured by a pledge of, such amounts in the Subordinate Obligation Fund (as hereinafter defined) as may from time to time be available for the purpose of payment thereof. The City has issued Sewerage System Second Lien Revenue Bonds as loans from the State of Wisconsin's Clean Water Fund Program to finance sewer maintenance capital projects. The Sewerage System Second Lien Revenue Bonds are Subordinate Obligations (as hereinafter defined), which constitute evidence of indebtedness payable out of, and which are secured by a pledge of, such amounts in the Subordinate Obligation Fund of the Bond Resolution as may from time to time be available for the purpose of payment thereof. (See **"ADDITIONAL BONDS – Subordinate Obligations"** herein.) The City also issues General Obligation and EMCP debt to finance sewer capital projects. The General Obligation debt does not have a lien on the sewerage system revenues or assets, but is expected to be repaid from amounts in the Surplus Fund not required to meet a deficiency referred to in the Bond Resolution. (See **"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Summary of Certain Provisions of the Bond Resolution – Surplus Fund"** in ***Appendix C***.) The Sewerage System Second Lien Revenue Bonds and the General Obligation debt and EMCP do not constitute Bonds as defined above. The City may, by resolution, provide for various priorities in the liens and pledges securing Subordinate Obligations, and nothing in the Bond Resolution shall be construed so as to require that the payment of, or pledges securing, Subordinate Obligations be on a parity with the Bonds. (See **"ADDITIONAL BONDS – Subordinate Obligations"** herein.)

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in ***Appendix C*** – **"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Definitions of Certain Terms"** or, if not defined therein, in the Bond Resolution. A summary of certain provisions of the Bond Resolution is set forth under **"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Summary of Certain Provisions of the Bond Resolution"** in ***Appendix C***.

Maturity and Interest Rates

The Series 2013 Bonds are to be dated the Date of Delivery and will bear interest from that date at the rates, and shall mature each June 1 in the amounts and on the dates as set forth on the inside front cover of this Official Statement. Interest on the Series 2013 Bonds will be payable on December 1, 2013 and thereafter semi-annually on June 1 and December 1 of each year and is calculated on the basis of 30-day months and a 360-day year.

Optional Redemption Prior to Maturity

The Series 2013 Bonds with principal maturity dates on or after June 1, 2024, are subject to redemption prior to their maturity at the option of the City on any date on or after June 1, 2023, from such maturities as the City shall determine, at a price of par plus accrued interest to the date fixed for their redemption.

Partial Redemption

In the event of the partial redemption of Series 2013 Bonds of the same maturity, the particular Series 2013 Bonds to be redeemed shall be selected by lot in any manner that the Paying Agent deems to be fair.

Notice of Redemption

Notice of the redemption of any Series 2013 Bonds shall be given not less than 30 days prior to the redemption date.

SECURITY

Pledge of Revenues and Series 2013 Bonds Reserve Account

(A) The Bonds are limited special obligations of the City payable solely from and secured by the funds pledged therefor. There are pledged as security for the payment of the principal and Redemption Price (if any) of, and interest on, the Bonds in accordance with their terms and the provisions of the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution: (i) the proceeds of sale of the Series 2013 Bonds pending application thereof in accordance with the provisions of the Bond Resolution or of a Series Resolution (ii) the Net Revenues, and (iii) all Funds and Accounts held under the Bond Resolution other than (a) the Rebate Fund and (b) the Subordinate Obligation Fund, including the investments, if any, in such Funds and Accounts; and the bondholders shall have a lien on, and a security interest in, such proceeds, Net Revenues, and Funds and Accounts for such purpose and subject to such provisions of the Bond Resolution. As defined in the Bond Resolution, "*Net Revenues*" means with respect to any period, the Revenues during such period less amounts required to pay Operation and Maintenance Expenses. "*Operation and Maintenance Expenses*" means the costs and expenses of operating and maintaining the Sewerage System, including, without limiting the generality of the foregoing: (i) all expenses includable in the operation and maintenance expense accounts of the City relating to the Sewerage System according to generally accepted accounting principles, exclusive of debt service, capital expenditures, depreciation and tax equivalents; and (ii) to the extent not included in the preceding clause (i) or paid from the Bond proceeds or otherwise, the City's share of the costs and expenses of operating and maintaining any plants and properties jointly owned with others. Such lien and security interest for the payment of the Bonds shall be prior and superior to the lien and security interest for the payment of Subordinate Obligations. The Bonds are additionally secured by a mortgage lien upon the Sewerage System, which shall be perfected by the recording of the Bond Resolution in the records of the City.

(B) The pledge of, and lien on, and security interest in, the proceeds of the Series 2013 Bonds and the Net Revenues as received by the City and the Funds and Accounts held under the Bond Resolution, other than the Rebate Fund and the Subordinate Obligation Fund, shall be valid and irrevocable: (i) from and after the time that, if required by State law, a financing statement is filed with

respect to such pledge, lien and security interest as required by State law, and, upon such filing; or (ii), if no financing statement is so required by State law, upon delivery of the proceeds of the Series 2013 Bonds, and all the Net Revenues as received by the City and the Funds and Accounts therein, other than the Rebate Fund and the Subordinate Obligation Fund, shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of the pledge shall be valid as against, and prior to the lien of, all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

(C) The Bonds shall be equally and ratably payable and secured under the Bond Resolution without priority by reason of date of adoption of a Series Resolution authorizing a Series of Bonds or by reason of their Series, number or date, date of issue, execution, authentication or sale thereof, or otherwise; provided, however, that nothing in the Bond Resolution shall prevent the City from affording any particular Series of Bonds or particular Bonds additional or different security through a support facility or escrow funds. Bonds which are not a part of a Series for which an escrow fund or other funds and accounts have been created to provide additional or different security shall not be entitled to the benefits of such escrow fund or other funds and accounts except to the extent specifically provided in the Series Resolution authorizing such Series.

(D) The principal and Redemption Price (if any) of, and interest on, the Bonds shall be payable only from the Special Redemption Fund and not from any funds of the City other than the Special Redemption Fund and the Bonds shall not constitute a general obligation of the City, or create a charge upon any other revenues or property of the City, except the Net Revenues and other moneys and securities pledged under the Bond Resolution. No holder of the Bonds shall have the right to compel the exercise of the taxing power of the State or any political subdivision thereof, including the City, in connection with any default with respect to the Bonds. Each Bond shall recite in substance the provisions of this subsection (D).

(E) To additionally secure the Bonds, at the time of delivery of the Series 2013 Bonds there shall be on deposit in the Special Redemption Fund for credit to the Reserve Account therein, an amount equal to the Reserve Account Requirement for the Series 2013 Bonds which shall equal an amount equal to the maximum annual principal and interest requirement for the Sewerage System Revenue Bonds outstanding at the time of the issuance of the Series 2013 Bonds, less amounts on deposit in the Reserve Account sub-accounts for Sewerage System Revenue Bonds outstanding at the time of the issuance of the Series 2013 Bonds. Any increase in the Reserve Account Requirement resulting from the issuance of the Series 2013 Bonds shall be funded from the proceeds of the Series 2013 Bonds.

(F) No holder of a Series 2013 Bond shall be required to see that the moneys derived from such Series 2013 Bonds are applied to the purpose or purposes for which such Bond is issued. The validity of the Series 2013 Bonds shall neither be dependent upon nor affected by the validity or regularity of any proceedings relating to the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of the Sewerage System nor the use and application of the proceeds of the Bonds. The Series 2013 Bonds shall contain a recital that they are issued pursuant to the Act, which recital shall be conclusive evidence of their validity and of the regularity of their issuance.

COVENANTS TO SECURE THE BONDS

The City, in the Bond Resolution, covenants and agrees with the holders of all Bonds, including the Series 2013 Bonds issued pursuant to the Bond Resolution, and to the extent provided in a Series Resolution, all support facility providers, as follows:

Rates and Charges

(A) The City shall fix, charge and collect such Sewerage Services Charges as shall be required in order that in each Fiscal Year the Net Revenues shall be not less than the Net Revenue Requirement for such Fiscal Year. The failure in any Fiscal Year to comply with the foregoing rate covenant in this paragraph (A) shall not constitute an event of default if the City shall comply with the Bond Resolution as described in paragraph (B) below. "*Fiscal Year*" means the twelve month period established by the City or provided by law from time to time as its fiscal year, and which, as of the date of adoption of the Bond Resolution, is the twelve month period commencing on January 1 of any year and ending on December 31 of the following year. "*Net Revenue Requirement*" means with respect to any Fiscal Year or any period, an amount equal to the greater of: (i) the sum of (a) the Aggregate Debt Service in such Fiscal Year or such period and (b) the Required Deposits for such Fiscal Year or such period; or (ii) 1.20 times the Aggregate Debt Service in such Fiscal Year or such period plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the end of such Fiscal Year or such period. As defined in the Bond Resolution, "*Aggregate Debt Service*" means, for any period and as of any date of computation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds, and "*Support Facility Reimbursement Obligations*" means, the obligation of the City described in the Bond Resolution to directly reimburse the Support Facility Provider of a Support Facility for amounts paid thereunder or a Counterparty under an Interest Rate Exchange Agreement for amounts paid thereunder, whether or not such obligation to reimburse is evidenced by a promissory note or other similar instrument.

(B) Prior to the end of each Fiscal Year, the Commissioner of Public Works of the City shall complete a review of the financial condition of the Sewerage System for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the rate covenant described in paragraph (A) above and shall by a Written Certificate of the City make a determination with respect thereto. Such review shall take into consideration the completion of any uncompleted improvement and the issuance of future Series of Bonds if necessary to finance the completion of such improvements. Such Written Certificate shall set forth a reasonably detailed statement of the actual and estimated revenues, operation and maintenance expenses, aggregate debt service, and any other estimates or assumptions upon which such determination was based, and shall be filed with the City Clerk on or before July 1 in each year. If it is determined in such Written Certificate that the Revenues may not be so sufficient, the Commissioner of Public Works of the City shall forthwith make a study for the purpose of determining a schedule of Sewerage Service Charges which, in the opinion of the Commissioner of Public Works, will cause sufficient Revenues to be collected in the following Fiscal Year to comply with such rate covenant described in paragraph (A) above and will cause additional Revenues to be collected in such following and later Fiscal Years sufficient to eliminate the amount of any deficiency at the earliest practicable time, or the Commissioner of Public Works may elect to cause the Consulting Engineer to make such a study and render such opinion. The Common Council of the City shall as promptly as practicable but no later than the one hundred twenty (120) days following such determination by the Commissioner of Public Works, or receipt of the Consulting Engineer's recommendation, adopt and place in effect a schedule of Sewerage Service Charges as described in this paragraph (B). The Commissioner of Public Works of the City filed the Written Certificate with the City Clerk on July 1, 2010 and evidenced compliance with the rate covenant described in paragraph (A) above.

Service to the City

The reasonable cost and value of services rendered to the City by the Sewerage System by furnishing sewer services for public purposes, shall be charged against the City and shall be paid by it in quarterly installments as the service accrues, out of the current revenues of the City collected or in the

process of collection, exclusive of the revenues derived from the Sewerage System and out of the tax levy of the City made by it to raise money to meet its necessary current expenses. It is found and determined in the Bond Resolution that the reasonable cost and value of such service to the City in each Fiscal Year shall be the amount necessary in the Fiscal Year which, together with the other revenues of the Sewerage System, will produce Net Revenues in each Fiscal Year equal to not less than 1.00 times the maximum aggregate Debt Service on the Bonds then outstanding plus 1.00 times the aggregate Support Facility Reimbursement Obligations then outstanding. However, such payment out of the tax levy shall be subject to (a) approval of the Public Service Commission, or successors to its function, if necessary, (b) yearly appropriations therefor and (c) applicable levy limitations, if any; but neither the Bond Resolution nor such payment shall be construed as constituting an obligation of the City to make any such appropriation over and above the reasonable cost and value of services rendered to the City and its inhabitants or make any subsequent payment over and above such reasonable cost and value. Such compensation for such service rendered to the City shall, in the manner provided above, be paid into the Revenue Fund created by the Bond Resolution.

FUNDS AND ACCOUNTS

Establishment of Funds and Accounts

(A) There was created under the Bond Resolution a special fund known as the "*Sewerage System Revenue Fund*" (the "*Revenue Fund*") into which all Revenues collected by the City have been and shall be deposited, from which the Revenues shall be appropriated and expended for operating expenses of the Sewerage System, other purposes of the Sewerage System, and in which certain working capital and operating reserves for purposes of the Sewerage System have been and shall be maintained. The Revenue Fund is considered to be a fund held under the Bond Resolution for purposes of the pledge made in Bond Resolution.

(B) There was created and established under the Bond Resolution the following additional funds of the City to be maintained so long as any Bonds are outstanding:

(1) Operation and Maintenance Fund;

(2) Rebate Fund;

(3) Sewerage System Special Redemption Fund (the "*Special Redemption Fund*") and Reserve Account therein;

(4) Subordinate Obligation Fund; and

(5) Surplus Fund.

The Operation and Maintenance Fund, Special Redemption Fund, Reserve Account and Surplus Fund are considered to be funds held under the Bond Resolution for purposes of the pledge made in the Bond Resolution. See **"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Summary of Certain Provisions of the Bond Resolution – Reserve Account"** in ***Appendix C*** for a description of the function of the Reserve Account.

(C) There was also created a special fund known as the "*Sewerage System Construction Fund*" (the "*Construction Fund*") into which the proceeds of revenue bonds of the City issued to pay the costs of improvements specified to be expended from such Fund, including refinancing the commercial

paper obligations used to finance the costs of improvements. The Construction Fund is considered to be a fund held under the Bond Resolution for purposes of the pledge made in the Bond Resolution.

(D) The City collects Revenues and deposits amounts into the City held Operations and Maintenance Fund. Remaining Revenues are transferred to The Bank of New York Mellon Trust Company, N.A., Milwaukee, Wisconsin as Depositary under the Bond Resolution for deposit to the Depositary held portion of the Revenue Fund. Other funds held by the Depositary include: the Rebate Fund, the Sewerage System Special Redemption Fund and Reserve Account therein, the Subordinate Obligation Fund, and the Surplus Fund. The Depositary also serves as Paying Agent for the Bonds.

Flow of Funds

(A) Revenues shall be collected by the City and deposited, as soon as practicable, into the Revenue Fund. From the amounts deposited in the Revenue Fund, the City shall transfer to the Operation and Maintenance Fund sufficient moneys to pay the current operation and maintenance expenses of the Sewerage System, transfer to the Rebate Fund such amount as is necessary to pay the rebate amount due the United States Treasury Department under Section 148 of the Code, if any, or to set aside as a reserve for such payment and make the transfers to other Funds and Accounts as provided in subsection (B) below.

(B) In each month, the City, after making the transfer, if any, to the Operating and Maintenance Expenses for such month and setting aside an amount sufficient to pay the Operating and Maintenance Expenses expected to be incurred for the balance of such month and making the transfer, if any, to the Rebate Fund as provided in the Bond Resolution, shall retain, apply or transfer on the fifth (5th) day prior to the end of each month, unless otherwise described below, a sufficient amount of moneys in the Revenue Fund in the following order of priority:

(1) To the Special Redemption Fund, if and to the extent required so that the balance therein shall equal the Accrued Debt Service for all Bonds outstanding and the interest accrued on all Bond Anticipation Notes outstanding on said date;

(2) To the Reserve Account in the Special Redemption Fund, if and to the extent required by a Series Resolution either (i) an amount such that the balance in the Reserve Account shall equal the Reserve Account Requirement on said date, or (ii) an amount such that if the same amount were deposited in each month the amount of any deficiency in the Reserve Account shall be eliminated at the end of the twelfth (12th) month following the first credit;

(3) To retain in the Revenue Fund, a reasonable and necessary amount for working capital and operating reserves;

(4) To the Subordinate Obligation Fund, the amount, if any, required to be deposited in such Fund pursuant to the resolution authorizing issuance of the Subordinate Obligations payable from such Fund; and

(5) To the Surplus Fund, such amounts as shall remain in the Revenue Fund.

(C) All reasonable and necessary Operation and Maintenance Expenses shall be paid from the Operation and Maintenance Fund as the same become due and payable and, except for the Rebate Fund, prior to any transfer or payment to other funds and accounts set forth in the Bond Resolution.

(D) The City may, if provided in a Series Resolution authorizing the Bonds of a Series, directly pay out of the Revenue Fund reimbursements to Support Facility Providers whose Support Facilities have been drawn upon, after payments have been made to the Special Redemption Fund.

ADDITIONAL BONDS

Conditions for the Issuance of Parity Bonds Other Than Refunding Bonds

(A) One or more Series of Bonds, exclusive of Refunding Bonds issued pursuant to Section 3.05 of the Bond Resolution, may be issued at any time and from time to time for any lawful use or purpose relating to the Sewerage System, including, without limitation, payment of all or a portion of the Costs of Improvements, but only upon compliance as to each such Series with the provisions of the Bond Resolution regarding the required Series Resolution and provision of the following documents or moneys or securities:

(1) A certified copy of the Series Resolution authorizing the issuance of the Bonds of such Series.

(2) If any Bonds of such Series are Option Bonds, a Support Facility in such an amount as would provide sufficient moneys for the purchase or redemption of all Option Bonds of such Series if the Holders thereof elected to tender for purchase or redemption the entire Aggregate Outstanding Principal amount of the Option Bonds of such Series.

(3) An opinion of Bond Counsel to the effect that: (a) the Bond Resolution, including the applicable Series Resolution authorizing the Series of Bonds, has been duly and lawfully adopted by the Common Council of the City and is a valid and legally binding instrument of the City, enforceable in accordance with the terms thereof; (b) the Bond Resolution creates a valid pledge and lien which it purports to create of the Net Revenues, moneys, securities and funds held or set aside under the Bond Resolution, subject to the application thereof to the purposes and on the terms and conditions permitted by the Bond Resolution; and (c) the Bonds of such Series are valid and legally binding limited special obligations of the City, enforceable in accordance with the terms thereof, are entitled to the benefits of the Bond Resolution and the Act, have been duly and validly authorized, issued and authenticated in accordance with law and the Bond Resolution, and do not violate the provisions of the Bond Resolution.

(4) Either:

(I) a Written Certificate of an Authorized Officer of the City based:

(i) on audited figures, provided that such audited figures are for the most recent Fiscal Year for which an audit is available, and are for a period ending within 18 months of the date of the issuance of the proposed Series of Bonds; or

(ii) on figures taken by an independent certified public accountant from the City's books and records, showing that the Net Revenues any consecutive twelve (12) month period out of twenty-four (24) months immediately preceding the month in which such Bonds are issued;

were not less than the greater of:

(x) the sum of: (1) the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any Fiscal Year and the twelve (12) month period selected; and (2) the Required Deposits for such Fiscal Year or the twelve (12) month period selected; and

(y) 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any Fiscal Year and the twelve (12) month period selected, plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of the Written Certificate of the City; or

(II) a Written Certificate of an Authorized Officer of the City or Certificate of the Consulting Engineer that the Net Revenues to be derived in each of the five (5) Fiscal Years following the earlier of:

(i) the end of the period during which interest is capitalized or, if no interest is to be capitalized, the Fiscal Year in which the proposed Series of Bonds are issued; and

(ii) the date on which substantially all Improvements to be financed with the proceeds of the proposed Series of Bonds are expected to commence operations, or, if the proceeds of such Series of Bonds will not be used to fund the Costs of Improvements, the Fiscal Year in which the proposed Series of Bonds are issued;

are estimated to be not less than the greater of:

(x) the sum of: (1) the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year; and (2) the Required Deposits for any such Fiscal Year; and

(y) 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year, plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding;

as of the date of such Written Certificate of the City or certificate of the Consulting Engineer, as the case may be. Adopted Sewerage Service Charges shall be taken into account at the time, or times, they are scheduled to be effective (the "*Additional Bonds Requirement*"). For purposes of this subsection (4): If any changes have been made and are in effect at the time of the issuance of the proposed Series of Bonds in the Sewerage Service Charges (exclusive of changes in the rates and charges for the privilege of connecting to the Sewerage System) which were not in effect during all or any part of the periods referred to in Section 3.04 (4)(I)(i) or (ii) of the Bond Resolution, the Net Revenues for either of such respective periods may be adjusted to reflect the results which would have occurred in the Net Revenues if such changes in the Sewerage Service Charges had been in effect during all of such respective periods.

(5) Such further documents, moneys and securities as are required by the provisions of any Series Resolution.

(B) In determining Debt Service on Variable Rate Bonds then Outstanding and Variable Rate Bonds then proposed to be issued for purposes of the Additional Bonds Requirement, the interest rate shall be calculated as: (i) if any Variable Rate Bonds are then Outstanding and have been Outstanding for at least twenty-four (24) months, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, or (ii) if no such Variable Rate Bonds are then Outstanding, the Revenue Bond Index at the time of calculation.

Refunding Bonds

(A) The City by means of a Series Resolution adopted in compliance with the provisions of the Bond Resolution may issue a Series of Refunding Bonds at any time for the purpose of refunding (including by purchase) all or any portion of Bonds Outstanding, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the refunding bonds and of effecting such refunding; provided, however, that the provisions of subsection (A) of "*Conditions for the Issuance of Parity Bonds Other Than Refunding Bonds*" shall be complied with upon the issuance of such Series; provided, further, however, that clause (4) of subsection (A) of "*Conditions for the Issuance of Parity Bonds Other Than Refunding Bonds*" need not be complied with if the Refunding Bonds proposed to be issued do not mature later than the Bonds to be refunded and Debt Service in any Fiscal Year on the Refunding Bonds proposed to be issued does not exceed Debt Service in any Fiscal Year on the Bonds to be refunded by more than ten percent (10%).

(B) The City by means of a Series Resolution adopted in compliance with the Bond Resolution may issue a Series of Refunding Bonds at any time for the purpose of refunding (including by purchase) all or any portion of outstanding Subordinate Obligations, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the Refunding Bonds and of effecting such refunding; provided, however, that the provisions of subsection (A) of "*Conditions for the Issuance of Parity Bonds Other Than Refunding Bonds*" shall be complied with upon the issuance of such Series.

(C) The proceeds of the Refunding Bonds of each Series shall be applied for the purposes of making deposits in such Funds and Accounts under the Bond Resolution and shall be applied to the refunding purposes thereof as shall be provided by the Series Resolution authorizing such Refunding Bonds.

Bond Anticipation Notes

Bond anticipation notes ("*Bond Anticipation Notes*") may be issued by the City at such time as the City shall have, by a Series Resolution duly adopted, authorized the issuance thereof. The principal of such Bond Anticipation Notes may be paid from the proceeds of such Bond Anticipation Notes (or any renewal thereof) or from the proceeds of the Bonds in anticipation of which such Bond Anticipation Notes were issued.

Subordinate Obligations

(A) The City may at any time or from time to time, issue evidences of indebtedness payable out of, and which may be secured by a pledge of, such amounts in the Subordinate Obligation Fund as may from time to time be available for the purpose of payment thereof. The City may, by resolution, provide for various priorities in the liens and pledges securing Subordinate Obligations, and nothing in

the Bond Resolution shall be construed so as to require that the payment of, or pledges securing, Subordinate Obligations be on a parity.

(B) Any issue of Subordinate Obligations may have such rank or priority with respect to any other issue of Subordinate Obligations as may be provided in the resolution securing such issue of Subordinate Obligations and may contain such other provisions as are not in conflict with the provisions of the Bond Resolution.

THE SEWERAGE SYSTEM

History of Utility

The City's Sewerage System (the "*Sewerage System*") traces its history back to the 1860s. In 1998, the Sewerage System was changed from a department of the City to an Enterprise Fund. The City's Sewerage System consists of three types of sewers: combined, sanitary and storm, most of which are located within the boundaries of the City. Combined sewers collect both wastewater from homes and businesses and storm runoff water in a single pipe and convey this flow to an intercepting sewer operated by the Milwaukee Metropolitan Sewerage District ("*MMSD*"). Sanitary sewers collect only wastewater from homes and businesses and convey this flow to an intercepting sewer operated by the MMSD. The intercepting sewers convey the flow to area treatment plants. Storm sewers collect only storm runoff water and convey this flow to rivers, streams, etc.

Combined sewers serve approximately 35 square miles of the City and separate sanitary and storm sewers serve approximately 60.8 square miles. A few of the City's sewers run through a portion of adjacent communities in order to connect to an intercepting sewer or to outlet into a river. In addition, some property in other communities that is adjacent to a common boundary to the City may receive service from City facilities if it is not available from their own community.

General Information

The Sewerage System consists of a network of combined, sanitary and storm sewers and other facilities necessary to collect wastewater from homes and businesses and storm water runoff from City streets and other surfaces. The Sewerage System then conveys this flow to the intercepting sewerage system operated by the MMSD. In addition to the sewer pipes, the Sewerage System also includes a variety of lift stations, pumps, detention basins, storm water inlets and catch basins, storage and operating facilities required to efficiently perform this conveyance function.

For the most part, the sewers use gravity to move the flow downstream. In a few areas of the City, the existing intercepting sewers and slope of the land does not allow the use of only gravity to move the flow. In six locations, there have been installed pump stations to lift flow from a low point up to a point where it can continue to flow by gravity. Two of the lift stations are along the lakefront, one is on the east side of the City and three are located on the far northwest side of the City.

Eighty-three by-pass pumps are installed in the sanitary sewers. The by-pass pumps operate in extreme wet weather, discharging excess flow from the sanitary sewers to either a storm sewer (79 locations) or directly to an intercepting sewer (4 locations). These by-pass pumps were installed to prevent sanitary sewers from backing up into homes during extreme wet weather.

Distribution of Major Assets as of December 31, 2012

As of December 31, 2012, major assets of the Sewerage System were distributed as follows:

	Miles of Sewers			
Type of Sewer	Total	< = 21" Diameter	21" Diameter < and > 54" Diameter	=> 54" Diameter
Combined	547.0	311.0	167.4	68.6
Sanitary	943.2	931.2	12.0	0
Storm	963.9	643.5	241.5	78.9

Need For Improvements

The City continuously evaluates the condition of the Sewerage System and schedules projects to replace portions of the Sewerage System that are in need of such replacement. The City is working to identify and remove the sources of infiltration and inflow, or clear water that allow this water to enter the sanitary Sewerage System. This additional flow can result in by-passes from the sanitary Sewerage System. In addition, the City operates under a Wisconsin Department of Natural Resources' Storm Water Discharge Permit, which requires the City to address water quality by reducing pollutants washing off streets and other impervious surfaces.

CUSTOMER DATA

Sewer System customers are categorized into four classifications: residential (including single-family and duplexes), commercial, industrial and government. A summary of each classification is listed below:

	2012 Billings		Number of Accounts	
Customer Classification	Amount	Percent	Number	Percent
Residential	$14,104,952.34	48.5%	131,226	89.3%
Commercial	13,014,811.64	44.8	13,633	9.3
Industrial	1,344,154.24	4.6	1,408	1.0
Government	596,659.38	2.1	625	0.4
Total	$29,060,577.60	100.0%	146,892	100.0%

Largest Users

Below is profile of the Milwaukee Sewer System's 15 largest customers for the year 2012.

Customer	Usage (100 cubic feet)	Billing	Billing as Percent of Total Billed
Milwaukee County	846,031	$1,040,618.13	3.58%
Milwaukee Public Schools	485,502	597,167.46	2.06
University of Wisconsin – Milwaukee	441,307	542,807.20	1.87
City of Milwaukee – Housing Authority	311,336	382,943.28	1.32
Cargill Financial	239,216	294,235.68	1.01
Marquette University	208,444	256,386.23	0.88
U S Veterans Administration	188,388	231,716.64	0.80
Metropolitan Assoc	142,096	174,778.08	0.60
Marcus Corp	121,964	150,015.72	0.52
Aurora Sinai Medical Center	99,054	121,836.42	0.42
Master Lock Co	92,875	114,236.26	0.39
Katz Properties	91,957	113,107.11	0.39
Hydrite Chemical	83,067	102,172.41	0.35
Rockwell Corporation	79,827	98,187.21	0.34
St. Lukes Medical Center	79,046	97,226.30	0.33
Total	3,510,110	$4,317,434.13	14.86%

Source: City of Milwaukee, Department of Public Works.

History of Usage and Total Billings

The following are the historical billed amounts for the fifteen largest Sewer Fund customers for 2011 and 2012.

Customer	2011 Billed Amount	2012 Billed Amount
Milwaukee County	$ 845,491.52	$1,040,618.13
Milwaukee Public Schools	555,339.56	597,167.46
University of Wisconsin – Milwaukee	515,361.32	542,807.20
City of Milwaukee – Housing Authority	369,797.56	382,943.28
Cargill Financial	285,422.64	294,235.68
Marquette University	214,777.48	256,386.23
U S Veterans Administration	255,952.84	231,716.64
Metropolitan Assoc.	167,516.76	174,778.08
Marcus Corp	142,996.68	150,015.72
Aurora Sinai Medical Center	69,833.16	121,836.42
Master Lock Co	119,905.72	114,236.26
Katz Properties	104,380.28	113,107.11
Hydrite Chemical	37,857.76	102,172.41
Rockwell Corporation	94,166.48	98,187.21
St. Luke's Medical Center	98,754.28	97,226.30
Total	$3,877,554.04	$4,317,434.13

Rate Information

The rate for the City sewer maintenance fee is based upon actual water consumption. Water consumption acts as a proxy for the amount of water returned to the sewer system. To account for the fact that not all water consumed is returned to the Sewerage System, several adjustments are made to account for non-sewer related water consumption.

Residential water consumption is based upon actual consumption adjusted for historical winter quarter consumption, which tends to more accurately reflect the amount of water actually returned to the Sewerage System. This compensates for water consumed by residential users that does not return to the Sewerage System, such as watering of lawns and gardens.

Industrial and commercial properties can modify their consumption amount through a certification process, which adjusts consumption to more accurately reflect the amount of water actually returned to the Sewerage System. The certification process is similar to that used by the MMSD, except that the City's certification process does not include MMSD's measure of sewerage strength. This measure does not apply to the City's sewer maintenance expenses, as the strength of sewerage has no impact on the operational cost of sewer maintenance.

After identifying water consumption, the sewer rate is calculated by dividing total sewer maintenance costs by total adjusted water usage. This yields a rate per 100 cubic feet of water consumed. This rate is then multiplied by an individual property's actual adjusted water usage to determine its sewer maintenance fee. The same rate is applied to all property classifications.

Sewer Fund costs include operating, maintenance, capital improvement and debt service costs for the City's sewer system, as well as a contingency fund to cover unanticipated expenses and administrative costs for the City of Milwaukee Water Works (the City's water utility, which records the actual billing and collection information, revises the fee amounts as necessary, and provides customer service).

The 2012 budgeted sewer maintenance fee rate was $1.23 per 100 cubic feet of water consumed. This translated into an average annual residential fee of $82.82. The 2000 Sewer Fund budget was the first to include capital maintenance costs in addition to operating and maintenance costs. The 2000 City Budget transferred the Relief and Relay Sewer capital program to the Sewer Fund because this program funds on-going capital maintenance and preservation of the City's Sewerage System. In order to finance this capital program, the Sewer Fund budget and rate increased. The 2002 City Budget transferred funding of street sweeping and leaf collection activities from the General Fund to the Sewer Fund. These activities are part of the City's storm water management efforts and provide direct benefits to the storm sewer system. Although amounts for street sweeping and leaf collection are collected by the Sewerage System, the services provided are not considered an operation and maintenance expense of the Sewerage System. Transfers to the City to reimburse the General Fund for services provided occur after the payment of debt service on Bonds. Other factors influencing the increase in the 2010 sewer rate included inflationary cost increases, declining water consumption, increases in equipment expenses, and funding of a mandatory Sanitary Manhole Rehabilitation project required by MMSD.

The 2013 budgeted sewer maintenance fee rate is $1.29 per 100 cubic feet of water. This translates into an average annual residential fee of $87.19. The 2013 Stormwater Management Fee is $16.13 per Equivalent Residential Unit per quarter ($64.52 per residence for the year). The 2013 Sewer Fund budget includes operating, maintenance and capital costs. Major initiatives in 2013 include $43.1 million to replace or reline 36 miles of sewers to reduce the amount of rainwater that enters the sanitary sewer system.

Average Residential Billing

The following includes historical average residential billings.

Year	Annual Average Billing (Total Residential)
2009	$122.98
2010	$134.88
2011	$135.78
2012	$142.56
2013	$151.71

Source: City of Milwaukee Department of Administration, Budget and Management Division.

Includes direct charges and a Stormwater Management Fee which charges a fee based upon a property's impervious surface.

Collection and Billing

Sewer maintenance charges are billed by the Milwaukee Water Works on a combined Municipal Services statement. These charges are based on consumption. Charges for Water Service, Sewer Treatment, Solid Waste and Snow and Ice Control are also included on the statement. Approximately 97% of the statements are billed on a quarterly basis with the remaining accounts billed monthly. All accounts are given 21 days to pay the bill to avoid late fees. If payments are late, a quarterly 3% late payments penalty will be charged. In October of each year, accounts that are two or more quarters delinquent will have their arrears placed on the property tax roll and billed to properties, including a 10% delinquency penalty.

The order of partial payments is dictated by the City of Milwaukee Ordinance Section 309-54-8.b. This directs application in the following order: Water Works (Fund 0410); Metropolitan Sewerage District Sewer User/Treatment (Fund 0460); Sewer Maintenance (Fund 0490); Solid Waste Charge (Fund 0470) and Snow and Ice Control (Fund 0001).

SEWERAGE SYSTEM REVENUE BOND INDEBTEDNESS

Set forth below is the City's Sewerage System revenue indebtedness as of January 1, 2013, including payments due on Outstanding Bonds, as well as on the Series 2013 Bonds.

Year	Outstanding Revenue Debt†		Less: Principal and Interest on Refunded Debt	Series 2013 Bonds		Total Debt Service Requirements
	Principal	Interest		Principal	Interest	
2013	$ 3,185,000	$ 2,566,719	$ (113,516)	$ 0	$ 674,401	$ 6,312,604
2014	3,295,000	2,452,969	(227,031)	1,000,000	1,556,350	8,077,288
2015	3,390,000	2,352,694	(227,031)	1,030,000	1,536,050	8,081,713
2016	3,475,000	2,249,719	(227,031)	1,075,000	1,509,625	8,082,313
2017	3,580,000	2,125,994	(227,031)	1,115,000	1,476,775	8,070,738
2018	3,725,000	1,961,269	(227,031)	1,170,000	1,436,650	8,065,888
2019	3,900,000	1,770,644	(227,031)	1,230,000	1,382,500	8,056,113
2020	4,090,000	1,570,894	(227,031)	1,290,000	1,319,500	8,043,363
2021	4,280,000	1,361,644	(227,031)	1,355,000	1,253,375	8,022,988
2022	4,075,000	1,152,769	(2,542,656)	3,800,000	1,124,500	7,609,613
2023	4,260,000	952,128	(2,529,141)	3,975,000	930,125	7,588,113
2024	1,880,000	806,363		1,575,000	791,375	5,052,738
2025	1,965,000	717,606		1,660,000	710,500	5,053,106
2026	2,060,000	624,350		1,745,000	634,100	5,063,450
2027	2,165,000	518,725		1,830,000	562,600	5,076,325
2028	2,265,000	419,300		1,925,000	487,500	5,096,800
2029	2,370,000	314,750		2,025,000	408,500	5,118,250
2030	2,490,000	193,250		2,130,000	325,400	5,138,650
2031	2,620,000	65,500		2,240,000	238,000	5,163,500
2032				2,355,000	146,100	2,501,100
2033				2,475,000	49,500	2,524,500
Total	$59,070,000	$24,177,284	$(7,001,563)	$37,000,000	$18,553,426	$131,799,148

† The revenue indebtedness shown does not include subordinated debt.

As of January 1, 2013, there was outstanding $73,235,935.35 of Subordinate Obligations issued through the State's Clean Water Fund Program, and $67,000,000 of EMCP issued for sewer purposes, $32,800,000 of EMCP debt is being long-term financed by the 2013 Bonds, and the balance is anticipated to be long-term financed by future Clean Water Fund Program loans.

Future Financing

The City expects to spend approximately $40,000,000 annually for Sewerage System repair and replacement needs, with $35,000,000 of this amount to be financed annually through revenue bonds for the foreseeable future. After the issuance of the 2013 Bonds, there will be approximately $39,200,000 of EMCP issued for sewer purposes which are anticipated to be long-term financed by future Clean Water Fund Program loans.

SEWERAGE SYSTEM SELECTED FINANCIAL INFORMATION

The following financial information is being summarily presented from the financial information presented in ***Appendix A***.

Sewer Maintenance Fund
Statement of Net Assets
as of December 31, 2011
(Thousands of Dollars)

ASSETS	2011
Current Assets:	
Cash and cash equivalents	$14,877
Restricted cash and cash equivalents	2,769
Receivables (net):	
Accounts	15,508
Unbilled accounts	2,346
Accrued Interest	121
Due from other funds	668
Due from other governmental agencies	1,243
Inventory of materials and supplies	348
Deferred charges	383
Total Current Assets	$38,263
Noncurrent assets:	
Restricted cash and cash equivalents	$11,573
Capital assets:	
Capital assets not being depreciated:	
Construction in Progress	42
Capital assets being depreciated:	
Infrastructure	519,862
Machinery and equipment	4,563
Accumulated depreciation	(122,696)
Net Capital Assets	401,771
Total Noncurrent assets	$413,344
Total Assets	$451,607
LIABILITIES	
Current Liabilities:	
Accounts payable	$4,960
Accrued expenses	603
Deferred Revenue	1,239
General Obligation Debt Payable – Current	677
Total Current Liabilities	$7,479
Current Liabilities Payable from Restricted Assets:	
Revenue Bonds Payable	$6,792
Accrued interest payable	490
Total Current Liabilities payable from Restricted Assets	$7,282
Noncurrent Liabilities	
General obligation debt payable	$52,085
Revenue bonds & State loans payable	139,792
Other post employment benefits obligation	1,461
Total Noncurrent Liabilities	$193,338
Total Liabilities	$208,099
Net Assets:	
Invested in capital assets, net of related debt	$202,425
Restricted for Debt Service	14,342
Unrestricted	26,741
Total Net Assets	$243,508

Source: City's 2011 CAFR, Exhibit B-1.

Sewer Maintenance Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Years Ended December 31
(Thousands of Dollars)

	2007	2008	2009	2010	2011
Operating Revenues:					
Charges for Services					
Sewer maintenance fees	$37,756	$40,724	$48,199	$52,046	$51,788
Total Operating Revenues	37,756	40,724	48,199	52,046	51,788
Operating Expenses					
Employee Services	7,442	8,179	8,522	8,642	7,344
Depreciation	4,086	4,409	4,759	5,551	5,949
Services, supplies and materials	10,305	8,155	7,916	8,054	7,347
Total Operating Expenditures	$21,833	$20,743	$21,197	$22,247	$20,640
Operating Income	$15,923	$19,981	$27,002	$29,799	$31,148
Nonoperating Revenues (Expenses)					
Investment Income	414	309	32	17	2,879
Grant Revenue			14,632	1,941	1,910
Interest Expense	(3,495)	(3,424)	(3,552)	(4,073)	(5,261)
Other	(4,600)	(5,000)	(10,098)	(14,868)	(14,912)
Total Nonoperating Revenues (Expenses)	$(7,681)	$(8,115)	$1,014	$(16,983)	$(15,384)
Income before Contributions and Transfers	8,242	11,866	28,016	12,816	15,764
Capital Contributions	3,265	3,779	343	70	23
Transfers In					
Transfers Out	(9,000)	(9,310)	(9,300)	(8,757)	(8,678)
Change in Net Assets	$2,507	$6,335	$19,059	$4,129	$7,109
Total Net Assets - Beginning	$204,369	$206,876	$213,211	$232,270	$236,399
Total Net Assets - Ending	$206,876	$213,211	$232,270	$236,399	$243,508

Source: City's 2007, 2008, 2009, 2010, and 2011 CAFRs, Exhibit B-2.
Note: 2011 Investment Income includes the termination of an investment agreement with Lehman Brothers.

Sewer Maintenance Fund
Changes in Fund Net Assets
for the Years Ended December 31
(Thousands of Dollars)

	2007	2008	2009	2010	2011
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers and users	$35,351	$39,831	$45,406	$50,927	$52,062
Other operating cash receipts					
Payments to suppliers	(11,018)	(6,801)	(7,244)	(6,565)	(7,012)
Payments to employees	(7,171)	(7,829)	(8,102)	(8,390)	(7,208)
Payments from other funds	5,451	7,429	15,078		
Payments to other funds				(27,958)	
Net Cash Provided by Operating Activities	22,613	32,630	45,138	8,014	37,842
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Miscellaneous nonoperating revenue			14,632	1,941	1,958
Other nonoperating expenses	(4,600)	(5,000)	(10,098)	(14,868)	(14,912)
Transfers to other funds	(9,000)	(9,310)	(9,300)	(8,757)	(8,678)
Net Cash Used for Noncapital Financing Activities	(13,600)	(14,310)	(4,766)	(21,684)	(21,632)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions		200			
Proceeds from sale of bonds and notes	11,825	36,217	3,863	106,823	77,868
Proceeds from sale of revenue bonds	14,369				
Acquisition of property, plant and equipment	(19,250)	(26,326)	(35,196)	(40,571)	(31,290)
Retirement of bonds, notes, and revenue bonds	(24,750)	(23,284)	(5,020)	(30,671)	(61,909)
Interest Paid	(3,214)	(4,063)	(3,734)	(3,985)	(2,911)
Other				(51)	
Net Cash Used for Capital and Related Financing Activities	(21,020)	(17,256)	(40,087)	31,545	(18,242)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income	393	331	(73)	120	2,764
Net Increase (Decrease) in Cash and Cash Equivalents	(11,614)	1,395	212	17,995	732
Cash and Cash Equivalents - Beginning	20,499	8,885	10,280	10,492	28,487
Cash and Cash Equivalents - Ending	$8,885	$10,280	$10,492	$28,487	$29,219
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income	$15,923	$19,981	$27,002	$29,799	$31,148
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	4,086	4,409	4,759	5,551	5,949
Changes in assets and liabilities					
Receivables	(1,988)	(1,642)	(2,611)	(1,076)	180
Due from other funds	(417)	748	(182)	(43)	94
Inventories					(348)
Accounts payable	(713)	1,354	672	1,489	683
Accrued liabilities	271	351	96	(28)	(141)
Net other postemployment benefits obligation			324	280	277
Due to other funds	5,451	7,429	15,078	(27,958)	0
Net Cash Used by Operating Activities	$22,613	$32,630	$45,138	$8,014	$37,842

Source: City's 2007, 2008, 2009, 2010, and 2011 CAFRs, Exhibit B-3.

Sewer Maintenance Fund
Pro Forma Operations & Debt Service-Level Debt Service
(Dollars in Thousands)

	Historical				Projected					
	2008	2009	2010	2011	2012	2013	2014 (1)	2015 (1)	2016 (1)	2017 (1)
Operating Revenues	$41,033	$48,231	$52,063	$54,667	$53,326	$56,526	$58,787	$61,138	$63,584	$66,127
Operating Expenses	20,743	21,197	22,247	20,640	20,543	20,772	20,946	21,527	22,132	24,038
Net Income	20,290	27,034	29,816	34,027	32,783	35,754	37,841	39,611	41,452	42,089
Depreciation	4,409	4,759	5,551	5,949	6,100	6,350	6,524	6,654	6,787	6,923
Net Income Available for Debt Service	$24,699	$31,793	$35,367	$39,976	$38,883	$42,104	$44,365	$46,265	$48,239	$49,012
						After issuance of the Series 2013 Bonds				
Maximum Annual Debt Service	$5,136	$5,126	$5,114	$5,091	$5,752	$8,082	$8,082	$8,082	$8,082	$8,071
Debt Service Coverage	4.81x	6.20x	6.92x	7.85x	6.76x	5.21x	5.49x	5.72x	5.97x	6.07x
Assuming issuance of Additional Bonds										
Maximum Annual Debt Service					$5,752	$8,082	$8,082	$8,082	$8,082	$8,821
Debt Service Coverage					6.76x	5.21x	5.49x	5.72x	5.97x	5.56x
Assuming Subordinated Debt and issuance of Additional Bonds										
Maximum Annual Debt Service						$17,609	$19,961	$22,536	$27,498	$32,460
Debt Service Coverage						2.39x	2.22x	2.05x	1.75x	1.51x

(1) Assumes a rate increase of 4% in years 2014, 2015, 2016, and 2017.

THE CITY

Location, Organization and Government

General

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 595,425 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("*MSA*") includes the principal cities of Milwaukee, Waukesha and West Allis; the counties of Milwaukee, Ozaukee, Waukesha and Washington; and has a population of nearly 1.6 million.

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

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

Elected Officials

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

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

City Officials

As of March, 2013
(initial year in office follows name)

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

Common Council

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	Jose G. Perez	(2012)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

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

Public Services and Facilities

The City, employing approximately 6,400 people on a full time basis plus others in a seasonal capacity, is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City-owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to borrow directly and issue revenue backed financings.

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

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

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

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

On the lakefront is the Milwaukee Art Museum, which combines art, dramatic architecture and landscape design. The Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

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

Employee Relations

The City has approximately 6,400 full-time employees. 2,700 employees are part of three public safety unions that are not required to recertify. 700 employees are in nine non-public safety unions that have recertified. 3,000 employees are not represented.

The agreements covering nine recertified non-public safety unions had the following expiration dates: December 31, 2006, December 31, 2011, May 31, 2012, and July 31, 2012. The agreements with the non-public safety unions that did not recertify covered approximately 2,700 employees and expired on December 31, 2011. The agreements covering the three public safety unions expired on December 31, 2012. The City is in negotiations with public safety unions and recertified unions; however, it is not negotiating with non-certified unions.

Pursuant to 2011 Act 10, enacted by the State of Wisconsin non-public safety unions' right to collective bargaining is limited solely to employee wages. 2011 Act 10 does not affect the ability of public safety unions to collectively bargain on most issues.

On March 30, 2012, a Federal Court declared null and void a provision of 2011 Act 10 that requires non-public safety public employee unions to hold certification elections each year. On January 18, 2013, the ruling was overturned by the United States Court of Appeals, which upheld 2011 Act 10 in its entirety. The City is not a party to the litigation, but anticipates that there will be an appeal of the ruling.

In addition to the federal action, in September, 2012, a Dane County Circuit Court overturned certain provisions of 2011 Act 10 related to city, county and school employees, including its limitations on collective bargaining. That, and other cases, are pending in State court and are in various levels of appeals. None of the cases brought to date were in circuit courts having jurisdiction over the City. It is uncertain whether any circuit court ruling related to 2011 Act 10 is binding on local units of government outside the jurisdictions in which those cases are located and as a result whether the overturned provisions of 2011 Act 10 are in effect for the City.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

General

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

City of Milwaukee
Selected Economic Data

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

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

Leading Business and Industrial Firms Located Within Milwaukee County

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

Employer	2012 Employment Estimates	Type of Business or Service
Aurora Health Care	31,000	Health Care
Milwaukee Public Schools	11,766	Education
U.S. Government (Includes Zablocki V.A. Medical Center)	10,500	Government
Froedert Memorial Lutheran Hospital and Community Health	8,900	Health care provider
Wheaton Franciscan Healthcare	8,699	Health care provider
Kohl's Corporation	8,400	Specialty department stores
Roundy's Supermarket	7,630	Retail grocer
Quad Graphics	6,900	Commercial printing
City of Milwaukee	6,400	Government
Medical College of Wisconsin	5,492	Medical school/academic/health care
GE Healthcare	5,000	Medical imaging, healthcare services
Northwestern Mutual	5,000	Insurance
ProHealth Care, Inc.	4,716	Health care provider
Milwaukee County	4,661	Government
Columbia-St. Mary's	4,429	Health care provider
Target Corporation	4,362	Discount department store chain
BMO Harris Bank	4,070 (1)	Holding company banking/finance and data services
WE Energies	4,005	Electric/natural gas utility
University of Wisconsin-Milwaukee	3,881	Education
Walgreens Co.	3,765	Retail drugstore chain
Children's Hospital of Wisconsin	3,726	Health care provider
Johnson Controls Inc.	3,632	Building and automotive
U.S. Bank	3,540	Finance, banking
Wells Fargo	3,500	Finance, banking
Goodwill Industries	3,215	Retail services

(1) Formerly M&I Marshall & Ilsley Bank, acquired by BMO Financial Group.

Source: The 2013 Business Journal Book of Lists, Employer contacts March 2013, and the U.S. Bureau of Labor Statistics February 2013.

Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2008 through December 2012.

General Total

Year	Value	Permits Issued
2012	$254,896,334	2,297
2011	269,386,167	2,340
2010	283,026,280	2,065
2009	290,326,431	1,723
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
2012	$ 4,408,472	44	$30,455,000	281	$34,863,472	325	60
2011	17,892,282	139	42,327,598	364	60,219,880	503	222
2010	8,400,090	84	91,179,501	726	99,579,591	810	118
2009	7,269,207	59	37,354,152	409	44,623,359	468	72
2008	15,632,811	90	63,975,007	509	79,607,818	599	104

Commercial Building

Year	Value	Permits Issued
2012	$52,952,469	51
2011	58,518,315	47
2010	53,319,884	67
2009	127,122,466	37
2008	59,502,236	74

Public Building

Year	Value	Permits Issued
2012	$43,046,652	211
2011	49,456,901	256
2010	22,238,704	129
2009	10,808,648	107
2008	9,107,611	85

Alterations and Additions

Year	Value	Permits Issued
2012	$124,033,741	1,975
2011	101,191,071	1,815
2010	107,888,101	1,751
2009	107,771,958	1,506
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.

EMPLOYMENT AND INDUSTRY

During 2012, the City's unemployment rate averaged approximately 10.1%. Presented below are average annual unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2008 through December 2012.

Annual Unemployment Rates
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee - Waukesha-West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2012	10.1%	7.4%	6.9%	8.1%
2011	10.9	7.9	7.5	8.9
2010	11.9	8.9	8.5	9.6
2009	11.4	8.9	8.7	9.3
2008	6.7	4.9	4.8	5.8

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

Recent Monthly Unemployment Rates
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee - Waukesha-West Allis Metropolitan Statistical Area	State of Wisconsin	United States
April, 2013	10.0%	7.5%	7.2%	7.1%

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. In Milwaukee County, service sector (service, finance, insurance, real estate and retail trade) employs 80% of the workforce. Construction and Manufacturing firms employ 14% of the workforce. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

Ten Largest Taxpayers With 2012 Estimated Equalized Valuations

US Bank Corp	$240,036,585
Northwestern Mutual Life Ins.	155,165,291
Mandel Group	99,583,015
Metropolitan Associates	94,185,117
411 East Wisconsin LLC	93,720,408
Marcus Corp/Milw City Center/Pfister	87,806,236
100 E. Wisconsin – CW Wisconsin Ave. LLC	80,717,922
Towne Realty	80,206,430
Flanders Westborough	58,696,760
Riverbend Place	57,893,136

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

Market Conditions

The Series 2013 Bonds, like most obligations of state and local governments, are subject to changes in value due to changes in the condition of the bond market or changes in the financial condition of the City and the Sewerage System. It is possible under certain market conditions, or if the financial condition of the City and the Sewerage System should change, that the market price of the Series 2013 Bonds could be adversely affected.

With regard to the risk involved in a lowering of the City's bond rating, see **"RATINGS"** herein. With regard to security and sources of payment, see **"SECURITY"** herein.

Limited Obligations

The obligation of the City to pay debt service on the Series 2013 Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues and a mortgage lien on the Sewerage System. The obligation of the City to pay debt service on the Series 2013 Bonds does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The City is obligated under the Bond Resolution to pay debt service on the Series 2013 Bonds solely from Net Revenues.

Factors that can adversely affect the availability of Net Revenues include, among other matters, drought, general and local economic conditions, changes in law and government regulations (including initiatives and moratoriums on growth) and appropriation authorization. The realization of future Net Revenues is also subject to, among other things, the capabilities of management of the City and the Sewerage System to address natural disasters and terrorist attacks, and the ability of the City to provide sewerage service to its customers in an amount sufficient to pay debt service on the Series 2013 Bonds. See **"THE SEWERAGE SYSTEM"** herein.

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 Series 2013 Bonds. The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity of the Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization*" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U. S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and

pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds 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 Series 2013 Bonds 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 Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds 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 Series 2013 Bonds 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 Series 2013 Bonds; 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 Series 2013 Bonds 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 Series 2013 Bonds 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 Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Offered Obligations purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Series 2013 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2013 Bonds, on DTC's records, to Agent. The requirement for physical delivery of Series 2013 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2013 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2013 Bonds to Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

NEITHER THE CITY, THE PAYING AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2013 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE SERIES 2013 BONDS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE SERIES 2013 BONDS; 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 SERIES 2013 BONDS.

PENSION SYSTEM SUMMARY

Employes' Retirement System

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

ERS Membership
As of December 31, 2011

Class	Vested	Non-Vested	Inactive	Retired
General & Elected....	6,545	1,427		8,501
Police	1,782	140		2,214
Firefighters.....	765	108		1,222
Certain pre-1996				23
Total.....	9,092	1,675	4,127	11,960

Source: Table 5 of the Actuarial Valuation Report as of January 1, 2012.

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

Basic Benefit Accrual Rates and Member Contributions

Class	Retirement Allowance	Maximum Allowance	Member* Contribution
General and Mayor	2.0%	70%	5.5%
Elected Officials, excluding the Mayor ...	2.5%	None	7.0%
Police	2.5%	90%	7.0%
Firefighters.....	2.5%	90%	7.0%

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

Schedule of Funding Progress
($ amounts in thousands)

Valuation As of Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2011	$4,404,635	$4,587,915	$183,280	96.0%	$525,181	34.9%
2010	4,641,425	4,447,548	-	104.4	538,218	0.0
2009	4,814,402	4,269,324	-	112.8	553,846	0.0
2008	4,076,297	4,113,089	36,792	99.1	536,558	6.9
2007	5,192,000	3,958,061	-	131.2	532,412	0.0

Source: Table 11a of the Actuarial Valuation Report as of January 1, 2012.

Schedule of Employer Contributions
($ amounts in thousands)

Year Ended Dec 31	Annual Actuarially Required Contribution	Percentage Contributed
2011	$31,402	0%
2010	1,450	0
2009	60,098	100
2008	-	n/a
2007	-	n/a
2006	-	n/a

Source: Table 11b of the Actuarial Valuation Report as of January 1, 2012.

Actuarial Assumptions and Methods include:

- Actuarial Cost Method: Projected Unit Credit
- Amortization Method: Closed; Level Percent of Pay; Pay assumed to grow 3% per year
- Remaining Amortization Period: 22 years
- Asset Valuation Method: 5-year smoothed market, 20% corridor
- Investment Rate of Return: 8.5% average
- Projected Salary Increases: General: 3.5-8.5%; Police and Fire: 4.0-15.4%
- Inflation Assumption: 3.0%
- Cost of Living Adjustments: Varies by Employee Class

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see http://www.cmers.com. The Employes' Retirement System Actuarial Valuation Report as of January 1, 2012 is available from EMMA and is hereby incorporated by reference. (See **"CONTINUING DISCLOSURE"** herein).

Firemen's Annuity and Benefit Fund

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

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to members and spouses, exclusive of duty disability benefits, beginning in February 1990 in consideration of a single premium payment on January 31, 1990 in the amount of $20,419,207.

The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board ceased its activities and the Firemen's Annuity and Benefits Fund was dissolved. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the annuity policy. The estimated value of those benefits is under $3,000,000.

Policemen's Annuity and Benefit Fund

Membership in the Policemen's Annuity and Benefit Fund (PBAF) consists of all Police Department employees whose service commenced prior to July 29, 1947. As of December 31, 2011, there were 23 members and 47 spouses receiving benefits under the fund program.

Current funding is derived from employer contributions. Chapter 35 of the City Charter provides that annual contributions consist of: 1) an amount sufficient to amortize the unfunded actuarial liability over a ten-year period with a series of level dollar payments; and 2) budgeted administrative expenses for the year.

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

Schedule of Funding and Contributions
($ amounts in thousands)

Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Percent Contributed
2011	$1,008	$2,451	$1,444	41.1%	$209	100%
2010	1,584	2,946	1,362	53.8	269	100
2009	1,936	3,687	1,751	52.5	330	100
2008	2,147	4,296	2,148	50.0	041	100
2007	4,779	5,049	270	94.7	057	100

Source: Policemen's Annuity and Benefit Fund, Actuarial Valuation Reports as of January 1, 2012 (and each prior year). Summary of Principal Results.

Other Post-Employment Benefits

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

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

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

The required contribution for medical and life insurance for retirees is based upon pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2011, the City paid approximately $33.2 million and $1.3 million, respectively, towards medical and life insurance for retirees.

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

Funding Status and Funding Progress
($ amounts in thousands)

Annual Required Contribution (ARC)	$71,883
Interest on Net OPEB	7,846
Adjustment to ARC	(6,658)
Annual OPEB Cost	73,071
Contributions Made	34,545
Increase in net OPEB Obligation	38,526
Net OPEB Obligation – beginning of year	174,360
Net OPEB Obligation – end of year	$212,886

Source: City's 2011 CAFR.

Annual Cost and Net OPEB Liability
($ amounts in thousands)

Year Ended Dec 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$73,071	47.3%	$212,886
2010	81,311	41.8	174,360
2009	77,389	37.1	127,074
2008	73,100	45.0	78,400
2007	67,600	43.5	38,200

Source: City's 2011 and 2009 CAFRs.

Schedule of Funding Progress
($ amounts in thousands)

Valuation As of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Jan 1, 2011	$0	$ 916,383	$ 916,383	0.0%	$407,840	225%
Jan 1, 2010	0	1,007,573	1,007,573	0.0	413,648	244
Jan 1, 2009	0	959,562	959,562	0.0	419,811	229
July 1, 2008	0	880,700	880,700	0.0	425,400	207
July 1, 2007	0	806,300	806,300	0.0	412,700	195

Source: City's 2011, 2010, 2009, 2008, and 2007 CAFRs.

Actuarial Assumptions and Methods include:

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

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 8.5% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

LEGAL MATTERS

Litigation Statement

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

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of $1 million, existing on May 31, 2013.

Amoco Oil, et al. v. City of Milwaukee. Amoco, BP, Marathon, and US Oil are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessments is consistent with the law because they run with the property. The four separate cases have been consolidated in Judge Foley's court for trial on November 6, 2013. An appeal by the losing party is likely. Each of the terminals was permitted to add tax years 2009, 2010, 2011 and 2012 to the original claim for tax year 2008. Approximately $4 million of property taxes are being disputed.

Section 74.37 Litigation. Several plaintiffs, including Walgreen's and CVS have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. The 2009, 2010, 2011 and 2012 tax years have now been added to most of these cases. The Circuit Court branches have begun to schedule trials in the last half of 2013 and early 2014. Appeals by the losing parties are likely in many of these cases. The city estimates that up to $9 million of property taxes are being disputed.

William Avery, et al. v. City of Milwaukee, et al. In this 2011 civil rights action, the plaintiffs claim that William Avery was wrongly convicted in 2005 of the 1998 murder of a woman. Avery spent six years in prison until DNA testing in 2010 linked the murder victim to another individual who has been convicted of murdering a number of other women. Avery claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Avery also claims that supervisors in the police department permitted such alleged misconduct to occur as a matter of practice. The parties are continuing with discovery in the matter. The defendants plan to file a dispositive motion asking the court to dismiss the action.

Chaunte Ott v. City of Milwaukee, et al. In this 2009 civil rights action, Ott claims that he was wrongly convicted in 1996 of the 1995 murder of a girl. Ott spent 13 years in prison until recent DNA testing linked the murder victim to another individual. Ott claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Ott also claims that supervisory individuals in the department permitted such alleged misconduct to occur as a matter of practice. Discovery is nearly complete in this litigation. Defendants plan to file a dispositive motion in June 2013 asking the court to dismiss the case.

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

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

Billboard Litigation. Clear Channel Outdoor has challenged the assessment of its billboards in a Section 74.37 action. Lamar Outdoor has filed a similar claim, but has not yet filed suit. The Wisconsin Supreme Court decided in 2006 that the economic scarcity value of the city-issued billboard permit has value that can be assessed as real property. The Joint Finance Committee of the Wisconsin Legislature recently approved a new property tax exemption for these permits that would end this assessment as of January 1, 2014, if adopted by the full Legislature and signed by the Governor. This would effectively reverse the Supreme Court decision, leaving the taxes the City collected in 2009, 2010, 2011 and 2012

still at issue in court. No trial has been scheduled. Discovery is still in process. The City's potential liability is $7.6 million.

Legal Opinion

The legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, will be delivered to the purchasers of the Series 2013 Bonds. A draft of the legal opinion for the Series 2013 Bonds is included herein as ***Appendix B***.

TAX MATTERS

Summary of Bond Counsel Opinion

Bond Counsel is of the opinion that under existing law, interest on the Series 2013 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "*Code*"), Bond Counsel is of the opinion that interest on the Series 2013 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is further of the opinion that the Series 2013 Bonds are not "*private activity bonds*" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Series 2013 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Series 2013 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2013 Bonds 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 Series 2013 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2013 Bonds. These requirements relate to the use and investment of the proceeds of the Series 2013 Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2013 Bonds and the use of the property financed with the proceeds of the Series 2013 Bonds.

Series 2013 Bonds 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 Series 2013 Bonds is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Series 2013 Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 2013 Bond, the difference between the two is known as "*bond premium*;" if the Offering Price is lower than the maturity value of a Series 2013 Bond, the difference between the two is known as "*original issue discount*."

Bond premium and original issue discount are amortized over the term of a Series 2013 Bond 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 Series 2013 Bond for Federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Series 2013 Bonds 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 Series 2013 Bonds. In addition, owners of Series 2013 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2013 Bonds; 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 Series 2013 Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Series 2013 Bond 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 Series 2013 Bonds 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 Series 2013 Bonds.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the "*gross proceeds*" of the Series 2013 Bonds 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 Series 2013 Bonds 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 Series 2013 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2013 Bonds.

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 Series 2013 Bonds.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Series 2013 Bonds 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 Series 2013 Bonds require neither acceleration of payment of principal of, or interest on, the Series 2013 Bonds nor payment of any additional interest or penalties to the owners of the Series 2013 Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Series 2013 Bonds 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 Series 2013 Bonds 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 SERIES 2013 BONDS.

Cost of Carry. Owners of the Series 2013 Bonds 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 Series 2013 Bonds. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Series 2013 Bonds 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 Series 2013 Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the Series 2013 Bonds 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 Series 2013 Bonds 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 Series 2013 Bonds 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 Series 2013 Bonds.

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 Series 2013 Bonds held by such a company is properly allocable to the shareholder.

The opinion 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 Series 2013 Bonds 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 Series 2013 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2013 Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "*Commission*"), pursuant to the Securities Exchange Act of 1934 (the "*Rule*"), the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "*Undertaking*") for the benefit of holders including beneficial holders of the Series 2013 Bonds to provide certain financial information and operating data relating to the City annually to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the "*MSRB*"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access ("*EMMA*") system as the system to be used for

continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Series 2013 Bonds are delivered. Such Certificate will be in substantially the form attached hereto as ***Appendix D***. The City intends to fully comply with the Undertaking relating to the Series 2013 Bonds.

Continuing disclosure undertakings entered into prior to August of 2003 required that the City provide Annual Financial Information (AFI) within six months of the end of each fiscal year. Each of the City's continuing disclosure undertakings since August of 2003 have required filing AFI within nine months of the end of the fiscal year. While the City has consistently filed AFI within nine months, it has not proven feasible to do so within six months. In each of the last five years, AFI was not available within the six-month requirement and the City filed notices to that effect as required under the pre-August 2003 continuing disclosure undertakings. In the future, the City anticipates continuing to file AFI subsequent to the six month deadline, and expects to file required notices of failure to file AFI before June 30 of each year. The City has complied in all material respects with all continuing disclosure undertakings entered into since August of 2003.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Series 2013 Bonds (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 Series 2013 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2013 Bonds and their market price.

FINANCIAL ADVISOR

Public Financial Management, Inc. has been retained as Financial Advisor to the City in connection with the issuance of the Series 2013 Bonds.

UNDERWRITING

The Series 2013 Bonds were purchased at competitive bidding conducted on June 11, 2013.

The award of the Series 2013 Bonds was made to William Blair & Company, LLC, its co-managers and associates at a purchase price of $40,104,097.85, reflecting an original issue premium of $3,256,537.85 and an underwriting discount of $152,440.

The public reoffering yields or prices of the Series 2013 Bonds are detailed on the inside front cover of the Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Series 2013 Bonds by the Underwriters thereof, the City will furnish to the Underwriters the following closing documents, in form satisfactory to Bond Counsel:

(1) signature and no litigation certificate;

(2) tax certificate;

(3) certificate of delivery and payment;

(4) the opinion as to the legality of the Series 2013 Bonds under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Co-Bond Counsel to the City, in substantially the form as set forth in ***Appendix B***;

(5) copies of this Official Statement issued in conjunction with the Series 2013 Bonds within seven business days after the award of the Series 2013 Bonds in accordance with SEC Rule 15c2-12(b)(3);

(6) 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.

RATINGS

The City has applied for ratings on the Series 2013 Bonds from Moody's Investors Services ("*Moody's*") and from Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("*Standard & Poor's*"). Moody's has assigned a rating of "Aa2" on the Series 2013 Bonds and Standard & Poor's has assigned a rating of "AA-", on the Series 2013 Bonds.

The ratings, when issued, reflect only the views of the respective ratings agencies, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Series 2013 Bonds.

LEGISLATION

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Series 2013 Bonds or the financial condition of the City's Sewerage System.

ADDITIONAL INFORMATION

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

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

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. The City has reviewed and authorized the distribution of this Official Statement.

CITY OF MILWAUKEE, WISCONSIN

By: /s/ Martin Matson
Comptroller

APPENDIX A

Audited Financial Statements of the City of Milwaukee, Wisconsin for the Year Ended December 31, 2011

Selected Sections of the Comprehensive Annual Financial Report

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

www.milwaukee.gov

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

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INTRODUCTORY SECTION

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

Independent Auditors' Report

The Honorable Members
Common Council
City of Milwaukee, Wisconsin:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee, Wisconsin (the City) as of and for the year ended December 31, 2011, 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, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2012, 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

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("KPMG International"), a Swiss entity.

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress on pages 17 through 31, page 98, and page 99, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, the miscellaneous financial data, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

As discussed in note 1S to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* during the year ended December 31, 2011.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2012

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City of Milwaukee's (City's) management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. 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 MD&A. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2011 by $929 million (net assets); $237 million in governmental activities and $692 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of $318 million. The City regularly makes significant investments in private purpose developments which do not produce any direct financial return to the City. The City also finances certain long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 2% compared to the previous year of $950 million.

- The vast majority of the City's net assets are capital assets, most of which do not generate revenues by their use or sale. Total net assets comprise the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation – $964 million.
  - Restricted net assets, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – $225 million.
  - Unrestricted net assets – $(260) million.

- The City's total 2011 year-end other post-employment benefits (OPEB) obligation is $213 million; an increase of 21% from the 2010 obligation of $174 million. The obligation is based on an actuarial valuation as of January 1, 2011, which indicates the 2011 actuarial accrued liability for benefits was $916 million over a 30-year amortization period.

- Total liabilities of the City increased by $87 million to $1,966 million. The long-term portion of total liabilities ($1,396 million) consists of $213 million for OPEB, $1,111 million for outstanding debt and $72 million for compensated absences, claims, and judgments.

- City governmental expenses exceeded combined program revenues by $694 million General revenues and transfers of $658 million resulted in a $36 million decrease of net assets for the year. Business-type activities produced an increase of net assets of 2% over 2010, generating a net change of $15 million in 2011.

- For governmental activities, program revenue supported 23% of the total expenses for 2011. Property taxes and other taxes financed 30% of the primary government's governmental activities' expenses, state aids for the General Fund funded 30%, and miscellaneous revenues and transfers supported 12% of the expenses. Total revenues and transfers were less than expenses by 5% in 2011.

- For business-type activities, program revenue supported 130% of the expenses for 2011; and, in total exceeded the expenses by $55 million. Miscellaneous revenue and transfers reduced this excess by $40 million to result in a $15 million increase for the year.

- The City's total governmental funds reported total ending fund balances of $301 million this year. Compared to the prior year ending fund balance of $264 million, an increase of $37 million resulted by year end 2011; a 14% increase.

- The General Fund balance at year-end 2011 totaled $72 million – a $12 million increase compared to 2010 (20%). This ending Fund Balance is about 1% of combined General Fund expenditures and transfers disbursed for the year.

- The operating expenditures of the General Fund were $10 million less than budgeted. This favorable variance is a result of savings from general government departments of $8 million, public safety departments of $1 million, and a combined savings of $1 million in other departments. The combined savings from the general government departments of Comptroller, Treasurer, Employees' Retirement and Employees Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts, and, thus saved $2 million for the year. In addition, savings of $2 million was realized in departmental salary accounts; $1 million in

workers compensation account and $2 million in pension contributions. The remaining $3 million in the aggregate from all other operating accounts of other departments.

- Outstanding General Obligation bonds and notes payable increased by $21 million during the current fiscal year from $894 million to $915 million. This increase results from early retirement of General Obligation debt of $402 million and issuance of $423 million in new General Obligation bonds and notes for the continued funding of City capital projects as well as debt issued on behalf of the Milwaukee Public Schools.

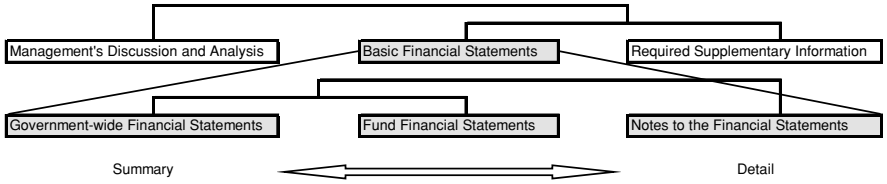
- The City issued General Obligation Cash-flow Promissory Notes for $100 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Figure A-1

COMPONENTS OF THE FINANCIAL SECTION



The basic financial statements include two kinds of statements.

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

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

FIGURE A-2

MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses.

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Current and other assets	$ 888,034	$ 917,918	$ 117,622	$ 123,281	$ 1,005,656	$ 1,041,199
Capital assets	985,504	990,822	837,899	862,923	1,823,403	1,853,745
Total assets	1,873,538	1,908,740	955,521	986,204	2,829,059	2,894,944
Long-term obligations	1,072,207	1,144,531	224,791	251,894	1,296,998	1,396,425
Other liabilities	528,317	527,156	53,925	42,456	582,242	569,612
Total liabilities	1,600,524	1,671,687	278,716	294,350	1,879,240	1,966,037
Net assets:						
Invested in Capital assets, net of related debt	360,132	345,061	608,733	618,625	968,865	963,686
Restricted	197,634	210,066	11,409	15,034	209,043	225,100
Unrestricted	(284,752)	(318,074)	56,663	58,195	(228,089)	(259,879)
Total net assets	$ 273,014	$ 237,053	$ 676,805	$ 691,854	$ 949,819	$ 928,907

Net assets of the City's governmental activities decreased 13% to $237 million for 2011. The portion of these net assets restricted as to use totaled $210 million. Net assets invested in capital facilities (buildings, roads, bridges, etc.) totaled $345 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit of $318 million at the end of 2011 does not imply that the City has inadequate financial resources available to meet its current obligations. For example, the City's annual budgets do not include the full amounts needed to meet future liabilities arising from property-casualty claims, unused employee vacation-sick leave and outstanding debt. The City will include the amounts needed in future years' budgets as these obligations come due.

The net assets of business-type activities increased 2% to $692 million in 2011. The City generally can only use these net assets to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 6% and for business-type activities increased 12% from 2010 due primarily to the issuance and retirement of long-term debt and the recording of OPEB.

Total assets including capital assets increased $66 million or 2% from 2010. Capital assets of the primary government increased 2% from the previous year due to several completed major street projects by the State of Wisconsin. For 2011, capital assets of the Water Works and the Sewer Maintenance Funds comprise 93% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise (business-type) funds. The Water Works capital assets (47%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (46%) includes local sewer mains and connections.

Changes in net assets. Total annual City revenues less expenses yield the change in net assets. The City's program and general revenues totaled $823 million for governmental activities. Forty-six percent of governmental purpose revenues are intergovernmental revenues (State aids, Federal and State grants) while 33% is derived from property and other taxes. Charges for services represent 13% of total revenues, and the remaining 8% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with $327 million (36%) related to public safety (fire and police, neighborhood services). General government expenditures total $245 million (27%) while public works expenditures total $167 million (18%). Program specific revenues generated only about one-eighth of the revenue needed to support the cost of governmental activities. General revenues (taxes, State aids, and miscellaneous) provide the remaining funds.

Total governmental activities expenditures exceeded revenues and transfers by $36 million (3%). For business-type activities revenues exceeded its expenditures and transfers by $15 million (8%). However, prior to the transfer of $44 million from business type funds to governmental funds, business type funds showed a $59 million excess of revenues over expenses while governmental activities showed a $80 million gap of revenues below expenses. Chart 1, *Expenses and Program Revenues – Governmental Activities*, and Chart 2, *Expenses and Program Revenues – Business-type Activities* depict this comparison by major function.

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

Table 2
Changes in Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program revenues:						
Charges for services	$ 97,146	$ 103,493	$ 226,139	$ 233,126	$ 323,285	$ 336,619
Operating grants and contributions	95,018	102,698	-	-	95,018	102,698
Capital grants and contributions	57,739	2,724	3,094	4,393	60,833	7,117
General revenues:						
Property taxes and other taxes	283,442	276,168	-	-	283,442	276,168
State aids for General Fund	270,939	273,240	-	-	270,939	273,240
Miscellaneous	179,057	64,214	1,085	3,932	180,142	68,146
Total revenues	983,341	822,537	230,318	241,451	1,213,659	1,063,988
Expenses						
General government	259,420	245,191	-	-	259,420	245,191
Public safety	326,366	326,879	-	-	326,366	326,879
Public Works	168,699	166,787	-	-	168,699	166,787
Health	23,360	21,137	-	-	23,360	21,137
Culture and recreation	21,075	19,864	-	-	21,075	19,864
Conservation and development	66,758	67,171	-	-	66,758	67,171
Capital contribution to Milwaukee Public Schools	91,161	4,386	-	-	91,161	4,386
Contributions	23,321	23,382	-	-	23,321	23,382
Interest on long-term debt	26,467	28,047	-	-	26,467	28,047
Water	-	-	67,966	69,196	67,966	69,196
Sewer Maintenance	-	-	41,188	40,813	41,188	40,813
Parking	-	-	25,450	25,267	25,450	25,267
Port of Milwaukee	-	-	5,885	3,631	5,885	3,631
Metropolitan Sewerage District User Charges.	-	-	45,876	43,149	45,876	43,149
Total expenses	1,006,627	902,844	186,365	182,056	1,192,992	1,084,900
Increase in net assets before transfers	(23,286)	(80,307)	43,953	59,395	20,667	(20,912)
Transfers	48,177	44,346	(48,177)	(44,346)	-	-
Increase in net assets	24,891	(35,961)	(4,224)	15,049	20,667	(20,912)
Net assets – Beginning	248,123	273,014	681,029	676,805	929,152	949,819
Net assets – Ending	$ 273,014	$ 237,053	$ 676,805	$ 691,854	$ 949,819	$ 928,907

Governmental Activities

Revenues for the City's governmental activities totaled $823 million, while total expenses totaled $903 million for 2011. The 2011 governmental activity expenditures total decreased by 10% over 2010. Total revenues, excluding transfers, supported 91% of total expenses; 96% with transfers. Comparable data for 2010 indicates 98% of all revenues, excluding transfers supported the 2010 expenses and, 103% including transfers.

Property taxes represent 33% of the total revenues for 2011 compared to 29% for 2010; a 4% increase in this category. While the actual revenue decreased 3% over the previous year, the percentage comparison to the total increased due to decreases in the grants and contributions category and the miscellaneous category. The City of Milwaukee's share of the Tax Rate increased twenty-three cents (from $8.89 in 2010 to $9.12 in 2011 (per $1,000 of Assessed Value), due in part to a decrease in assessed property value. State aids for the General Fund of $273 million increased by $2 million or less than 1% in 2011. The combined property taxes and State aids comprised approximately 67% of the total revenues for governmental funds in 2011 compared to 56% in 2010. Charges for services equaled 12% of the total revenues in 2011 compared to 10% in 2010. Operating grants, capital grants, and contributions decreased $47 million, to a total $105 million or 13% of total revenues in 2011 compared to only 16% in 2010. During 2010, non-cash capital grants were recorded to represent the State contribution of completed major street projects on behalf of the City of $57 million compared to $3 million in 2011.

In 2011, governmental-activity-type expenses decreased by $104 million (10%) to $903 million. Contributing factors relate to the various activities for fiscal year 2010 of Federal Recovery Act funding, Milwaukee Public Schools (MPS) cash-flow borrowing and an addition to City Pension reserves that did not occur in 2011. Expenses for general government, which comprise 27% of the total expenses, decreased 5% in 2011. Public safety expenses represent the largest category of governmental activities or 36% of the total expenses for 2011 had an increase of 3% over 2010. The largest change occurred in the City's contribution to the Milwaukee Public Schools, a decrease of $87 million and represents 84% of the overall decrease in expenditures. The Milwaukee Public Schools cannot issue its own debt. As a result, the City issued debt in 2010 to finance MPS operations pending the issuance of revenue anticipation notes later in the year. This borrowing simply financed MPS operating costs until MPS received State aids and was $91 million; no such contribution occurred in 2011.

Chart 1
2011 Expenses and Program Revenues - Governmental Activities

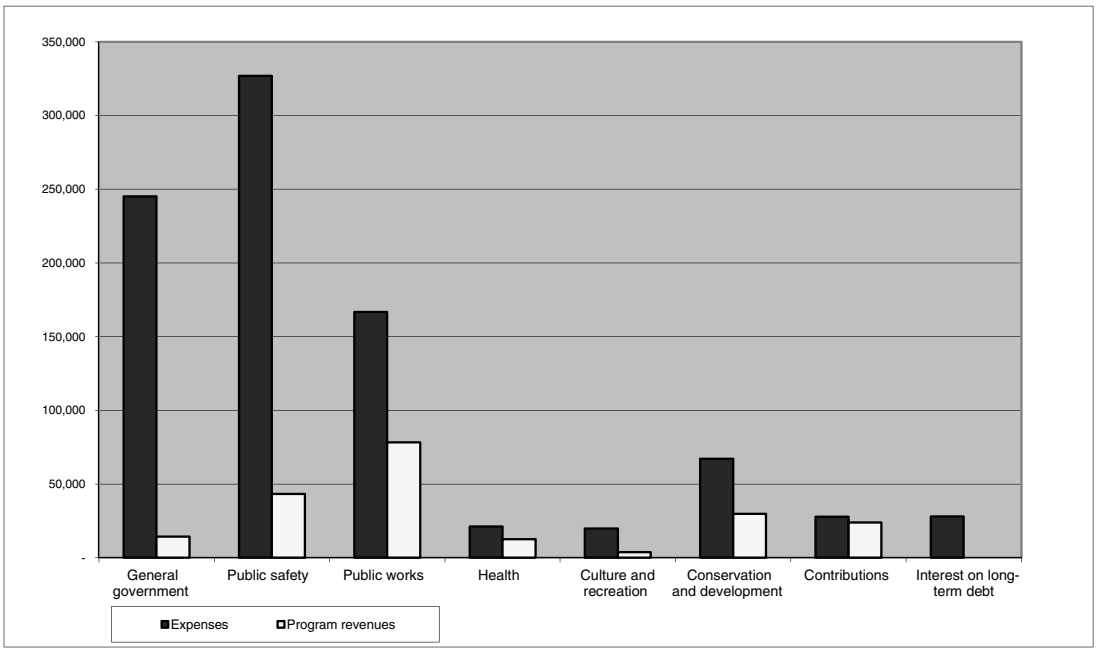


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee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

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
General government	$ 259,420	$ 245,191	$ 245,926	$ 230,868
Public safety	326,366	326,879	286,416	283,542
Public works	168,699	166,787	35,626	85,687
Health	23,360	21,137	9,942	8,583
Culture and recreation	21,075	19,864	17,181	16,067
Conservation and development	66,758	67,171	43,689	37,388
Contributions	114,482	27,768	91,477	3,747
Interest on long-term debt	26,467	28,047	26,467	28,047
Total Governmental Activities	$ 1,006,627	$ 902,844	$ 756,724	$ 693,929

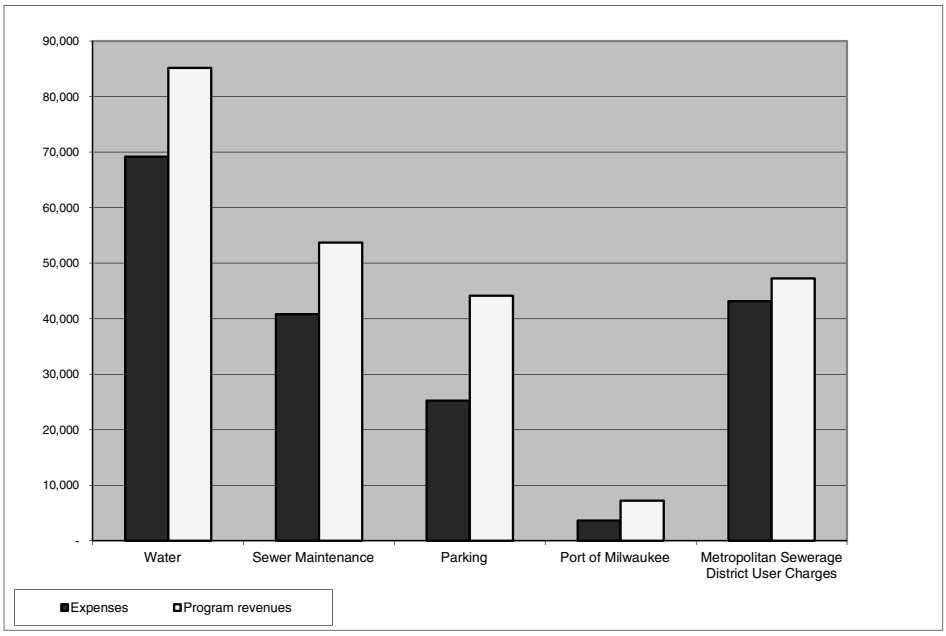
The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities decreased in 2011 to $694 million from $757 million in 2010 or 8% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total costs of service must be funded by general City taxes and State aids.

Business-type Activities

The two major enterprises or business-type activities for the City of Milwaukee are water services and sewer maintenance. The Water Works had operating expenses of $68 million and operating income of $16 million. The Sewer Maintenance produced a net operating income of $31 million after incurring expenses of $21 million.

Business-type revenues on Table 2 increased by $11 million in 2011 compared to 2010, or 5%. Total expenses and transfers of all enterprise funds of the City decreased $8 million, from $234 million in 2010 to $226 million in 2011 (3%). Overall, 2011 year-end Total Net Assets increased by $15 million to $692 million, or 2%.

Chart 2
2011 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As the City completed 2011, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of $301 million, an increase of $37 million or 14% over 2010. The General Fund, General Obligation Debt Service Fund, the Public Debt Amortization Fund and Capital Projects Funds increased their fund balances by $45 million. Non-major governmental funds produced a negative change from operations of $9 million. The Capital Projects Fund balance increased by $19 million; although, the total Fund balance remains a negative $117,000. This negative balance persists because the City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects. This practice minimizes City borrowing costs and facilitates compliance with Federal Internal Revenue Service (IRS) regulations. Debt issued for capital projects totaled $101 million in 2011 compared to $238 million in 2010.

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

Chart 3
2011 City Spending by Function - Governmental Funds

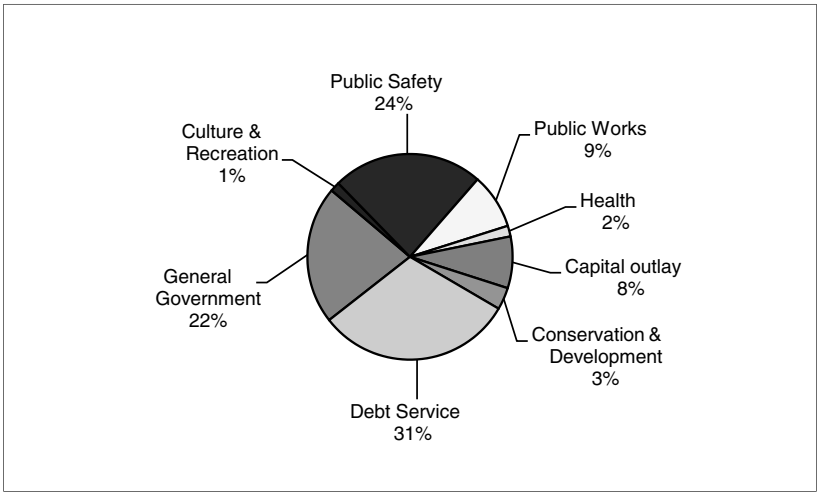
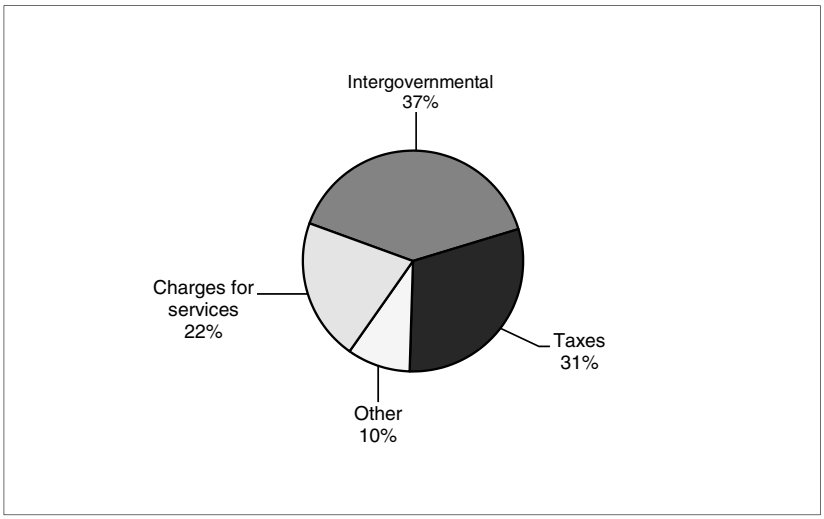


Chart 4
2011 Revenues by Source - Governmental Funds



Revenues for governmental functions overall totaled $906 million in the fiscal year ended December 31, 2011 (-2%). Expenditures for governmental funds totaled $1,193 million (-12%) Expenditures exceeded revenues by $287 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of $36 million for the year compared to an increase of $38 million in 2010. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund increased by $12 million or 21%. Revenues and other financing sources totaled approximately $751 million and expenditures and other financing uses totaled approximately $739 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by only $807 over 2010), expenditures increased by 4% over 2010, with expenditures exceeding revenues by 5%. 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 $45 million. This excludes the budgeted use of funds from fund balance. Nearly fifteen million was budgeted from the fund balance to fund the 2011 General Fund budget. This was an increase of $2 million from 2010.

Total General Fund revenues for 2011 totaled $604 million. The largest revenue category is intergovernmental at $273 million with 45% of the total revenue. The second largest revenue source is Property Taxes with $167 million or 28%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 17% or $103 million. These three categories combined comprise 90% of the total revenues for 2011. The largest percentage increase in revenues compared to 2010 was the Charges for Services category with a 6% 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:	**2010**	**2011**	**% Change**
Property taxes	$ 168,031	$ 166,841	-0.7%
Other taxes	5,097	4,371	-14.2%
Licenses and permits	12,948	13,289	2.6%
Intergovernmental	270,939	273,240	0.8%
Charges for services	97,146	103,493	6.5%
Fines and forfeits	5,422	5,076	-6.4%
Contributions received	23,005	24,021	4.4%
Other	20,323	13,387	-34.1%
Total Revenues	602,911	603,718	0.1%
Other Financing Sources			
Debt proceeds	147,000	100,000	-32.0%
Transfers in	51,711	47,376	-8.4%
Total Revenues and Other Financing Sources	801,622	751,094	-6.3%
Excess of Revenues over Expenditures	(61,363)	(32,939)	46.3%
Net Change in Fund Balance	$ (11,730)	$ 12,360	205.4%

Expenditures and Other Financing Uses

Expenditures:	**2010**	**2011**	% Change
General government	$ 276,326	$ 252,677	-8.6%
Public safety	264,067	258,994	-1.9%
Public works	94,482	96,557	2.2%
Health	9,996	8,872	-11.2%
Culture and recreation	15,656	15,566	-0.6%
Conservation and development	3,747	3,991	6.5%
	-	-	
Total Expenditures	664,274	636,657	-4.2%
Other Financing Uses			
Transfers out	149,078	102,077	-31.5%
Total Expenditures and other Financing Uses	$ 813,352	$ 738,734	-9.2%

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes (rather than Revenue Anticipation Notes) in advance of receipt of the State Shared Revenues. For 2011, $100 million was issued.

The City maintains two separate debt service funds. The General Obligation Debt Service Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from $118 million to $126 million or 7%. Total revenues of the General Obligation Debt Service decreased from $205 million 2010 to $185 million in

2011 primarily due to the repayment on 2011 debt maturities from the Milwaukee Public Schools for debt issued on their behalf. Revenues combined with *Other Financing Sources* totaled $427 million; expenditures combined with *Other Financing Uses* totaled $419 million; resulting in a *net increase in Fund Balance* for year end 2011 of $8 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2011 showed a fund balance deficit of $117,000 (an increase in the fund balance of $20 million compared to a fund balance deficit of $20 million in 2010). In 2011, total debt proceeds amounted to $101 million as compared to $238 million in 2010, a 60% decrease. Total revenues decreased 23% from $21 million to $16 million; expenditures decreased from $240 million to $97 million or 59%. The issuance of bonds and notes during 2011 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and also reduced the 2011 year-end deficit in fund balance by $20 million.

Proprietary Funds

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

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were $58 million. This was an increase from $46 million at December 31, 2010 or 26%. This net increase consists of $13 million in Water Works, $3 million in nonmajor enterprise funds, and a $3 million decrease in the Sewer Maintenance fund.

In 2011, operating revenues of the enterprise funds totaled $233 million (3%); total operating expenses decreased to $160 million in 2011 (-2%). The Water Works is the largest enterprise activity for the City, comprising approximately 36% of the total operating revenues. The Sewer Maintenance Fund comprises 22% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2011, Water Works operating revenues increased 15% while Sewer Maintenance operating revenues decreased 0.5%; all other enterprise funds combined decreased by 4%. Water Works non-operating revenues for 2011 are mainly composed of interest income and other miscellaneous revenues. The investment income decreased $3,000 (20%) compared to the 2010 income. Other miscellaneous non-operating revenue increased from $45,000 to $436,000 in 2011. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) increased 869% from 2010.

The Water Works incurred total expenses of $68 million for 2011 compared to $68 million for 2010. Excluding depreciation expense, operating expenses increased over the previous year by $451,000 or 0.1%. The non-operating expenses (interest expense) of the Water Works increased by $146,000 due to the scheduled principal maturing on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds decreased 5% over 2010.

General Fund Budgetary Highlights

For the fiscal year ended December 31, 2011, the General Fund revenue budget exceeded actual revenues by $318,000. Actual 2011 General Fund revenues decreased from that of the prior year. On a budgetary basis, General Fund actual revenues totaled $580 million in 2011, no change over 2010. Property Taxes and Other Taxes decreased by 1% and 14%, respectively. Revenue categories of Licenses and Permits, Intergovernmental and Charges for Services increased in 2011. One noteworthy decrease in the Miscellaneous Revenue relates to the one-time receipt of $7 million to the City from the Pension Reserve at the Employees Retirement System (a non-city entity) in 2010. No such revenue was applicable to 2011. To offset this decrease, several other revenue categories had increases of $7 million to result in total 2011 revenue of approximately the same amount as 2010. Charges for Services increased a total of $6.4 million, of which $1.3 million related to snow and ice fees and $5.1 from various inspection fees. The Other Revenue category consists of interest on investments and in the aggregate many unrelated miscellaneous revenues. Interest on investments, totaled $303,000 for 2011. The average interest earnings rate was 0.213% compared to 0.315% in 2010 with a decrease in the average investable balance from $235.8 million in 2010 to $213.5 million in 2011.

The year 2011 also produced an unexpended budget surplus of $10 million. The general government category contributed $8 million; the public safety category had a surplus of $1 million. Public works, health culture and recreation, and, conservation and development categories, in the aggregate, added nearly $1 million. These savings included $2 million in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts. Salary accounts saved $2 million, $1 million in workers compensation accounts and $2 million in pension related costs, with all other accounts in the aggregate of $3 million. These savings are a result of final expenditures less than the final 2011 budgeted.

During 2011, the Common Council adopted five resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional $3 million in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2010 less the encumbrances carried over to 2012. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2010 by the Common Council less those appropriations authorized for carryover to 2012. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this account to specific departments during the year to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in the Required Supplementary Information Section, Exhibit E-1 shows both the original 2011 General Fund expenditure budget of $626 million and the final budget of $624 million. This is a 4% decrease over the final 2010 budget of $650 million. The original General Fund revenue budget totaled $577 million with the final budget increasing approximately $3 million. This is a 1% decrease over the final 2010 revenue budget of $583 million.

The General Fund Schedule of Expenditures-Budget and Actual (Exhibit I-9) details current year expenditures by department.

The City's General Fund's beginning Fund Balance of $60 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary Fund Balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Fund Balance of $15 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2011 total $1,854 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 $30 million or 1.7%. Governmental activities' capital assets increased $5 million or a 0.5% increase from 2010. Business-type activities' capital assets increased $25 million or 3% at the end of 2011. A schedule comparing the assets by type for 2010 and 2011 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 $17 million and deletions were $12 million for 2011 for governmental activities. The two largest business-type activities are the Sewer Maintenance Fund and the Water Works Fund. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of $25 million. Of the Sewer Maintenance Fund's net assets at year end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 67% of its total net assets with 28% consisting of machinery and equipment. The total net change in all Water Works net assets was a decrease of $54,000.

Debt issued to finance tax incremental districts (TID) totals $189 million outstanding at year end. The majority of these expenditures have no related assets for TID, so the net increase in TID debt reduces unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was $118 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statute, MPS cannot issue its own debt. As a result, the City issues debt for school purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, capital expenditures for school purposes also reduce unrestricted net assets by an equal amount.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Capital assets not being depreciated:						
Land	$ 164,210	$ 164,620	$ 18,253	$ 18,874	$ 182,463	$ 183,494
Construction in progress	26,513	36,272	14,897	6,991	41,410	43,263
Intangible right of ways	1,319	1,342	-	-	1,319	1,342
Capital assets being depreciated:						
Buildings	276,816	282,465	91,798	93,663	368,614	376,128
Infrastructure	1,450,918	1,467,560	861,200	893,752	2,312,118	2,361,312
Improvements other than buildings	11,811	11,891	7,771	7,998	19,582	19,889
Machinery and equipment	173,788	178,690	221,194	228,058	394,982	406,748
Intangible software	1,364	1,971	-	-	1,364	1,971
Nonutility property	-	-	4,692	5,422	4,692	5,422
Accumulated depreciation	(1,121,235)	(1,153,989)	(381,906)	(391,835)	(1,503,141)	(1,545,824)
Total	$ 985,504	$ 990,822	$ 837,899	$ 862,923	$ 1,823,403	$ 1,853,745

Debt

At year-end, the City had $915 million in general obligation bonds and notes, $81 million in State loans, and $70 million in revenue bonds outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled $423 million, of which $36 million related to Water Works, Sewer Maintenance, Port, and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa1 from Moody's Investors Service, Inc, were received on the City's June 2011 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was $1,259 at the end of 2010 and $1,272 at the end of 2011; a 1% increase from the prior year. As of December 31, 2011, the City's outstanding net general obligation debt for governmental activities was 2.57% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has used about 52% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2011, notes were issued in the amount of approximately $30.2 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
General obligation bonds and notes (backed by the City)	$ 812,183	$ 825,574	$ 82,002	$ 89,956	$ 894,185	$ 915,530
State loans	-	-	80,724	80,513	80,724	80,513
Revenue bonds (backed by specific fee revenues)	-	-	53,737	69,618	53,737	69,618
Total	$ 812,183	$ 825,574	$ 216,463	$ 240,087	$ 1,028,646	$ 1,065,661

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the City of Milwaukee for 2011 is 10.8%, compared to 11.5% for 2010. The City of Milwaukee per capita income for the most recent fiscal year available (2010) was $37,838, compared to $37,038 for 2009. Table 13 contains demographic and economic statistics for the last ten calendar years.

The 2012 adopted City Budget is about $1.4 billion with a General Fund budget of $678 million. The General Fund budget decreased nearly 1% over the 2011 budget of $683 million. In 2012, the City will expend $116 million for health insurance and related costs compared to $145 million budgeted for 2011, a decrease of 20%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 5 FTE with the City Development and Fire decreasing 18 each and Treasurer decreasing 2; while Public Works Department increasing 16 and Unified Call Center increasing 17. Also, the City decreased mandatory furlough days from four to three for 2012.

Total property taxes levied for all funds of the City in 2011 for 2012 purposes increased $0.13 per thousand dollars of assessed valuation to a rate of $9.25 (1.4%). The 2010 for 2011 rate increased $0.23 (from $8.89 to $9.12 or 2.6%).

The total City property tax levy increased to the $248 million from 2010 of $247 million. While the rate for 2011 increased, the assessed valuation decreased; thus providing roughly the same amount in property tax revenue. The property tax levy will provide $115.2 million for general City purposes in 2012. This represents an increase of $3.6 million from 2011 or 3%. The 2012 General City Purpose budget includes $104 million in estimated revenue for City charges for services rendered, an increase of $4 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate $32 million for 2012. This fee represents 31% of the total charges for services in the 2012 budget. The Street Sweeping-Leaf Collection Fee is expected to generate $12 million for 2012, no increase over 2011. This Fee comprises 12% of the total charges for services for 2012 compared to 13% in 2011. Most 2012 revenue estimates remained consistent with the prior year with only a net overall decrease of 0.76%.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total $259.5 million; a decrease of $12 million from 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2011
(Thousands of Dollars)

Exhibit 1

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 321,404	$ 53,480	$ 374,884	$ 73,460
Investments	19,642	-	19,642	9,100
Receivables (net):				
Taxes	226,031	-	226,031	-
Accounts	27,941	47,137	75,078	2,317
Unbilled accounts	447	17,145	17,592	-
Special assessments	8,141	-	8,141	-
Notes and loans	107,134	-	107,134	112,278
Accrued interest	200	122	322	6,911
Due from component units	20,358	-	20,358	-
Due from primary government	-	-	-	584
Due from other governmental agencies	175,747	1,762	177,509	20,232
Inventory of materials and supplies	7,122	2,920	10,042	-
Inventory of property for resale	26	-	26	11,055
Prepaid items	1,075	122	1,197	1,096
Deferred charges	2,650	383	3,033	1,209
Other assets	-	210	210	406
Total Noncapital Assets	917,918	123,281	1,041,199	238,648
Capital assets:				
Capital assets not being depreciated:				
Land	164,620	18,874	183,494	54,451
Construction in progress	36,272	6,991	43,263	47,078
Intangible right of ways	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings	282,465	93,663	376,128	477,148
Infrastructure	1,467,560	893,752	2,361,312	379
Improvements other than buildings	11,891	7,998	19,889	1,725
Machinery and equipment	178,690	228,058	406,748	5,047
Intangible software	1,971	-	1,971	565
Nonutility property	-	5,422	5,422	-
Accumulated depreciation	(1,153,989)	(391,835)	(1,545,824)	(234,276)
Total Capital Assets	990,822	862,923	1,853,745	352,117
Total Assets	1,908,740	986,204	2,894,944	590,765

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2011
(Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable	$ 35,770	$ 20,432	$ 56,202	$ 13,700
Accrued expenses	32,061	2,546	34,607	9,935
Accrued interest payable	11,511	956	12,467	-
Internal balances	(17,014)	17,014	-	-
Due to component units	584	-	584	-
Due to other governmental agencies	427	-	427	4,843
Deferred revenue	318,817	1,508	320,325	21,216
Revenue anticipation notes payable	145,000	-	145,000	-
Other payables	-	-	-	-
Other liabilities	-	-	-	13,254
Due to primary government:				
Due within one year	-	-	-	575
Due in more than one year	-	-	-	19,783
Long-term obligations:				
Due within one year	113,134	14,833	127,967	3,511
Due in more than one year	1,031,397	237,061	1,268,458	150,536
Total Liabilities	1,671,687	294,350	1,966,037	237,353
NET ASSETS				
Invested in capital assets, net of related debt	345,061	618,625	963,686	179,504
Restricted for:				
Debt Service	193,486	15,034	208,520	-
Other purposes	12,567	-	12,567	23,169
Unrestricted	(314,061)	58,195	(255,866)	150,739
Total Net Assets	**$ 237,053**	**$ 691,854**	**$ 928,907**	**$ 353,412**

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, 2011
(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	$ 245,191	$ 10,148	$ 4,175	$ -
Public safety	326,879	19,049	24,288	-
Public works	166,787	71,348	7,028	2,724
Health	21,137	1,297	11,257	-
Culture and recreation	19,864	1,239	2,558	-
Conservation and development	67,171	412	29,371	-
Capital contribution to Milwaukee Public Schools	4,386	-	-	-
Contributions	23,382	-	24,021	-
Interest on long-term debt	28,047	-	-	-
Total Governmental Activities	902,844	103,493	102,698	2,724
Business-type Activities:				
Water	69,196	84,394	-	747
Sewer Maintenance	40,813	51,788	-	1,933
Parking	25,267	44,148	-	2
Port of Milwaukee	3,631	5,527	-	1,711
Metropolitan Sewerage District User Charges	43,149	47,269	-	-
Total Business-type Activities	182,056	233,126	-	4,393
Total Primary Government	$ 1,084,900	$ 336,619	$ 102,698	$ 7,117
Component units:				
Housing Authority	$ 92,286	$ 19,703	$ 56,919	$ 22,624
Redevelopment Authority	16,575	9,321	14,418	3,199
Milwaukee Economic Development Authority	5,514	2,858	1,672	-
Neighborhood Improvement Development Corporation	2,134	317	1,246	150
Century City Redevelopment Corporation	1,036	66	-	-
Total Component Units	$ 117,545	$ 32,265	$ 74,255	$ 25,973

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

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
$ (230,868)		$ (230,868)	
(283,542)		(283,542)	
(85,687)		(85,687)	
(8,583)		(8,583)	
(16,067)		(16,067)	
(37,388)		(37,388)	
(4,386)		(4,386)	
639		639	
(28,047)		(28,047)	
(693,929)		(693,929)	
-	$ 15,945	15,945	
-	12,908	12,908	
-	18,883	18,883	
-	3,607	3,607	
-	4,120	4,120	
-	55,463	55,463	
(693,929)	55,463	(638,466)	
			$ 6,960
			10,363
			(984)
			(421)
			(970)
			14,948
276,168	-	276,168	-
273,240	-	273,240	-
64,214	3,932	68,146	10,053
44,346	(44,346)	-	-
657,968	(40,414)	617,554	10,053
(35,961)	15,049	(20,912)	25,001
273,014	676,805	949,819	328,411
$ 237,053	**$ 691,854**	**$ 928,907**	**$ 353,412**

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FUND FINANCIAL STATEMENTS

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	$ 92,819
Investments	128
Receivables (net):	
Taxes	144,767
Accounts	26,535
Unbilled accounts	447
Special assessments	-
Notes and loans	17
Accrued interest	70
Due from other funds	38,568
Due from component units	542
Due from other governmental agencies	332
Advances to other funds	7,562
Inventory of materials and supplies	7,122
Inventory of property for resale	26
Prepaid items	189
Total Assets	**$ 319,124**
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 20,146
Accrued expenses	31,387
Due to other funds	2,081
Due to component units	19
Due to other governmental agencies	-
Deferred revenue	193,505
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	247,138
Fund Balances:	
Nonspendable	15,044
Restricted	-
Committed	2,995
Assigned	26,778
Unassigned	27,169
Total Fund Balances	71,986
Total Liabilities and Fund Balances	**$ 319,124**

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
$ 172,134	$ 23,666	$ 20,245	$ 12,540	$ 321,404
-	19,514	-	-	19,642
54,873	-	2,633	23,758	226,031
-	-	1,267	139	27,941
-	-	-	-	447
-	-	8,141	-	8,141
72,716	23,957	-	10,444	107,134
3	127	-	-	200
-	-	-	15	38,583
19,790	-	-	26	20,358
145,000	-	12,997	17,418	175,747
-	-	-	-	7,562
-	-	-	-	7,122
-	-	-	-	26
-	-	886	-	1,075
$ 464,516	**$ 67,264**	**$ 46,169**	**$ 64,340**	**$ 961,413**
$ 59	$ -	$ 6,902	$ 8,663	$ 35,770
1	-	324	349	32,061
4,415	-	7,592	7,481	21,569
-	-	143	422	584
-	-	-	427	427
188,819	-	23,763	11,629	417,716
145,000	-	-	-	145,000
-	-	7,562	-	7,562
338,294	-	46,286	28,971	660,689
-	-	886	-	15,930
-	-	-	5,855	5,855
126,222	67,264	-	29,514	225,995
-	-	-	-	26,778
-	-	(1,003)	-	26,166
126,222	67,264	(117)	35,369	300,724
$ 464,516	**$ 67,264**	**$ 46,169**	**$ 64,340**	**$ 961,413**

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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, 2011
(Thousands of Dollars)

Fund balances - total governmental funds (Exhibit A-1)		$ 300,724
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 164,620	
Buildings, net of $84,314 accumulated depreciation	198,151	
Infrastructure, net of $953,676 accumulated depreciation	513,884	
Improvements other than buildings, net of $8,275 accumulated depreciation	3,616	
Machinery and equipment, net of $107,356 accumulated depreciation	71,334	
Intangible assets net of $368 accumulated depreciation	2,945	
Construction in progress	36,272	
		990,822
Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the government-wide statements.		2,650
Some revenues are deferred in the funds because they are not available to pay current period's expenditures.		
Taxes to be collected after year-end	14,747	
Other revenues to be collected after year-end	4,628	
Special assessments to be collected after year-end	6,808	
Notes and loans receivable to repay long-term bonds and notes	72,716	
		98,899
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.		
Accrued interest payable	(11,511)	
Bonds and notes payable	(825,574)	
Deferred amount on refunding	1,956	
Unamortized premiums	(43,084)	
Compensated absences	(47,581)	
Net other postemployment benefits obligation	(206,369)	
Claims and judgments	(23,879)	
		(1,156,042)
Total net assets of governmental activities (Exhibit 1)		**$ 237,053**

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

CITY OF MILWAUKEE Exhibit A-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	General
Revenues:	
Property taxes	$ 166,841
Other taxes	4,371
Special assessments	-
Licenses and permits	13,289
Intergovernmental	273,240
Charges for services	103,493
Fines and forfeits	5,076
Contributions received	24,021
Other	13,387
Total Revenues	603,718
Expenditures:	
Current:	
General government	252,677
Public safety	258,994
Public works	96,557
Health	8,872
Culture and recreation	15,566
Conservation and development	3,991
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	636,657
Excess (Deficiency) of Revenues over Expenditures	(32,939)
Other Financing Sources (Uses):	
General obligation bonds and notes issued	100,000
Proceeds current refunding	-
Payment current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	47,376
Transfers out	(102,077)
Total Other Financing Sources and Uses	45,299
Net Change in Fund Balances	12,360
Fund Balances - Beginning	59,626
Fund Balances - Ending	**$ 71,986**

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

Exhibit A-3 (Continued)

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 69,209	$ -	$ 4,277	$ 2,304	$ 242,631
23,386	2,949	-	-	30,706
-	-	3,163	-	3,163
-	-	-	-	13,289
1,009	-	5,210	80,828	360,287
84,819	-	-	-	188,312
-	-	-	-	5,076
-	-	-	-	24,021
6,950	3,466	3,085	11,595	38,483
185,373	6,415	15,735	94,727	905,968
446	-	-	5,966	259,089
-	-	-	24,288	283,282
-	-	-	7,028	103,585
-	-	-	11,257	20,129
-	-	-	2,558	18,124
-	-	-	37,468	41,459
-	-	96,870	-	96,870
331,960	-	-	-	331,960
37,184	-	-	-	37,184
1,040	-	-	-	1,040
370,630	-	96,870	88,565	1,192,722
(185,257)	6,415	(81,135)	6,162	(286,754)
-	-	101,417	30,235	231,652
80,648	-	-	-	80,648
(41,949)	-	-	-	(41,949)
-	-	-	(8,783)	(8,783)
17,079	-	-	-	17,079
144,068	3,657	-	-	195,101
(6,092)	(5,924)	(544)	(36,118)	(150,755)
193,754	(2,267)	100,873	(14,666)	322,993
8,497	4,148	19,738	(8,504)	36,239
117,725	63,116	(19,855)	43,873	264,485
$126,222	**$ 67,264**	**$ (117)**	**$ 35,369**	**$ 300,724**

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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, 2011

(Thousands of Dollars)

Net change in fund balances - total governmental funds (Exhibit A-3)		36,239
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 ($56,719) exceeded depreciation expense ($50,609) in the current period less loss on disposals ($792)		5,318
Notes and loans receivable to repay long-term bonds and notes		(4,386)
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	$ 2,831	
Other revenues deferred at year end	(2,150)	
Special assessments deferred revenue beginning of the year $9,069 less deferred at end of the year $6,808	(2,261)	
		(1,580)
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(387,300)	
Issuance premiums	(17,092)	
Issuance costs	654	
Repayments:		
Principal retirement	373,909	
Amortization:		
Premiums	9,486	
Issuance costs	(493)	
Deferred amount on refunding	(947)	
		(21,783)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	(8,633)	
Net other postemployment benefits obligation	(37,329)	
Claims and judgments	(4,418)	
Accrued interest on bonds and notes	611	
		(49,769)
Changes in net assets of governmental activities (Exhibit 2)		**$ (35,961)**

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

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit B-1

ASSETS	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Current Assets:				
Cash and cash equivalents	$ 3,360	$ 14,877	$ 20,209	$ 38,446
Restricted cash and cash equivalents	692	2,769	-	3,461
Receivables (net):				
Accounts	17,075	15,508	14,554	47,137
Unbilled accounts	11,976	2,346	2,823	17,145
Accrued interest	1	121	-	122
Due from other funds	6,481	668	635	7,784
Due from other governmental agencies	-	1,243	519	1,762
Inventory of materials and supplies	2,572	348	-	2,920
Prepaid items	122	-	-	122
Deferred charges	-	383	-	383
Other assets	210	-	-	210
Total Current Assets	42,489	38,263	38,740	119,492
Noncurrent assets:				
Restricted cash and cash equivalents	-	11,573	-	11,573
Capital assets:				
Capital assets not being depreciated:				
Land	2,018	-	16,856	18,874
Construction in progress	2,829	42	4,120	6,991
Capital assets being depreciated:				
Buildings	27,259	-	66,404	93,663
Infrastructure	357,017	519,862	16,873	893,752
Improvements other than buildings	-	-	7,998	7,998
Machinery and equipment	213,310	4,563	10,185	228,058
Nonutility property	5,422	-	-	5,422
Accumulated depreciation	(205,731)	(122,696)	(63,408)	(391,835)
Net Capital Assets	402,124	401,771	59,028	862,923
Total Noncurrent Assets	402,124	413,344	59,028	874,496
Total Assets	444,613	451,607	97,768	993,988

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 4,304	$ 4,960	$ 11,168	$ 20,432
Accrued expenses	1,251	603	692	2,546
Accrued interest payable	246	-	220	466
Compensated absences	1,079	-	-	1,079
Due to other funds	16,636	-	8,162	24,798
Deferred revenue	-	1,239	269	1,508
General obligation debt payable - current	3,326	677	1,970	5,973
Revenue bonds payable - current	989	-	-	989
Total Current Liabilities	27,831	7,479	22,481	57,791
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable	-	6,792	-	6,792
Accrued interest payable	-	490	-	490
Total Current Liabilities Payable from Restricted Assets	-	7,282	-	7,282
Noncurrent Liabilities:				
General obligation debt payable	18,954	52,085	13,204	84,243
Revenue bonds & State loans payable	6,509	139,792	-	146,301
Other post employment benefits obligation	3,755	1,461	1,301	6,517
Total Noncurrent Liabilities	29,218	193,338	14,505	237,061
Total Liabilities	57,049	208,099	36,986	302,134
Net Assets:				
Invested in capital assets, net of related debt	372,346	202,425	43,854	618,625
Restricted for Debt Service	692	14,342	-	15,034
Unrestricted	14,526	26,741	16,928	58,195
Total Net Assets	**$ 387,564**	**$ 243,508**	**$ 60,782**	**$ 691,854**

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, 2011
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales	$ 69,944	$ -	$ -	$ 69,944
Statutory sewer user fee	-	-	45,765	45,765
Sewer maintenance fee	-	51,788	-	51,788
Rent	-	-	12,605	12,605
Fire protection service	6,921	-	-	6,921
Parking meters	-	-	4,937	4,937
Parking permits	-	-	3,900	3,900
Vehicle towing	-	-	5,135	5,135
Parking forfeitures	-	-	23,098	23,098
Other	7,529	-	1,504	9,033
Total Operating Revenues	84,394	51,788	96,944	233,126
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges	-	-	38,631	38,631
Employee services	-	7,344	9,410	16,754
Administrative and general	6,474	-	-	6,474
Depreciation	14,067	5,949	3,442	23,458
Transmission and distribution	21,688	-	-	21,688
Services, supplies, and materials	-	7,347	19,959	27,306
Water treatment	14,448	-	-	14,448
Water pumping	8,748	-	-	8,748
Billing and collection	2,704	-	-	2,704
Total Operating Expenses	68,129	20,640	71,442	160,211
Operating Income	16,265	31,148	25,502	72,915
Nonoperating Revenues (Expenses):				
Investment income	12	2,879	-	2,891
Grant Revenue	-	1,910	54	1,964
Interest expense	(1,067)	(5,261)	(605)	(6,933)
Other	436	(14,912)	605	(13,871)
Total Nonoperating Revenues (Expenses)	(619)	(15,384)	54	(15,949)
Income before Contributions and Transfers	15,646	15,764	25,556	56,966
Capital contributions	747	23	1,659	2,429
Transfers in	-	-	617	617
Transfers out	(11,151)	(8,678)	(25,134)	(44,963)
Change in Net Assets	5,242	7,109	2,698	15,049
Total Net Assets - Beginning	382,322	236,399	58,084	676,805
Total Net Assets - Ending	**$ 387,564**	**$ 243,508**	**$ 60,782**	**$ 691,854**

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, 2011
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 75,008	$ 52,062	$ 97,449	$ 224,519
Receipts from interfund services provided	5,085	-	-	5,085
Payments to suppliers	(27,871)	(7,012)	(59,063)	(93,946)
Payments to employees	(24,133)	(7,208)	(9,219)	(40,560)
Payments from other funds	-	-	(3,572)	(3,572)
Payments to other funds	(4,219)	-	(54)	(4,273)
Net Cash Provided by Operating Activities	23,870	37,842	25,541	87,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	435	1,958	52	2,445
Other nonoperating expenses	-	(14,912)	-	(14,912)
Transfers to other funds	3,540	(8,678)	(24,517)	(29,655)
Net Cash Used for Noncapital Financing Activities	3,975	(21,632)	(24,465)	(42,122)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	11,625	77,868	2,520	92,013
Acquisition of property, plant, and equipment	(34,482)	(31,290)	(2,711)	(68,483)
Retirement of bonds, notes, and revenue bonds	(3,989)	(61,909)	(2,491)	(68,389)
Interest paid	(1,134)	(2,911)	(628)	(4,673)
Other	-	-	1,439	1,439
Net Cash Used for Capital and Related Financing Activities	(27,980)	(18,242)	(1,871)	(48,093)
CASH FLOWS FROM INVESTING ACTIVITY:				
Investment income	13	2,764	-	2,777
Net Increase (Decrease) in Cash and Cash Equivalents	(122)	732	(795)	(185)
Cash and Cash Equivalents - Beginning	4,174	28,487	21,004	53,665
Cash and Cash Equivalents - Ending	**$ 4,052**	**$ 29,219**	**$ 20,209**	**$ 53,480**

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash	$ 3,360	$ 14,877	$ 20,209	$ 38,446
Restricted Cash	692	14,342	-	15,034
	$ 4,052	$ 29,219	$ 20,209	$ 53,480
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 16,265	$ 31,148	$ 25,502	$ 72,915
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	14,067	5,949	3,442	23,458
Changes in assets and liabilities:				
Receivables	(4,752)	180	387	(4,185)
Due from other funds	(2,063)	94	(54)	(2,023)
Inventories	60	(348)	-	(288)
Prepaid items	468	-	-	468
Other assets	48	-	-	48
Accounts payable	(789)	683	(472)	(578)
Accrued liabilities	(112)	(141)	(7)	(260)
Net other postemployment benefits obligation	678	277	196	1,151
Due to other funds	-	-	(3,572)	(3,572)
Deferred revenue	-	-	119	119
Net Cash Provided by Operating Activities	$ 23,870	$ 37,842	$ 25,541	$ 87,253

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of $747,013.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing $115,291 with a net value of $0, and received donated assets in the amount of $22,588.

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, 2011
(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	$ 403	$ 2,158	$ 338,085
Investments	-	2,099	-
Total Assets	403	4,257	**$ 338,085**
LIABILITIES			
Liabilities:			
Accounts payable	$ 24	$ 87	$ 2,000
Due to other governmental agencies	-	-	336,085
Total Liabilities	24	87	**$ 338,085**
Net Assets			
Employees' pension benefits and other purposes	**$ 379**	**$ 4,170**	

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, 2011
(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts
Additions		
Contributions:		
Plan members	$ 1,543	$ -
Private donations	-	1,907
Total Contributions	1,543	1,907
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	94
Total Additions	1,543	2,001
Deductions		
Benefits	1,481	-
Fees remitted from Trust	-	1,900
Other	-	1,407
Total Deductions	1,481	3,307
Change in Net Assets	62	(1,306)
Net Assets - Beginning	317	5,476
Net Assets - Ending	**$ 379**	**$ 4,170**

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, 2011
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 28,520	$ 21,981	$ 13,777	$ 2,011	$ 7,171	$ 73,460
Investments	3,116	5,684	-	300	-	9,100
Receivables (net):						
Accounts	1,943	142	201	28	3	2,317
Notes and loans	45,217	37,386	29,280	395	-	112,278
Accrued interest	6,247	434	109	121	-	6,911
Due from primary government	323	261	-	-	-	584
Due from other governmental agencies	709	1,112	18,393	18	-	20,232
Inventory of property for resale	-	6,580	1,729	2,746	-	11,055
Prepaid items	983	90	-	-	23	1,096
Deferred charges	196	744	-	-	269	1,209
Other assets	320	-	86	-	-	406
Total Noncapital Assets	87,574	74,414	63,575	5,619	7,466	238,648
Capital assets:						
Capital assets not being depreciated:						
Land and land improvements	39,721	13,621	-	-	1,109	54,451
Construction in progress	47,078	-	-	-	-	47,078
Capital assets being depreciated:						
Buildings	374,071	92,989	-	-	10,088	477,148
Infrastructure	-	379	-	-	-	379
Improvements other than buildings	882	843	-	-	-	1,725
Machinery and equipment	4,595	-	299	-	153	5,047
Intangible assets	-	565	-	-	-	565
Accumulated depreciation	(220,925)	(13,036)	(242)	-	(73)	(234,276)
Total Capital Assets, Net of Depreciation	245,422	95,361	57	-	11,277	352,117
Total Assets	332,996	169,775	63,632	5,619	18,743	590,765

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
LIABILITIES						
Current Liabilities:						
Accounts payable	$ 9,535	$ 2,869	$ 452	$ 64	$ 780	$ 13,700
Accrued expenses	7,108	2,810	-	-	17	9,935
Due to other governmental agencies	1,194	3,589	-	-	60	4,843
Deferred revenue	20,355	518	-	343	-	21,216
Other liabilities	7,641	2,655	912	2,046	-	13,254
Total Current Liabilities	45,833	12,441	1,364	2,453	857	62,948
Due to primary government:						
Due within one year	495	-	55	25	-	575
Due in more than one year	-	19,306	477	-	-	19,783
Total Due to Primary Government	495	19,306	532	25	-	20,358
Long-term obligations:						
Due within one year	3,511	-	-	-	-	3,511
Due in more than one year	48,256	78,881	4,549	-	18,850	150,536
Total Noncurrent Liabilities	51,767	78,881	4,549	-	18,850	154,047
Total Liabilities	98,095	110,628	6,445	2,478	19,707	237,353
NET ASSETS:						
Invested in capital assets, net of related debt	151,349	28,230	-	-	(75)	179,504
Restricted	4,823	8,515	8,841	990	-	23,169
Unrestricted	78,729	22,402	48,346	2,151	(889)	150,739
Total Net Assets	**$234,901**	**$ 59,147**	**$ 57,187**	**$ 3,141**	**$ (964)**	**$ 353,412**

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, 2011
(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	$ 92,286	$ 19,703	$ 56,919	$ 22,624
Redevelopment Authority				
Prevention and elimination of blight	16,575	9,321	14,418	3,199
Milwaukee Economic Development Corporation				
Increase employment and expansion of business	5,514	2,858	1,672	-
Neighborhood Improvement Development Corp.				
Housing improvements	2,134	317	1,246	150
Century City Redevelopment Corporation				
Rental income	1,036	66	-	-
Total Component Units	$117,545	$ 32,265	$ 74,255	$ 25,973

General revenues:
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

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	Century City Redevelopment Corporation	Total
$ 6,960	$ -	$ -	$ -	$ -	$ 6,960
-	10,363	-	-	-	10,363
-	-	(984)	-	-	(984)
-	-	-	(421)	-	(421)
-	-	-	-	(970)	(970)
6,960	10,363	(984)	(421)	(970)	14,948
8,337	202	1,462	46	6	10,053
8,337	202	1,462	46	6	10,053
15,297	10,565	478	(375)	(964)	25,001
219,604	48,582	56,709	3,516	-	328,411
$ 234,901	**$ 59,147**	**$ 57,187**	**$ 3,141**	**$ (964)**	**$353,412**

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

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

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

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 1st Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; and CCRC, 841 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202.

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

Related Organizations

Milwaukee Area Workforce Investment Board

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

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

B. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2011 that will be collected in 2012 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

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

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

F. Property Taxes

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

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

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2011 is approximately $2,258,000.

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 approximately $22,134,000 as of December 31, 2011.

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 therefore inventories are classified as non-spendable in fund balance.

L. Prepaid Items

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

M. Capital Assets

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

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

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

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

N. Pension Contributions

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

O. Compensated Absences

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

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

P. Claims and Judgments

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

As of December 31, 2011, GASB 54 was implemented resulting in the fund balances of the governmental funds to be classified as follows:

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

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

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

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

Unassigned – All other spendable amounts.

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

T. Net Assets

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

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

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

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

U. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

V. Use of Estimates

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

W. New Accounting Pronouncements

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

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

In December 2011, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations; Accounting Principles Board Opinions, or; Accounting Research Bulletins of the AICPA Committee on Accounting Procedure (collectively referred to as the – FASB and AICPA pronouncements). The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not have any derivative instruments.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, or current period outflows and inflows. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of previous pronouncements. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In July 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans.* This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.* The objective of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans. This statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

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

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, 2011, the City's deposits and investments are as follows:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Greater than 10**	**Credit Rating**
Governmental and Business-type activities:						
Investment type						
Pooled Deposits and Investments	$ 271,270	$ 271,270	$ -	$ -	$ -	see below
Segregated Deposits and Investments						
Interest Checking	17,275	17,275	-	-	-	not rated
Wisconsin Local Government Investment Pool	74,654	74,654	-	-	-	not rated
Municipal Bonds	13,829	-	2,772	9,649	1,408	see below
U.S. Treasury strips	1,035	1,035	-	-	-	AAA
Treasuries (Fiscal Agent)	11,813	11,813	-	-	-	AAA
Certificates of Deposits	4,650	1,950	2,700	-	-	not rated
	$ 394,526	$ 377,997	$ 5,472	$ 9,649	$ 1,408	
Fiduciary activities:						
Investment type						
Investments in the Pool	$ 305,662	$ 305,662	$ -	$ -	$ -	see below
Other Deposits	34,097	34,097	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government Investment Pool	887	887	-	-	-	not rated
U.S. Treasury strips	2,099	420	1,679	-	-	AAA
	$ 342,745	$ 341,066	$ 1,679	$ -	$ -	

Municipal Bonds

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

Pooled Deposits and Investments

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

As of December 31, 2011, the City had the following investments and maturities in the Pool**:**

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Greater than 10**	**Credit Rating**
Pooled Deposits and Investments						
Bank Demand Deposits	$ 41,715	$ 41,715	$ -	$ -	$ -	not rated
Other Deposits	1,006	1,006	-	-	-	not rated
Deposits and Investments						
Interest Checking	285,416	285,416	-	-	-	not rated
Wisconsin Local Government Investment Pool	240,445	240,445	-	-	-	not rated
Government Money Market	100	100	-	-	-	AAA
Certificates of Deposits	8,250	8,250	-	-	-	not rated
	$ 576,932	$ 576,932	$ -	$ -	$ -	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council, the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of $650,000. As of December 31, 2011, the City's bank balances of $1,012,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

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

Credit risk

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

B. Component Units

Deposits and Investments

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

Interest Rate Risk

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

Credit Risk

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

The Component Units have the following investments on December 31, 2011:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair value	**Less than 1**	**1-5**	**6-10**	**10 and greater**	**Credit Rating**
Component Units:						
Local Government Investment Pool	$ 22,136	$ 22,136	$ -	$ -	$ -	not rated
U.S. Treasury Money Market Fund	11,249	11,249	-	-	-	Aaa
U.S. Treasury Notes	970	303	667	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	2,339	3	1,841	495	-	Aaa
Municipal Bonds	296	141	155	-	-	Aa
Corporate Bonds	1,787	317	1,470	-	-	Aa
Negotiable Certificates of Deposit	355	355	-	-	-	Aa
Money Market	1,740	1,740	-	-	-	N/A
	$ 40,872	$ 36,244	$ 4,133	$ 495	$ -	

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, 2011 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	**Uninsured and Uncollateralized**
Housing Authority	$ 7,395,798	$ 1,483,251
Redevelopment Authority	10,996,354	1,238,016
Milwaukee Economic Development Corporation	13,308,651	6,284,691
Neighborhood Improvement Development Corporation	2,342,683	1,031,431
Century City Redevelopment Corporation	7,171,296	6,820,411

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, 2011, the Housing Authority had $497,840 of investments exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2011, the Redevelopment Authority had $15,614,035 of investments exposed to custodial credit risk as uninsured and uncollateralized.

3. PROPERTY TAXES

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

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

At December 31, 2011, 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)		
2006 and prior	$ 714	$ 1,164	$ 1,878
2007	412	662	1,074
2008	1,521	2,387	3,908
2009	4,789	7,431	12,220
2010	12,095	19,495	31,590
Total delinquent property taxes receivable	$ 19,531	$ 31,139	50,670
Property taxes receivable on foreclosed property			24,874
Less: Allowance for uncollectible taxes			(20,746)
Net delinquent property taxes receivable, including tax deeded property			$ 54,798

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental activities	**Balance 01-01-11**	**Additions**	**Deletions**	**Balance 12-31-11**
		(Thousands of Dollars)		
Capital assets not being depreciated:				
Land	$ 164,210	$ 410	$ -	$ 164,620
Construction in progress	26,513	20,388	10,629	36,272
Intangible right of ways	1,319	23	-	1,342
Total capital assets not being depreciated	192,042	20,821	10,629	202,234
Capital assets being depreciated:				
Buildings	276,816	6,809	1,160	282,465
Infrastructure	1,450,918	27,530	10,888	1,467,560
Improvements other than buildings	11,811	103	23	11,891
Machinery and equipment	173,788	11,478	6,576	178,690
Intangible software	1,364	607	-	1,971
Total capital assets being depreciated	1,914,697	46,527	18,647	1,942,577
Less accumulated depreciation for:				
Buildings	78,395	6,888	969	84,314
Infrastructure	934,550	30,015	10,889	953,676
Improvements other than buildings	7,972	316	13	8,275
Machinery and equipment	100,221	13,119	5,984	107,356
Intangible software	97	271	-	368
Total accumulated depreciation	1,121,235	50,609	17,855	1,153,989
Total capital assets being depreciated, net	793,462	(4,082)	792	788,588
Government activity capital assets, net	$ 985,504	$ 16,739	$ 11,421	$ 990,822

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

General government	$ 592
Public safety	8,969
Public works	40,327
Health	269
Culture and recreation	452
Total	$ 50,609

Business-type activities	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Water Works				
Capital assets not being depreciated:				
Land	$ 2,022	$ -	$ 4	$ 2,018
Construction in progress	12,717	34,364	44,252	2,829
Total capital assets not being depreciated	14,739	34,364	44,256	4,847
Capital assets being depreciated:				
Buildings	25,406	2,056	203	27,259
Infrastructure	355,873	24,644	23,500	357,017
Machinery and equipment	206,450	17,551	10,691	213,310
Nonutility property	4,692	730	-	5,422
Total capital assets being depreciated	592,421	44,981	34,394	603,008
Less accumulated depreciation for:				
Buildings	15,974	833	306	16,501
Infrastructure	83,978	4,637	2,373	86,242
Machinery and equipment	104,453	8,597	10,827	102,223
Nonutility property	577	188	-	765
Total accumulated depreciation	204,982	14,255	13,506	205,731
Total capital assets being depreciated, net	387,439	30,726	20,888	397,277
Water Works capital assets, net	402,178	65,090	65,144	402,124
Sewer Maintenance				
Capital assets not being depreciated:				
Construction in progress	-	42	-	42
Total capital assets not being depreciated	-	42	-	42
Capital assets being depreciated:				
Infrastructure	488,707	31,270	115	519,862
Machinery and equipment	4,563	-	-	4,563
Total capital assets being depreciated	493,270	31,270	115	524,425
Less accumulated depreciation for:				
Infrastructure	114,216	5,884	115	119,985
Machinery and equipment	2,646	65	-	2,711
Total accumulated depreciation	116,862	5,949	115	122,696
Total capital assets being depreciated, net	376,408	25,321	-	401,729
Sewer Maintenance capital assets, net	376,408	25,363	-	401,771

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Other business-type activities:				
Capital assets not being depreciated:				
Land	16,231	663	38	16,856
Construction in progress	2,180	2,000	60	4,120
Total capital assets not being depreciated	18,411	2,663	98	20,976
Capital assets being depreciated:				
Buildings	66,392	12	-	66,404
Infrastructure–port	16,620	253	-	16,873
Improvements other than buildings	7,771	227	-	7,998
Machinery and equipment	10,181	123	119	10,185
Total capital assets being depreciated	100,964	615	119	101,460
Less accumulated depreciation for:				
Buildings	39,478	2,213	-	41,691
Infrastructure–port	9,354	290	-	9,644
Improvements other than buildings	5,619	305	-	5,924
Machinery and equipment	5,611	633	95	6,149
Total accumulated depreciation	60,062	3,441	95	63,408
Total capital assets being depreciated, net	40,902	(2,826)	24	38,052
Other business-type activities, net	59,313	(163)	122	59,028
Business-type activity capital assets, net	$ 837,899	$ 90,290	$ 65,266	$ 862,923

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Component Units				
Capital assets not being depreciated:				
Land	$ 56,816	$ 1,314	$ 3,679	$ 54,451
Construction in Progress	16,732	38,699	8,353	47,078
Total capital assets not being depreciated	73,548	40,013	12,032	101,529
Capital assets being depreciated:				
Buildings	500,289	24,909	48,050	477,148
Infrastructure	379	-	-	379
Improvements other than buildings	1,725	-	-	1,725
Machinery and equipment	3,718	1,476	147	5,047
Intangibles	-	565	-	565
Total capital assets being depreciated	506,111	26,950	48,197	484,864
Less accumulated depreciation for:				
Buildings	247,884	12,770	30,186	230,468
Infrastructure	41	16	-	57
Improvements other than buildings	453	121	-	574
Machinery and equipment	2,796	459	106	3,149
Machinery and equipment	-	28	-	28
Intangibles				
Total accumulated depreciation	251,174	13,394	30,292	234,276
Total capital assets being depreciated, net	254,937	13,556	17,905	250,588
Component units capital assets, net	$ 328,485	$ 53,569	$ 29,937	$ 352,117

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2011 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		(Thousands of Dollars)			
Current property taxes	$ 183,873	$ 96,313	$ 4,620	$ -	$ 284,806
Delinquent property taxes	9,632	-	-	5,115	14,747
Unearned revenue	-	-	12,335	6,352	18,687
Long-term receivables	-	92,506	-	162	92,668
Unbilled special assessments	-	-	6,808	-	6,808
Total	$ 193,505	$ 188,819	$ 23,763	$ 11,629	$ 417,716

6. SHORT-TERM DEBT

During 2011, the City issued and repaid $100,000,000 of General Obligation Cash Flow Promissory Notes, Series 2011 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, 2011.

As of December 31, 2010, the City had outstanding $175,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2011, the City repaid the outstanding balance and issued $145,000,000 short-term RANs for the same purpose. The new notes of $145,000,000 bear an interest rate of 1.5% and will mature on June 27, 2012. 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, 2011 were as follows:

	Balance 01-01-11	Additions	Deductions	Balance 12-31-11	Amounts Due within One Year
		(Thousands of Dollars)			
Governmental activities:					
General obligation bonds and notes					
City	$ 680,664	$ 312,300	$ 285,581	$ 707,383	$ 98,826
Milwaukee Public Schools	131,519	75,000	88,328	118,191	5,181
Deferred amount on refundings	(2,903)	-	(947)	(1,956)	-
Unamortized premiums	35,478	17,092	9,486	43,084	-
Compensated absences	38,948	10,588	1,955	47,581	2,562
Net other postemployment benefits obligation	169,040	69,349	32,020	206,369	-
Claims and judgments	19,461	10,308	5,890	23,879	6,565
Total governmental activities	$ 1,072,207	$ 494,637	$ 422,313	$ 1,144,531	$ 113,134
Business-type activities					
Water Works					
General obligation bonds and notes	$ 13,453	$ 11,625	$ 3,025	$ 22,053	$ 3,326
Deferred amount on refundings	(112)	-	(70)	(42)	-
Unamortized premiums	406	-	137	269	-
Revenue bonds	8,462	-	964	7,498	989
Compensated absences	1,329	676	926	1,079	1,079
Net other postemployment benefits obligation	3,077	2,108	1,430	3,755	-
Total Water Works	26,615	14,409	6,412	34,612	5,394
Sewer Maintenance					
General obligation bonds and notes	53,437	22,000	22,675	52,762	677
State Loans	80,724	3,303	3,514	80,513	3,742
Revenue bonds	45,275	52,565	35,720	62,120	3,050
Deferred amount on refundings	-	(1,594)	(199)	(1,395)	-
Unamortized premiums	1,342	5,421	1,417	5,346	-
Net other postemployment benefits obligation	1,184	863	586	1,461	-
Total Sewer Maintenance	181,962	82,558	63,713	200,807	7,469
Other Enterprise Funds					
General obligation bonds and notes	15,112	2,520	2,491	15,141	1,970
Deferred amount on refundings	(95)	-	(36)	(59)	-
Unamortized premiums	138	-	46	92	-
Net other postemployment benefits obligation	1,059	751	509	1,301	-
Total Other Enterprise	16,214	3,271	3,010	16,475	1,970
Total business-type activities	$ 224,791	$ 100,238	$ 73,135	$ 251,894	$ 14,833

	Balance 01-01-11	New Issues	Repayments	Balance 12-31-11	Amounts Due within One Year
		(Thousands of Dollars)			
Component Units					
Revenue bonds	$ 91,725	$ -	$ 4,105	$ 87,620	$ 570
Unamortized discounts	(91)	-	(6)	(85)	-
Notes payable	50,713	22,831	10,859	62,685	2,674
Advance from other organizations	-	-	-	-	-
Compensated Absences	794	97	-	891	267
Net other postemployment benefits	2,242	957	263	2,936	-
Total component units	$ 145,383	$ 23,885	$ 15,221	$ 154,047	$ 3,511

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2011, general obligation bonds totaling $52,778,627 were issued. $48,194,667 was issued to finance capital improvements and $4,583,960 for business-type activities.

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

Through 2011, $181,793,598 has been borrowed and outstanding for forty-seven TID's. Total debt service requirements associated with these debt issues amounts to $247,304,078. Active Tax increments received through 2011 total $163,125,139. 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 $118,191,000 of Milwaukee Public School long-term debt outstanding at December 31, 2011 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2011, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately $1,011,272,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds and State Loans

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2011, 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 $3,303,000. The revenue bonds and State loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2011, installment loans totaling $68,626,341 were issued. $29,223,421 was issued to finance capital improvements, $9,167,920 for business-type activities and $30,235,000 to purchase 2010's delinquent taxes.

During 2011, the City continued to issue General Obligation Commercial Paper Promissory Notes totaling $167,000,000. $24,000,000 was issued to finance capital improvements, $22,000,000 for business-type activities, $46,000,000 for general fiscal requirements of the City and $75,000,000 for schools. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above:

Balance 01-01-11	Additions	Deletions	Balance 12-31-11
78,600	167,000	179,600	66,000

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

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

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2011, the City had no outstanding draws on the letter of credit.

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					
2012	$ 104,007	$ 35,715	$ -	$ -	$ 139,722
2013	88,342	31,396	-	-	119,738
2014	73,555	27,479	-	-	101,034
2015	67,997	24,060	-	-	92,057
2016	67,420	20,807	-	-	88,227
2017-2021	265,530	62,905	-	-	328,435
2022-2026	112,588	22,276	-	-	134,864
2027-2031	46,135	1,369	-	-	47,504
Total	$ 825,574	$ 226,007	$ -	$ -	$ 1,051,581
Business-type activities					
Water Works					
2012	$ 3,326	$ 1,089	$ 989	$ 185	$ 5,589
2013	2,936	918	1,015	158	5,027
2014	3,121	769	1,042	131	5,063
2015	2,511	617	1,069	104	4,301
2016	1,817	488	1,098	75	3,478
2017-2021	4,242	1,551	2,285	60	8,138
2022-2026	4,100	505	-	-	4,605
Total	$ 22,053	$ 5,937	$ 7,498	$ 713	$ 36,201
Sewer Maintenance					
2012	$ 677	$ 601	$ 6,792	$ 4,616	$ 12,686
2013	697	571	7,018	4,391	12,677
2014	701	540	7,221	4,183	12,645
2015	703	506	7,412	3,986	12,607
2016	706	472	7,595	3,784	12,557
2017-2021	45,801	1,486	41,729	14,883	103,899
2022-2026	3,477	327	39,233	7,474	50,511
2027-2031	-	-	25,633	1,999	27,632
Total	$ 52,762	$ 4,503	$ 142,633	$ 45,316	$ 245,214
Other Enterprise					
2012	$ 1,970	$ 701	$ -	$ -	$ 2,671
2013	1,810	611	-	-	2,421
2014	1,783	524	-	-	2,307
2015	1,644	440	-	-	2,084
2016	1,307	360	-	-	1,667
2017-2021	4,397	1,042	-	-	5,439
2022-2026	2,230	212	-	-	2,442
Total	$ 15,141	$ 3,890	$ -	$ -	$ 19,031

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
	(Thousands of Dollars)				
Total Component Units					
2012	$ 2,674	$ 1,544	$ 570	$ 409	$ 5,197
2013	177	1,640	990	480	3,287
2014	3,885	1,616	1,195	452	7,148
2015	445	1,488	1,425	423	3,781
2016	902	1,465	1,670	389	4,426
2017-2021	5,239	6,892	13,031	1,333	26,495
2022-2026	4,784	5,995	31,419	377	42,575
2027-2031	4,342	5,653	29,295	124	39,414
2032-2036	6,690	5,167	8,025	5	19,887
2037-2041	9,452	4,434	-	-	13,886
2042-2046	9,888	3,117	-	-	13,005
2047-2051	10,654	1,170	-	-	11,824
2052-2056	127	760	-	-	887
2057-2061	3,426	182	-	-	3,608
Total	$ 62,685	$ 41,123	$ 87,620	$ 3,992	$ 195,420

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, 2011, the City's legal debt margin was $1,277,147,000. Of this amount, $590,416,000 was for school purposes and $686,731,000 was for City purposes.

G. Refundings

During May 2011, the City issued General Obligation Promissory Notes, Series 2011 N3 with a par amount of $24,998,659 and interest rates from 4% to 5%, Corporate Purpose Bonds, Series 2011 B4 with a par amount of $7,986,341 and interest rates from 4% to 5% and Corporate Purpose Bonds, Series 2011 T5 with a par amount of $2,055,032 and interest rates from 3% to 4.75%. These refundings will reduce future debt service payments by $ 736,142 and result in an economic gain of $642,371. During June 2011, the City issued Sewerage System Revenue Bonds, Series 2011 S1 with a par amount of $52,565,000 and interest rates from 3% to 5%. A portion of the proceeds from this sale was placed in an irrevocable trust that will be used to service the future requirements of the defeased Sewerage System Revenue Bonds. This refunding reduced future debt service payments by $3,188,903 and results in an economic gain of $2,837,397.

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, 2011, $49,325,000 of City bonds and $32,780,000 of Sewerage System Revenue Bonds outstanding is considered defeased, which includes debt defeased during the current year.

H. Conduit Debt

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2011 is approximately $42,326,000 for the City and $592,077,000 for RACM.

8. RETIREMENT PLANS

Pension Benefits

Plan Description – The City makes contributions to the Employes' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employes' Retirement System of the City of Milwaukee, 789 North Water Street, Suite 300, 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. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The City's contributions to the System for the years ending December 31, 2011, 2010, and 2009, were $22,878,684, $17,371,000, and $19,294,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

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

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

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

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

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends.

The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.
Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2011, the City paid approximately $33,225,000 and $1,320,000, respectively, toward medical and life insurance for retirees.

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

Funding Status and Funding Progress

ARC	$ 71,883,000
Interest on Net OPEB Obligation	7,846,000
Adjustment to ARC	(6,658,000)
Annual OPEB Cost	73,071,000
Contribution made	34,545,000
Increase in net OPEB Obligation	38,526,000
Net OPEB obligation - beginning of year	174,360,000
Net OPEB obligation - end of year	$ 212,886,000

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

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	$ 77,389,000	37.1%	$ 127,074,000
12/31/2010	81,311,000	41.8%	174,360,000
12/31/2011	73,071,000	47.3%	212,886,000

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $916,383,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $916,383,000. The covered payroll (annual payroll of active employees covered by the plan) was $407,840,000 and the ratio of the UAAL to the covered payroll was 225 percent.

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

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

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 8.5% initially, and reduced by decrements to the ultimate rate of 4.5% after 9 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between $45 and $65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between $21 and $30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2011, approximately $8,340,000 was paid for sick leave from all funds. At December 31, 2011, accumulated sick leave earned but not taken totaled approximately $172,424,000 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 2011, terminal leave payments totaled $1,939,000 to employees retiring during the year. As of December 31, 2011, the City has accrued approximately $30,139,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of $47,581,000 with the remainder accrued vacation leave of $17,442,000.

9. FUND BALANCE

The constraints placed on fund balance for the governmental funds at December 31, 2011 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
			(Thousands of Dollars)			
Nonspendable						
Loans receivable	$ 17	$ -	$ -	$ -	$ -	$ 17
Advances	7,562	-	-	-	-	7,562
Inventory	7,122	-	-	-	-	7,122
Inventory of property for resale	26	-	-	-	-	26
Prepaid items	189	-	-	886	-	1,075
Investment-Targeted Mortgage	128	-	-	-	-	128
Spendable						
Restricted for:						
Grants	-	-	-	-	5,800	5,800
Economic Development	-	-	-	-	55	55
Committed to:						
Contributions	2,995	-	-	-	-	2,995
Debt	-	126,222	67,264	-	-	193,486
Delinquent taxes	-	-	-	-	29,514	29,514
Assigned to:						
Conservation and development	113	-	-	-	-	113
General government	9,281	-	-	-	-	9,281
Health	181	-	-	-	-	181
Housing trust	390	-	-	-	-	390
Library	118	-	-	-	-	118
Public safety	2,055	-	-	-	-	2,055
Public works	570	-	-	-	-	570
2012 budgetary financing	13,767	-	-	-	-	13,767
Environmental remediation	303	-	-	-	-	303
Unassigned	27,169	-	-	(1,003)	-	26,166
Total Fund Balance	$ 71,986	$ 126,222	$ 67,264	$ (117)	$ 35,369	$ 300,724

Reserved for Tax Stabilization and Advances to Other Funds

A tax stabilization arrangement is incorporated into the City's adopted a *Reserve for Tax Stabilization Fund Balance Policy* and is governed by the City's Code of Ordinances. At December 31, 2011, the tax stabilization reserve was $48,704,000. Of this amount, $13,767,000 has been committed to the funding of the 2012 General Fund budget and $34,937,000 is unassigned for 2013 and subsequent years' budgets. This Reserve includes an amount for advances of $7,562,000 from the General Fund to the Capital Projects Fund. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the reserved for tax stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budgeted, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council prior to budget adoption.

Fund deficit

The Capital Projects Fund had a deficit fund balance of $117,000 as of December 31, 2011, 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 2012.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2011 were as follows:

	Due From					
Due To	General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
			(Thousands of Dollars)			
General Fund	$ -	$ 15	$ 2,066	$ -	$ -	$ 2,081
General Obligation Debt	-	-	4,415	-	-	4,415
Capital Projects	7,592	-	-	-	-	7,592
Nonmajor Governmental Funds	7,481	-	-	-	-	7,481
Water Works	15,333	-	-	668	635	16,636
Sewer Maintenance	-	-	-	-	-	-
Nonmajor Enterprise Funds	8,162	-	-	-	-	8,162
Totals	$ 38,568	$ 15	$ 6,481	$ 668	$ 635	$ 46,367

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

Interfund transfers for the year ended December 31, 2011 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	$ 1,818	Funding for debt payments
	Nonmajor Governmental Funds	9,785	Subsidize uncollected property taxes
	Capital Projects	85	Capital close outs
	Water Works	11,151	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	1,405	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	20,787	Subsidy for operations
	Nonmajor Enterprise Funds	2,345	Excess earnings of Port
	Subtotal General Fund	**47,376**	
General Obligation Debt	General	100,000	Funding for cash flow debt
	General	2,077	Funding for debt payments
	Public Debt Amortization	5,924	Capital Projects
	Capital Projects	53	Capital close outs
	Capital Projects	406	Tax Incremental District closeouts
	Nonmajor Governmental Funds	26,333	Funding for debt payments
	Sewer Maintenance	8,678	Subsidy for operations
	Nonmajor Enterprise Funds	597	Subsidy for operations
	Subtotal Debt Service	**144,068**	
Public Debt Amortization	General Obligation Debt	3,657	Funding for debt payments
	Subtotal Public Debt Amortization	**3,657**	
Nonmajor Enterprise	General Obligation Debt	617	Funding for debt payments
	Subtotal Nonmajor Proprietary	**617**	
	Total Interfund Transfers	**$ 195,718**	

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, 2011 were as follows:

Component Unit Payable	Primary Government's Receivable (Thousands of Dollars)
Due from HACM for reimbursable expenditures	$ 495
Due from RACM for reimbursable expenditures	12
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	19,293
Due from MEDC for reimbursements for expenditures	35
Due from MEDC for tax incremental district loans	497
Due from NIDC for home and Community Development Block grants	26
Total	$ 20,358

Component Unit Receivable	Primary Government's Payable (Thousands of Dollars)
Due to RACM for tax incremental projects	$ 70
Due to RACM for urban renewal projects	73
Due to RACM Community Development Block grants and Home grants	118
Due to HACM for reimbursable expenditures	19
Due to HACM Community Development Block grants and Home grants	304
Total	$ 584

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2012 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)
2012	$ 5,734
2013	5,604
2014	4,751
2015	4,701
2016	3,782
2017-2021	15,749
2022-2026	8,067
2027-2031	7,298
2032 and beyond	11,065
Total	$ 66,751

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

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

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

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

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2011 were as follows:

General liability claims	$ 6,125,000
Workers' compensation claims	11,033,000
Unemployment claims	1,022,000
Health insurance claims	4,268,000
Pollution remediation obligation	1,431,000

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

	2010	2011
Beginning of year liability	$ 23,719,000	$ 19,461,000
Current year claims and changes in estimates	2,812,000	10,308,000
Claim payments	(7,070,000)	(5,890,000)
End of year liability	$ 19,461,000	$ 23,879,000

Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009 and 2010 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication beginning about the middle of 2012. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax year 2010. These cases are also moving toward adjudication in 2012 and 2013. Appeals by the losing party are likely in many of these cases.

In a civil rights action, plaintiffs claim that an off-duty Milwaukee police officer violated their civil rights when in March 2005 he fatally shot a person. The officer subsequently committed suicide after he was charged criminally with the murder. In this ensuing civil litigation, the City has vigorously contested the plaintiffs' claims that the officer was acting within the scope of his employment and under color of law at the time of the shooting. The court ruled, however, not only that the issue of action under color of law presented a jury question but also that the plaintiffs could recover punitive damages even though the officer is deceased. The City has recently filed a motion on certain evidentiary issues that would have the effect of a dismissal of the case if granted. In the event that the motion is denied, however, the matter is set for trial later in 2012.

Environmental Liabilities

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

During 2011, the City spent $304,000 in pollution remediation-related activities. At December 31, 2011, the City has an outstanding liability of $1,431,000 related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Four of the seven landfills have been closed. The remaining three landfills are no longer accepting waste. The Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The City has accrued $350,000 in the government-wide financial statement, as part of general liability claims for landfill closure related to the three sites. $150,000 of these costs is meant to bring closure to the Hartung Quarry by constructing a sledding hill and additional landscaping. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

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, 2011.

Commitments

The following is a list of encumbrances by function at December 31, 2011:

	General Fund	Capital Projects	Water Works	Total
		(Thousands of Dollars)		
General government	$ 9,281	$ 2	$ -	$ 9,283
Conservation and development	113	8,465	-	8,578
Health	181	-	-	181
Housing trust	390	-	-	390
Library	118	626	-	744
Public safety	2,055	1,212	-	3,267
Public works	570	-	-	570
Infrastructures	-	15,204	3,391	18,595
Total	$ 12,708	$ 25,509	$ 3,391	$ 41,608

14. SUBSEQUENT EVENTS

On May 3, 2012, the City issued $6,085,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2013 until 2022. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $3,540,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2023 until 2032. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $8,455,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2023 until 2027. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $113,430,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2013 until 2022. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $100,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 4, 2012 with interest.

On May 22, 2012, the City issued $70,000,000 of extendable municipal commercial paper notes for various governmental purposes. The final maturity is on May 22, 2017.

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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, 2011
(Thousands of Dollars)

	Budgeted Amounts		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	$ 176,588	$ 176,588	$ 166,841	$ (9,747)
Other taxes	4,634	4,634	4,371	(263)
Licenses and permits	12,429	12,429	13,289	860
Intergovernmental	271,595	271,596	273,240	1,644
Charges for services	96,108	98,633	103,493	4,860
Fines and forfeits	5,255	5,255	5,076	(179)
Other	10,849	10,880	13,387	2,507
Total Revenues	577,458	580,015	579,697	(318)
Expenditures:				
Current:				
General government	247,285	237,305	229,556	7,749
Public safety	258,799	259,954	258,994	960
Public works	90,476	96,840	96,557	283
Health	9,328	9,276	8,872	404
Culture and recreation	16,092	16,120	15,566	554
Conservation and development	3,687	4,067	3,991	76
Total Expenditures	625,667	623,562	613,536	10,026
Deficiency of Revenues over Expenditures	(48,209)	(43,547)	(33,839)	9,708
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	-	100,000	100,000
Transfers in	34,353	36,170	47,376	11,206
Transfers out	-	-	(102,077)	(102,077)
Contributions received	32,343	32,871	24,021	(8,850)
Contributions used	(31,247)	(32,536)	(23,121)	9,415
Use of fund balance - reserved for tax stabilization	14,600	14,600	14,600	-
Total Other Financing Sources and Uses	50,049	51,105	60,799	9,694
Net Change in Fund Balance	1,840	7,558	26,960	19,402
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	45,026	45,026	45,026	-
Fund Balance - Ending	**$ 46,866**	**$ 52,584**	**$ 71,986**	**$ 19,402**

Explanation of Differences of Budget to GAAP:
For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is $14.6 million at January 1, 2011.
Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit E-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2011
(unaudited)

Retiree Health and Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	-	959,562,000	959,562,000	0.0%	419,811,361	228.6%
1/1/2010	-	1,007,573,100	1,007,573,100	0.0%	413,647,606	243.6%
1/1/2011	-	916,383,400	916,383,400	0.0%	407,839,733	224.7%

See accompanying independent auditors' report.

Budgets and Budgetary Accounting

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

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

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	January 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	8.5% per year graded down to 4.5% per year ultimate trend in 0.5% increments.

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

STATISTICAL SECTION

Pages 101-160 Omitted

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APPENDIX B

DRAFT FORM OF LEGAL OPINION

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June 26, 2013

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 $37,000,000 aggregate principal amount of Sewerage System Revenue Bonds, Series 2013 S5 (the "Bonds") of the City of Milwaukee (the "City") a municipal corporation of the State of Wisconsin.

The Bonds are authorized to be issued pursuant to the provisions of Section 66.0621 of the Wisconsin Statutes and the City Charter and by virtue of Resolution File Number 121559 adopted by the Common Council of the City on April 30, 2013 (the "Series Resolution").

The Bonds are a Series of Bonds as defined and referred to in Resolution File Number 991863 adopted by the Common Council on August 2, 2001, as amended by Resolution File Number 021776 adopted by the Common Council on April 15, 2003 and Resolution File Number 100863 adopted by the Common Council on November 23, 2010 (the "Master Resolution"). Under the terms of the Master Resolution, the City has heretofore issued and there is currently outstanding $51,035,000 aggregate principal amount of its Sewerage System Revenue Bonds (the "Outstanding Bonds") and the City may hereafter authorize and issue additional Sewerage System Revenue Bonds (the "Additional Bonds"). The Bonds, the Outstanding Bonds and any Additional Bonds are herein called the "First Lien Bonds."

The Bonds are issuable in fully registered form in the denominations of $5,000 or any integral multiple thereof, and are dated as of June 26, 2013. The Bonds mature on June 1 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on December 1, 2013 and semiannually thereafter on June 1 and December 1 of each year, at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2014	$1,000,000	2.00%	2024	$1,575,000	5.00%
2015	1,030,000	2.00	2025	1,660,000	5.00
2016	1,075,000	3.00	2026	1,745,000	4.00
2017	1,115,000	3.00	2027	1,830,000	4.00
2018	1,170,000	4.00	2028	1,925,000	4.00
2019	1,230,000	5.00	2029	2,025,000	4.00
2020	1,290,000	5.00	2030	2,130,000	4.00
2021	1,355,000	5.00	2031	2,240,000	4.00
2022	3,800,000	5.00	2032	2,355,000	4.00
2023	3,975,000	5.00	2033	2,475,000	4.00

The Bonds maturing on or after June 1, 2024 are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on June 1, 2023 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

We have not been requested to examine and have not examined any documents or information relating to the City other than the record of proceedings hereinabove referred to, and we express no

opinion as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchasers of the Bonds.

We are of the opinion that:

1. The City is a duly organized and validly existing municipal corporation of the State of Wisconsin and has the power and authority under Section 66.0621 of the Wisconsin Statutes to adopt the Master Resolution and the Series Resolution and to issue the Bonds.

2. The Master Resolution and the Series Resolution have each been duly adopted by the Common Council, are presently binding upon the City in accordance with their terms and are part of the City's contract with the owners of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the City and are valid and legally binding special obligations of the City payable from the Special Redemption Fund maintained under the Master Resolution. The payment of the principal of and interest on the First Lien Bonds (including the Bonds) is equally and ratably secured under the Master Resolution by a valid pledge of and lien on the Net Revenues of the System, as received by the City, and certain moneys and securities held under the Master Resolution, subject to the terms and provisions of the Master Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Master Resolution.

4. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

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

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

In rendering the foregoing opinion, we advise you that the enforceability of rights or remedies with respect to the Bonds, the Master Resolution and the Series Resolution (i) may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Very truly yours,

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

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The following sets forth definitions of certain terms used in the Bond Resolution and certain provisions of the Bond Resolution. This summary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. Reference is made to the Bond Resolution for a complete statement of the provisions thereof.

DEFINITIONS

"*Accrued Debt Service*" means, as of any date of computation and with respect to the Bonds of any Series, an amount equal to the sum of: (i) interest on such Bonds accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) principal, Sinking Fund Installment and redemption premium which are due and unpaid for such Bonds and that portion of the principal, unsatisfied balance of any Sinking Fund Installment (as determined in accordance with the Bond Resolution) and redemption premium for such Bonds next due which would have accrued to the end of such calendar month if deemed to accrue monthly from a date one year prior to its due date.

"*Act*" means Section 66.0621, Wisconsin Statutes, and all laws amendatory or supplemental thereto.

"*Additional Bonds*" means one or more Series of Bonds, exclusive of Refunding Bonds, issued pursuant to the Bond Resolution.

"*Additional Bonds Requirement*" means the requirement set forth in the Bond Resolution for issuing a Series of Bonds.

"*Aggregate Debt Service*" means, for any period and as of any date of computation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

"*Annual Budget*" means the budget adopted annually by the City's Common Council as described in the Bond Resolution.

"*Assumed Long-Term Fixed Rate*" means, with respect to Variable Rate Bonds, (i) a numerical rate of interest that such Bonds would have borne if issued as Fixed Rate Bonds with the same maturity and taking into account Sinking Fund Installments; and (ii) if the City has in connection with such Variable Rate Bonds entered into an Interest Rate Exchange Agreement which provides that the City is to pay to another person an amount determined based upon a fixed rate of interest on a notional amount and which requires the Counterparty to pay to the City an amount equal to the amount by which interest on the notional amount stated therein at the rate borne by such Variable Rate Bonds exceeds the interest payable on such notional amount at a rate stated therein, the fixed rate or other rate of interest set forth in or determined in accordance with such agreement. With respect to the Bonds described in clause (i) of the preceding sentence, an Authorized Officer shall certify or cause the Remarketing Agent for such Series of Variable Rate Bonds or other qualified person to certify such Assumed Long-Term Fixed Rate on the issue date of such Bonds, taking into account such market factors as such Authorized Officer or such Remarketing Agent or such qualified person shall deem necessary or appropriate.

"*Authorized Newspapers*" means *The Bond Buyer*, *The Wall Street Journal* or any other financial newspaper of national circulation printed in the English language and customarily published on each Business Day, as designated by an Authorized Officer.

"*Authorized Officer*" means the Comptroller of the City or any other officer of the City designated by resolution of the Common Council.

"*Bonds*" means Sewerage System Revenue Bonds, including any Series 2011 Bonds, Series 2013 Bonds and Additional Bonds, issued from time to time pursuant to and under the authority of the Bond Resolution.

"*Bond Anticipation Notes*" means bond anticipation note obligations issued pursuant to the Bond Resolution.

"*Bond Counsel*" means an attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

"*Bondholder*," or "*Holder of a Bond*" or "*Holder*" means the registered owner of any Bond which at the time shall be registered other than to bearer, or such holders' duly authorized attorney in fact, representative or assigns.

"*Bond Registry*" means the books maintained by the Paying Agent for the Bonds of a Series pursuant to the Bond Resolution for the registration of the Bonds of such Series and Bondholders.

"*Bond Resolution*" means the resolution of the City adopted by the Common Council on August 2, 2001 as amended by a resolution adopted on April 15, 2003 and as amended by a resolution adopted on November 23, 2010, as from time to time amended or supplemented by one or more Supplemental Resolutions.

"*Book Entry Bond*" means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof.

"*Business Day*" means any day which is not a Saturday, Sunday or a legal holiday in the State, the State of New York or a day on which banking institutions chartered by the State, the State of New York or the United States of America are legally authorized to close in the City of Milwaukee, Wisconsin or The City of New York.

"*City*" means the City of Milwaukee, Wisconsin.

"*City Charter*" means the Charter of the City of Milwaukee, Wisconsin, as the same may be amended from time to time.

"*Code*" means the Internal Revenue Code of 1986, as amended, and any successor statutes thereto, and any applicable regulations issued thereunder.

"*Common Council*" mean the Common Council of the City.

"*Construction Fund*" means the Sewerage System Construction Fund described in the Bond Resolution.

"*Consulting Engineer*" means the engineer or engineering firm or corporation retained from time to time pursuant to the Bond Resolution to perform the acts and carry out the duties provided for such Consulting Engineer in the Bond Resolution.

"*Costs*" means all costs of any Improvements and shall include, but shall not be limited to, all costs and estimated costs of the issuance of the Bonds, all architectural, engineering, inspection, financial and legal expenses, the cost of causing the payment of the principal or interest or both of the Bonds to be insured or guaranteed, the initial cost of any Support Facility or Interest Rate Exchange Agreement and interest which it is estimated will accrue during the construction of any Improvements and for six (6) months thereafter.

"*Counterparty*" means any person with which the City has entered into an Interest Rate Exchange Agreement.

"*Debt Service*" means, as of any particular date of computation, with respect to any Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside in such period for the payment (or retirement) of the principal and Redemption Price (if any) of, and interest on, such Bonds; provided, however, that the term "*Debt Service*" shall not include interest on Bonds to the extent it is to be paid from amounts on credit to a Series Interest Account (as defined in the Bond Resolution), amounts on credit to the Special Redemption Fund or any other provisions made for the payment of interest.

"*Depositary*" means any bank, national banking association or trust company selected and appointed by an Authorized Officer in accordance with the Bond Resolution as a depositary of moneys and Investment Securities held under the provisions of the Bond Resolution. With respect to the 2011 Bonds, The Bank of New York Mellon Trust Company, N.A., has been designated as the Depository.

"*Depository*" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

"*Exempt Obligation*" means an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Bond Resolution, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "*Aa*" or better by Moody's and "*AA*" or better by S&P, or, if such obligation is not rated by Moody's or S&P, or, if such obligation is rated by neither Moody's nor S&P, has been assigned a comparable rating by another nationally recognized rating service, but in no event rated lower than the lowest rating on Outstanding Bonds assigned by Moody's or S&P.

"*Fiscal Year*" means the twelve month period established by the City or provided by law from time to time as its fiscal year, and which, as of the date of adoption of the Bond Resolution, is the twelve month period commencing on January 1 of any year and ending on December 31 of the following year.

"*Fixed Rate Bonds*" means any Bonds issued bearing interest at a fixed rate per annum from their dated date or such other date to their maturity date.

"*Government Obligation*" means a direct obligation of the United States of America, or an obligation the principal of and interest on which are guaranteed by the United States of America; provided, that the full faith and credit of the United States of America is pledged to any such direct obligation or guarantee.

"*Gross Proceeds*" means, with respect to a Series of Tax-exempt Bonds the "*gross proceeds*" as defined in the Tax Certificate executed in connection with the issuance of such Series of Bonds, which definition shall be consistent with the provisions of the Code relating to the exclusion from gross income of holders of the interest on state and local government obligations for federal income taxation purposes.

"*Improvements*" means the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of the Sewerage System.

"*Interest Rate Exchange Agreement*" means an agreement entered into by the City relating to Bonds of one or more Series which provides that during the term of such agreement the City is to pay to the Counterparty an amount based on the interest accruing at a fixed or variable rate per annum on a notional amount and that the Counterparty is to pay to the City either (i) an amount based on the interest accruing on such notional amount at a fixed, capped or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement, or (ii) an amount based on the amount by which the rate per annum at which such Bonds bear interest exceeds a rate per annum stated in such agreement.

"*Investment Securities*" means those securities which, from time to time, are legal for the investment of funds of the City.

"*Maximum Interest Rate*" means, with respect to any particular Variable Rate Bond, a numerical rate of interest per annum, which shall be set forth in the Series Resolution authorizing such Bond, that shall be the maximum rate per annum at which such Bond may bear interest at any time.

"*Moody's*" means Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "*Moody's*" shall be deemed to refer to any other nationally recognized rating agency, if any, designated by the Comptroller of the City.

"*Net Revenue Requirement*" means with respect to any Fiscal Year or any period, an amount equal to the greater of: (i) the sum of (a) the Aggregate Debt Service in such Fiscal Year or such period and (b) the Required Deposits for such Fiscal Year or such period; or (ii) 1.20 times the Aggregate Debt Service in such Fiscal Year or such period plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the end of such Fiscal Year or such period.

"*Net Revenues*" means, with respect to any period, the Revenues during such period less amounts required to pay Operation and Maintenance Expenses.

"*Operation and Maintenance Expenses*" means the costs and expenses of operating and maintaining the Sewerage System, including, without limiting the generality of the foregoing: (i) all expenses includable in the operation and maintenance expense accounts of the City relating to the Sewerage System according to generally accepted accounting principles, exclusive of debt service, capital expenditures, depreciation and tax equivalents; and (ii) to the extent not included in the preceding clause (i) or paid from Bond proceeds or otherwise, the City's share of the costs and expenses of operating and maintaining any plants and properties jointly owned with others.

"*Opinion of Counsel*" means with respect to the City a written opinion of counsel selected by the Comptroller of the City who is not an employee of the City, and which, with respect to Federal income tax law and securities law relating to obligations issued by state and local governmental units, is Bond Counsel. Any Opinion of Counsel may be based (insofar as it relates to factual matters or information which is in the possession of the City) upon a Written Certificate of the City unless such counsel knows, or in the exercise of reasonable care should have known, that such Written Certificate is erroneous.

"*Option Bond*" means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the City prior to the stated maturity thereof or for purchase thereof.

"*Outstanding*" or "*outstanding*" when used with reference to Bonds means, as of any date, Bonds theretofore or thereupon issued pursuant to the Bond Resolution, except: (a) any Bonds canceled by a Paying Agent or paid at or prior to such date; (b) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the Bond Resolution; (c) Bonds deemed to be no longer outstanding

thereunder as provided in the Bond Resolution; and (d) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds which have been purchased by or on behalf of the City and in lieu of or substitution for which another Bond shall have been authenticated and delivered pursuant to Article III; provided that interest thereon shall have been paid through such tender or purchase date thereof and the purchase price thereof shall have been paid or amounts are available for such payment as provided herein and in the Series Resolution authorizing such Bonds.

"*Parity Support Facility Reimbursement Obligation*" means the obligation of the City described in the Bond Resolution to directly reimburse the Support Facility Provider of any Support Facility for amounts paid by such Support Facility Provider under such Support Facility or a Counterparty under an Interest Rate Exchange Agreement for amounts paid thereunder, on a parity with the obligation of the City to pay the Bonds, whether or not such obligation to reimburse is evidenced by a promissory note or other similar instrument.

"*Paying Agent*" means, as to Bonds of any particular Series, the Treasurer of the City or the bank or trust company designated for the payment of the principal and Redemption Price (if any) of, and interest on, the Bonds of such Series in the Series Resolution authorizing the issuance of such Series. With respect to the Series 2013 Bonds, The Bank of New York Mellon Trust Company, N.A., has been designated as the Paying Agent.

"*Principal Office*" means the office designated in writing to the Treasurer of the City by a Paying Agent, at which payment and registration of Bonds may be made.

"*Rebatable Amount*" means, with respect to a Series of Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Series of Bonds exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Series of Bonds, as such yield is determined in accordance with the Code; (ii) amounts earned on the investment of the excess described in clause (i) and (iii) any other amount required by the Code.

"*Rebate Fund*" means the Rebate Fund created in the Bond Resolution.

"*Record Date*" means, with respect to any Series of Bonds, (i) with respect to the payment of interest, the fifteenth (15th) day (whether or not a Business Day) of the month preceding an interest payment date; (ii) with respect to notice of redemption, the forty-fifth (45th) day (whether or not a Business Day) preceding the date of redemption; or (iii) such other day as may be provided in the Series Resolution authorizing the issuance of such Series.

"*Redemption Price*" means, with respect to any Bond, the principal amount thereof plus the applicable redemption premium, if any, payable upon redemption thereof pursuant to the Bond Resolution or any Series Resolution.

"*Refunded Municipal Obligations*" means Exempt Obligations which are rated in the highest rating category by Moody's and S&P and provision for the payment of the principal of and interest on which shall have been made by an irrevocable deposit with a trustee or escrow agent of Government Obligations, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which Government Obligations shall be sufficient to pay, when due, the principal of and interest on such Exempt Obligations.

"*Refunding Bonds*" means Bonds issued pursuant to the Bond Resolution for refunding purposes.

"*Remarketing Agent*" means the Remarketing Agent for a Series of Bonds appointed pursuant to a Series Resolution or any successor.

"*Remarketing Agreement*" means an agreement by and between the City and another person pursuant to which Option Bonds tendered for purchase or redemption are to be remarketed to the public by such other person.

"*Required Deposits*" means, for any period, the amounts, if any, required: (i) to be paid into the Reserve Account in the Special Redemption Fund, and (ii) to pay Support Facility Reimbursement Obligations.

"*Reserve Account*" means the Reserve Account in the Special Redemption Fund, created in the Bond Resolution.

"*Reserve Account Requirement*" means that amount, if any, determined in a Series Resolution; provided, however, that for purposes of this definition, Aggregate Debt Service shall be computed with respect to each Variable Rate Bond by using the Assumed Long-Term Fixed Rate applicable thereto.

"*Revenue Bond Index*" means the thirty (30) year Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such Index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same or similar components as the Revenue Bond Index.

"*Revenue Fund*" means the Revenue Fund described in the Bond Resolution.

"*Revenues*" means the moneys, including any moneys collected from the City or any department thereof, derived by the City from the rates, rentals, fees and charges prescribed for the use and services of, and the facilities and commodities furnished by, the Sewerage System, including, without limiting the generality of the foregoing, (i) all income, receipts, profits, and other moneys derived from the furnishing or supplying of the services, facilities and commodities through the Sewerage System; (ii) all payments made by Counterparties pursuant to Interest Rate Exchange Agreements; and "*Revenues*" shall not include, (i) deposits subject to refund until such deposits have become the property of the City; (ii) contributions in-aid-of construction and assessment, impact and other similar fees imposed and collected by the City which are targeted to pay the Costs of specific Improvements; (iii) income, fees, charges, receipts, profits or other moneys derived by the City from the ownership or operation of any separate utility system; (iv) any gifts, grants, donations or other moneys received by the City for purposes of the Sewerage System from any State or Federal agency or other person if such gifts, grants, donations or other moneys are the subject of any limitation or reservation: (a) imposed by the donor or grantor; or (b) imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds; or (v) amounts retained in the Revenue Fund for working capital and operating reserves pursuant to the Bond Resolution.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill and Companies, Inc., its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized rating agency designated by the Comptroller of the City.

"*Serial Bonds*" means Bonds which mature serially and which are not Term Bonds.

"*Series*," "*Series of Bonds*" or "*Bonds of a Series*" means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Bond Resolution.

"*Series Resolution*" means a resolution authorizing the issuance of a Series of Bonds adopted by the Common Council pursuant to the Bond Resolution.

"*Series 2011 Bonds*" means the $52,565,000 original principal amount of the Sewerage System Revenue Bonds, Series 2011 S1, of the City authorized by the Bond Resolution.

"*Sewerage Service Charge*" means the sewerage system charge authorized in Section 66.0821(4), Wisconsin Statutes.

"Series 2013 Bonds" means the $37,000,000 original principal amount Sewerage System Revenue Bonds, of the City authorized by the Bond Resolution.

"*Sewerage System*" means all plants and properties, both real and personal and tangible and intangible, now or hereafter existing, under the management, control or jurisdiction of the City, used for, useful in, or pertaining to the collection, transportation, pumping, storage, treatment and disposal of sewage. Without limiting the generality of the foregoing, the Sewerage System shall include: (1) the existing plants and properties comprising the Sewerage System under the management, control or jurisdiction of the City, as of the date of adoption of the Bond Resolution; and (2) all Improvements hereafter constructed or otherwise acquired, purchased or annexed.

"*Sinking Fund Installment*" means an amount so designated which is established pursuant to the Bond Resolution. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited pursuant to the Bond Resolution toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

"*Special Redemption Fund*" means the Sewerage System Special Redemption Fund created in the Bond Resolution.

"*State*" means the State of Wisconsin.

"*Subordinate Obligations*" means any bonds, notes or other evidences of indebtedness of the City payable from the Net Revenues, other than the Bonds, issued under the Bond Resolution.

"*Subordinate Obligation Fund*" means the Subordinate Obligation Fund created in the Bond Resolution.

"*Supplemental Resolution*" means any resolution adopted by the Common Council and becoming effective pursuant to and in compliance with the provisions of Article X, which amends or supplements the provisions of the Bond Resolution, any Series Resolution or any other Supplemental Resolution.

"*Support Facility*" means an irrevocable letter of credit, surety bond, loan agreement, standby purchase agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by one or more Support Facility Providers, pursuant to which the City is entitled to obtain moneys to pay the principal or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance with the Bond Resolution and with the Series Resolution authorizing such Bonds, whether or not the City is in default under the Bond Resolution.

"*Support Facility Provider*" means the provider of a Support Facility, if any, designated in a Series Resolution.

"*Support Facility Reimbursement Obligation*" means the obligation of the City described in the Bond Resolution to directly reimburse the Support Facility Provider of a Support Facility for amounts paid thereunder or a Counterparty under an Interest Rate Exchange Agreement for amounts paid thereunder, whether or not such obligation to reimburse is evidenced by a promissory note or other similar instrument.

"*Surplus Fund*" means the Surplus Fund created in the Bond Resolution.

"*Tax Certificate*" means such tax certificates, instructions and other documents as may be executed by an Authorized Officer in connection with the issuance of Tax-exempt Bonds of a Series for the purpose of demonstrating compliance with the applicable provisions of the Code.

"*Tax-exempt Bonds*" means Bonds the interest on which is intended by the City to be excluded from gross income of the Holders of such Bonds for federal income taxation purposes pursuant to the Code.

"*Term Bonds*" means Bonds the retirement or the redemption of which shall be provided for from moneys credited to the Special Redemption Fund pursuant to the Bond Resolution.

"*Variable Rate Bonds*" means any Bonds issued bearing interest at a rate per annum subject to adjustment from time to time based on the terms thereof, based upon an index, or otherwise calculated in a manner which precludes the actual rate for the entire term of such Bonds from being ascertainable in advance (i.e., a "*variable rate*"); provided, however, that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall constitute a Fixed Rate Bond and no longer be a Variable Rate Bond; provided, further, however, that in the case where a Bond bears a variable rate and is dated and has the same maturity as a Bond bearing a rate that is a constant rate minus the rate borne by the first bond (i.e., an "*inverse variable rate*"), both Bonds shall constitute Fixed Rate Bonds and no longer be Variable Rate Bonds.

"*Written Certificate of the City*," "*Written Direction of the City*," "*Written Request of the City*," or "*Written Statement of the City*" means an instrument in writing signed on behalf of the City by an Authorized Officer thereof. Any such instrument and any supporting opinions or certificates may, but need not, be combined in a single instrument with any other instrument, opinion or certificate, and the two or more so combined shall be read and construed so as to form a single instrument. Any such instrument may be based, insofar as it relates to legal, accounting or engineering matters, upon the Opinion of Counsel, or opinion or certificate of accountants or the Consulting Engineer, unless the Authorized Officer signing such Written Certificate or Direction or Request or Statement knew, or in the exercise of reasonable care should have known, that the opinion or certificate with respect to the matters upon which such Written Certificate or Direction or Request or Statement may be based, as aforesaid, is erroneous. The same Authorized Officer, or the same counsel, accountant or engineer, as the case may be, need not certify or opine to all of the matters required to be certified to or opined upon under any provision of the Bond Resolution, but different Authorized Officers, counsel, accountants or engineer may certify or opine to different facts, respectively.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains terms and conditions relating to the issuance of the Bond, including the Series 2013 Bonds, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive, and is subject to all of the provisions of the Bond Resolution, to which reference is hereby made. This summary uses various terms defined in the Bond Resolution. Capitalized terms used in this **"SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION"** are as set forth in the Bond Resolution.

Pledge Made in the Bond Resolution

The Bonds are limited special obligations of the City payable solely from and secured by the funds pledged therefor pursuant to the Bond Resolution. The City has pledged as security for the payment of the principal and Redemption Price (if any) of and interest on, the Bonds in accordance with their terms and provisions of the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution: (i) the proceeds of sale of the Bonds pending application thereof in accordance with the provisions of the Bond Resolution or of a Series Resolution, (ii) the Net Revenues, and (iii) all Funds and Accounts held under the Bond Resolution other than (a) the Rebate Fund, and (b) the Subordinate Obligation Fund, including the investments, if any, in such Funds and Accounts; and the Bondholders shall have a lien on, and a security interest in, such proceeds, Net Revenues, and Funds and Accounts for such purpose and subject to such provisions of the Bond Resolution. Such lien and security interest for the payment of Bonds shall be prior and superior to the lien and security interest for the payment of Subordinate Obligations. The Bonds are additionally secured by a mortgage lien upon the Sewerage System which shall be perfected by the recording of the Bond Resolution in the records of the City.

The pledge of, and lien on, and security interest in, the proceeds of the Bonds and the Net Revenues as received by the City and the Funds and Accounts in the Bond Resolution, other than the Rebate Fund and the Subordinate Obligation Fund, shall be valid and irrevocable: (i) from and after the time that, if required by State law, a financing statement is filed with respect to such pledge, lien and security interest as required by State law, and, upon such filing; or (ii), if no financing statement is so required by State law, upon delivery of the proceeds of a Series of Bonds, and all the Net Revenues as received by the City and the Funds and Accounts of the Bond Resolution, other than the Rebate Fund and the Subordinate Obligation Fund, shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of the pledge shall be valid as against, and prior to the lien of, all parties having claims of any kind in tort, contract or otherwise against the City irrespective of whether such parties have notice thereof.

Additional Bonds

One or more Series of Bonds (exclusive of Refunding Bonds), may be issued at any time and from time to time for any lawful use or purpose relating to the Sewerage System, including, without limitation, payment of all or a portion of the Costs of Improvements, but only upon compliance as to each such Series with the provisions as set forth in the Bond Resolution, including providing, among other things, the following documents or moneys or securities:

> Either (I) a Written Certificate of an Authorized Officer of the City based: (i) on audited figures, provided that such audited figures are for the most recent Fiscal Year for which an audit is available, and are for a period ending within 18 months of the date of issuance of the proposed Series of Bonds; or (ii) on figures taken by an independent certified public accountant from the City's books and records, showing that the Net Revenues for any consecutive twelve (12) months period out of twenty-four (24) months immediately preceding the month in which such Bonds are issued were not less than the greater of (x) the sum of (1) the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any Fiscal Year and the twelve (12) month period selected, and (2) the Required Deposits for such Fiscal Year or the twelve (12) month period selected; and (y) 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any Fiscal Year and the twelve (12) month period selected, plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of the Written Certificate of the City, or (II) a Written Certificate of an Authorized Officer of the City or Certificate of the Consulting Engineer that the

Net Revenues to be derived in each of the five (5) Fiscal Years following the earlier of: (i) the end of the period during which interest is capitalized or, if no interest is to be capitalized, the Fiscal Year in which the proposed Series of Bonds are issued, and (ii) the date on which substantially all Improvements to be financed with the proceeds of the proposed Series of Bonds are expected to commence operations, or, if the proceeds of such Series of Bonds will not be used to fund the Costs of Improvements, the Fiscal Year in which the proposed Series of Bonds are issued, are estimated to be not less than the greater of: (x) the sum of (1) the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year, and (2) the Required Deposits for any such Fiscal Year; and (y) 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year, plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of such Written Certificate of the City or certificate of the Consulting Engineer, as the case may be.

If any changes have been made and are in effect at the time of the issuance of the proposed Series of Bonds in the Sewerage Service Charges (exclusive of changes in the rates and charges for the privilege of connecting to the Sewerage System) which were not in effect during all or any part of the periods referred to above, the Net Revenues for either of such respective periods may be adjusted to reflect the results which would have occurred in the Net Revenues if such changes in the Sewerage Service Charges had been in effect during all of such respective periods.

Certain Adjustments

In determining Debt Service on Variable Rate Bonds then Outstanding and Variable Rate Bonds then proposed to be issued for purposes of the Additional Bonds Requirement, the interest rate shall be calculated as: (i) if any Variable Rate Bonds are then Outstanding and have been Outstanding for at least twenty-four (24) months, the highest average interest rate borne by such Variable Rate Bonds for any thirty (30) day period, or (ii) if no such Variable Rate Bonds are then Outstanding, the Revenue Bond Index at the time of calculation.

Refunding Bonds

The City by means of a Series Resolution adopted in compliance with the provisions of the Bond Resolution may issue a Series of Refunding Bonds at any time for the purpose of refunding (including by purchase) at any time all or any portion of Bonds Outstanding, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the Refunding Bonds and of effecting such refunding; provided, however, that the provisions of the Bond Resolution are complied with upon the issuance of such Series, including all of the conditions described in "*Additional Bonds*" described above, except that the certificate described in "*Additional Bonds*" above need not be complied with if the Refunding Bonds proposed to be issued do not mature later than the Bonds to be refunded and Debt Service in any Fiscal Year on the Refunding Bonds proposed to be issued does not exceed Debt Service in any Fiscal Year on the Bonds to be refunded by more than ten percent (10%).

Separate Utility Systems

Nothing contained in the Bond Resolution shall prevent the City from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, to acquire or construct facilities for the collection, treatment or disposal of sewage, and any incidental properties to be constructed or acquired in connection therewith, which facilities shall be a separate utility system and which bonds or other obligations or evidences of indebtedness shall be payable solely from the revenues or other income derived from the ownership or operation of such separate system; provided,

however, that the City will not issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness for the purpose of acquiring or constructing such a separate utility system unless and until a report of the Consulting Engineer shall be delivered to the Comptroller to the effect that: (i) the plan for developing the separate utility system is consistent with sound planning, and the separate utility system is of such character that it would be useful to the City; (ii) the separate utility system can be economically and effectively utilized by the City; (iii) the cost of the services of the separate utility system is reasonable in comparison to alternative sources; and (iv) in the opinion of the Consulting Engineer, the acquisition, construction or operation of such separate utility system will not result in a reduction of the Revenues below the amounts covenanted by the Bond Resolution to be maintained.

Service to the City

The reasonable cost and value of services rendered to the City by the Sewerage System by furnishing sewer services for public purposes, shall be charged against the City and shall be paid by it in quarterly installments as the service accrues, out of the current revenues of the City collected or in the process of collection, exclusive of the revenues derived from the Sewerage System and out of the tax levy of the City made by it to raise money to meet its necessary current expenses. The reasonable cost and value of such service to the City in each Fiscal Year shall be the amount necessary in the Fiscal Year which, together with the other revenues of the Sewerage System, will produce Net Revenues in each Fiscal Year equal to not less than 1.00 times the maximum aggregate Debt Service on the Bonds then Outstanding plus 1.00 times the aggregate Support Facility Reimbursement Obligations then Outstanding. However, such payment out of the tax levy shall be subject to (a) approval of the Public Service Commission, or successors to its function, if necessary, (b) yearly appropriations therefor and (c) applicable levy limitations, if any; but neither the Bond Resolution nor such payment shall be construed as constituting an obligation of the City to make any such appropriation over and above the reasonable cost and value of services rendered to the City and its inhabitants or make any subsequent payment over and above such reasonable cost and value. Such compensation for such service rendered to the City shall, in the manner described above and in the Bond Resolution, be paid into the Revenue Fund created by such Bond Resolution.

Funds and Accounts

The City has created a Revenue Fund into which all Revenues collected by the City have been and shall be deposited, from which the Revenues shall be appropriated and expended for operating expenses of the Sewerage System, other purposes of the Sewerage System, and in which certain working capital and operating reserves for purposes of the Sewerage System have been and shall be maintained. The Revenue Fund shall be considered to be a fund held under the Bond Resolution for purposes of the pledge made in the Bond Resolution.

The Bond Resolution also creates and establishes the following additional funds of the City to be maintained so long as any Bonds are Outstanding:

- Operation and Maintenance Fund;
- Rebate Fund;
- Special Redemption Fund and Reserve Account therein;
- Subordinate Obligation Fund; and
- Surplus Fund.

The Operation and Maintenance Fund, Special Redemption Fund, Reserve Account and Surplus Fund shall be considered to be funds held under the Bond Resolution for purposes of the pledge made in the Bond Resolution.

The Bond Resolution also creates a Construction Fund into which the proceeds of revenue bonds of the City issued to pay the costs of Improvements specified to be expended from such Construction Fund. The Construction Fund shall be considered to be a fund held under the Bond Resolution for purposes of the pledge made thereunder.

Revenue Fund

From and after the time of delivery of the first Bond executed and delivered under the Bond Resolution, Revenues shall be collected by the City and deposited, as soon as practicable, into the Revenue Fund. From the amounts deposited in the Revenue Fund, the City shall transfer to the Operation and Maintenance Fund sufficient moneys to pay the current Operation and Maintenance Expenses of the Sewerage System, transfer to the Rebate Fund such amount as is necessary to pay the rebate amount due the United States Treasury Department under Section 148 of the Code or to set aside as a reserve for such payment and make the transfers to other Funds and Accounts as provided in the Bond Resolution.

In each month, the City, after making the transfer, if any, to the Operating and Maintenance Expenses for such month and setting aside an amount sufficient to pay the Operating and Maintenance Expenses expected to be incurred for the balance of such month and making the transfer, if any, to the Rebate Fund as provided in the Bond Resolution, shall retain, apply or transfer on the fifth (5th) day prior to the end of each month, unless otherwise provided below, a sufficient amount of moneys in the Revenue Fund in the following order of priority:

(1) To the Special Redemption Fund, if and to the extent required so that the balance therein shall equal the Accrued Debt Service for all Bonds Outstanding and the interest accrued on all Bond Anticipation Notes outstanding on said date;

(2) To the Reserve Account in the Special Redemption Fund, if and to the extent required by a Series Resolution either (i) an amount such that the balance in the Reserve Account shall equal the Reserve Account Requirement on said date, or (ii) an amount such that if the same amount were deposited in each month the amount of any deficiency in the Reserve Account shall be eliminated at the end of the twelfth (12th) month following the first credit;

(3) In the Revenue Fund, a reasonable and necessary amount for working capital and operating reserves;

(4) To the Subordinate Obligation Fund, the amount, if any, required to be deposited in such Fund pursuant to the resolution authorizing issuance of the Subordinate Obligations payable from such Fund; and

(5) To the Surplus Fund, such amounts as shall remain in the Revenue Fund.

All reasonable and necessary Operation and Maintenance Expenses shall be paid from the Operation and Maintenance Fund as the same become due and payable and, except for the Rebate Fund, prior to any transfer or payment to other funds and accounts set forth therein.

The City may if provided in a Series Resolution authorizing the Bonds of a Series, directly pay out of the Revenue Fund reimbursements to Support Facility Providers whose Support Facilities have been drawn upon, after payments have been made to the Special Redemption Fund.

Special Redemption Fund

The City shall pay out of the Special Redemption Fund to each Paying Agent; (i) on or before each interest payment date for any of the Bonds or Bond Anticipation Notes the amount required for the interest payable on such date; (ii) on or before each principal payment date, an amount equal to the principal, if any, due on such date by reason of maturity or by reason of the payment of any Sinking Fund Installment; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of the Redemption Price of and interest on the Bonds then to be redeemed. Such amounts shall be applied by each Paying Agent on and after the due dates thereof. The City shall also pay out of the Special Redemption Fund the accrued interest included in the purchase price of Bonds purchased for retirement.

Amounts accumulated in the Special Redemption Fund by reason of the payment of any Sinking Fund Installment may be applied by the City, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, to: (i) the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, or (ii) the redemption of such Bonds at the applicable Redemption Price, if then redeemable by their terms. All such purchases of Bonds shall: (i) be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest; (ii) be made as arranged by the City in such manner and from such sellers or brokers at such prices as the City shall determine; and (iii) be made to insure that delivery of the Bonds so purchased shall not occur later than the sixtieth (60th) day next preceding the redemption date to which the Sinking Fund Installment is to be applied. The applicable Redemption Price of any Bonds (or principal amount of maturing Bonds) so purchased or redeemed shall be deemed to constitute part of the Special Redemption Fund until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Sinking Fund Installment, the City shall proceed to call for redemption on such due date Bonds of the maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased or redeemed pursuant to the Bond Resolution which the City has applied as a credit against such Sinking Fund Installment as provided in the Bond Resolution and as described above. The City shall pay out of the Special Redemption Fund to the appropriate Paying Agents, on or before the redemption date, the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

The amount, if any, credited to the Special Redemption Fund from a Series Interest Account (as hereafter defined) in the Construction Fund shall he applied to the payment of interest on the Bonds as the same becomes due and payable as provided in the Bond Resolution.

Upon any purchase or redemption as provided in the Bond Resolution and as described above of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established: (i) if the principal amount of the Bonds so purchased is less than or equal to the next succeeding Sinking Fund installment for such Series there shall be credited to the next such Sinking Fund Installment an amount equal to the principal amount of the Bonds of such Series so purchased; and (ii) if the principal amount of the Bonds so purchased is greater than the next succeeding Sinking Fund Installment, there shall be credited toward each such Sinking Fund installment thereafter to become due an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Bonds so purchased or redeemed bears to the total principal amount of all such Sinking Fund Installments to be so credited or, at the option of the City, an amount equal to the next succeeding Sinking Fund Installment. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been

credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Moneys set aside from time to time with any Paying Agent for the purpose of paying the principal and Redemption Price (if any) of, and interest on, the Bonds shall be held in trust for the Holders of the Bonds in respect of which the same shall have been so set aside. Until so set aside, all moneys in the Special Redemption Fund shall be held in trust for the benefit of the Holders of all Bonds at the time outstanding, equally and ratably.

When Bonds of a Series are refunded in whole or in part or are otherwise paid in accordance with the Bond Resolution, moneys may be withdrawn from the Special Redemption Fund to pay or provide for the payment of such Bonds or refunded Bonds, as the case may be; provided that immediately after such withdrawal or transfer there shall be on credit to the Special Redemption Fund an amount equal to the Accrued Debt Service for the Bonds then Outstanding after taking into account such refunding or payment.

Reserve Account

If on the day preceding any principal or interest payment date, the amount in the Special Redemption Fund shall be less than Accrued Debt Service for all Bonds then Outstanding, the City shall pay out of the Reserve Account, to the extent moneys are required to be on deposit therein, to each Paying Agent for such Bonds the amount necessary to satisfy the deficiency for payment to the holders of such Bonds. Amounts so applied shall be derived first, from cash or Investments Securities on credit to the Reserve Account and second, from draws or demands on Support Facilities held as a part thereof, such draws or demands to be made pro rata among all such support Facilities based on the respective available amounts thereunder and upon the terms and conditions set forth in such Support Facilities.

Whenever the amounts on deposit in the Reserve Account shall exceed the Reserve Account Requirement, if any, the City shall withdraw the amount of such excess and deposit such excess to the credit of the Special Redemption Fund or the Revenue Fund, as the City shall determine.

Whenever the amount (exclusive of Support Facilities) in the Reserve Account, if any, together with the amount in the Special Redemption Fund, is sufficient to pay in full the principal or Redemption Price, if any, of and interest on all such Outstanding Bonds in accordance with their terms, the funds on credit to the Reserve Account shall be transferred to the Special Redemption Fund. Prior to said transfer, all Investment Securities held in the Reserve Account shall be liquidated by the City to the extent necessary to provide for timely payment of the principal or Redemption Price, if any, of and interest on such Bonds.

When Bonds of a Series are refunded in whole or in part or are otherwise paid in accordance with the Bond Resolution, moneys may be withdrawn from the Reserve Account to pay or provide for the payment of such Bonds or refunded Bonds, as the case may be; provided that immediately after such withdrawal or transfer there shall be on credit to the Reserve Account an amount equal to the Reserve Account Requirement, if any, for the Bonds then Outstanding after taking into account such refunding or payment.

Surplus Fund

The City shall transfer from the Surplus Fund: (i) to the Special Redemption Fund and the Reserve Account therein the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to satisfy any deficiencies in payments to such Funds required by the Bond Resolution; (ii) in the event of any transfer of moneys from the Reserve Account to the Special

Redemption Fund or to the Reserve Account the amount of any resulting deficiency in such Fund or Account; (iii) such amount as the City may, in its discretion, determine to set aside in reserve for meeting the deficiencies referred to in clauses (i) through (ii) of this paragraph; and (iv) provided that all transfers and reserves therefor referred to in clauses (i) through (iii) of this paragraph shall have heretofore been made, to the Subordinate Obligation Fund the amount, if any, necessary to satisfy any deficiency therein.

Amounts in the Surplus Fund not required to meet a deficiency referred to in the Bond Resolution and as described above shall be applied to any of the following purposes:

the Costs of Improvements, or the provision of one or more reserves therefore;

the purchase at such price or prices as the City may deem advisable or redemption of any Bonds and expenses of such purchase or redemption at any time; or

for any other purpose authorized by the laws of the State of Wisconsin in connection with the Sewerage System, including reimbursement to the City of advances made by the City to the Sewerage System.

Construction Fund

As soon as practicable on the date of delivery of the Bonds of a Series, there shall be deposited in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution. In addition, the City shall deposit in the Construction Fund such moneys other than proceeds of the Bonds as the City shall determine to be proper or appropriate to pay the Costs of Improvements.

The Series Resolution authorizing the issuance of any Series of Bonds (exclusive of Refunding Bonds) may create and establish one or more separate special Series Accounts in the Construction Fund, with such designation as may be appropriate. In the event any interest on such Bonds is to be capitalized from the proceeds of such Bonds, there shall be created in the Construction Fund a special Series Interest Account with such designation as may be appropriate.

Moneys, including proceeds of the Bonds of a Series, which are credited to the Construction Fund or Series Account shall be applied to the payment of the Costs as shall be specified in the applicable Series Resolution. Any balance remaining in the Construction Fund or such Series Account upon completion of payment of such Costs may be used for any lawful purpose of the City; provided that the City shall have obtained an Opinion of Counsel that any such application will not impair the exemption from Federal income taxation of interest on any of the Tax-exempt Bonds.

Moneys credited to a Series Interest Account shall be used for the purpose of paying interest on the Bonds of designated Series. On or before the fifth (5th) day preceding the end of the month next preceding the maturity of an installment of interest on the Bonds for the payment of which moneys have been credited to a Series Interest Account, the City shall transfer from a Series Interest Account for credit to the Special Redemption Fund an amount which, together with any moneys theretofore held in the Special Redemption Fund, shall be sufficient to pay such next maturing installment of interest on such Bonds.

Payments from the Construction Fund shall be as specified in the Series Resolution authorizing the issuance of a Series of Bonds.

Moneys, including proceeds of the Bonds, in the Construction Fund, pending their application as provided in the Bond Resolution and Series Resolution shall be subject to a prior and paramount lien and charge in favor of the Holders of the Bonds, and the Holders of the Bonds shall have a valid claim on

such moneys for the further security of the Bonds until paid out or transferred as provided in the Bond Resolution. In the event that there is an insufficiency in the Special Redemption Fund to pay Debt Service after all transfers, have been made pursuant to and in accordance with the Bond Resolution, the City shall transfer from the Construction Fund such amount (or all remaining amounts in such Construction Fund) as is deemed necessary by the Comptroller of the City for deposit in the Special Redemption Fund, which, together with the amounts then on credit to the Special Redemption Fund, is sufficient to pay Debt Service.

Operation and Maintenance Fund

Amounts in the Operation and Maintenance Fund and any subaccount therein, pending their application, shall be subject to a prior and paramount lien and charge in favor of the Holders of the Bonds, and the Holders of the Bonds shall have a valid claim on such moneys for the further security of the Bonds until paid out or transferred as provided in the Bond Resolution. In the event that there is an insufficiency in the Special Redemption Fund to pay Debt Service after all transfers have been made pursuant to and in accordance with the Bond Resolution, the City shall transfer from the Operation and Maintenance Fund such amount as is deemed necessary by the Comptroller of the City for deposit in the Special Redemption Fund, which, together with the amounts then on deposit in the Special Redemption Fund, is sufficient to pay Debt Service.

Amounts in the Operation and Maintenance Fund shall be used to pay Operation and Maintenance Expenses.

Investment of Funds

Moneys in the Special Redemption Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested solely in noncallable Investment Securities which shall mature or be subject to redemption at the option of the holder thereof on or prior to the respective dates when the moneys in the Special Redemption Fund will be required for the purposes intended. Moneys in the Reserve Account not required for immediate disbursement for the purpose for which the Reserve Account is created shall, to the fullest extent practicable and reasonable, be invested and reinvested solely in, and obligations deposited in the Reserve Account shall be, noncallable investment Securities which shall mature or be available at par at or prior to three (3) years from the date of investment thereof.

Moneys in the Revenue Fund not required for immediate disbursement for the purpose for which such Fund is created shall, to the fullest extent practicable and reasonable, be invested and reinvested to the extent allowed by law, solely in, and obligations deposited in such Fund shall be, Investment Securities which shall mature or be subject to redemption or payment at the option of the holder thereof, not later than such times as shall be necessary to provide moneys when needed to provide payments from such Fund.

Moneys in the Construction Fund not required for immediate disbursement for the purposes for which said Fund is created shall, to the fullest extent practicable and reasonable, be invested and reinvested to the extent allowed by law, solely in, and obligations deposited in such Fund shall be, Investment Securities which shall mature or be subject to redemption or payment at par at the option of the holder thereof not later than such times as shall be necessary to provide moneys when needed to provide payments from such Fund or Account.

To the extent permitted in the Bond Resolution, all income received from the investment or reinvestment of moneys in the Funds and Accounts established thereunder shaft be deposited in the respective Fund and Account front which such investments are made and applied as a credit against the next succeeding deposit or credit required to be made pursuant to the Bond Resolution; provided,

however, that, except as to the Subordinate Obligation Fund, all or a portion of the income received from the investment or reinvestment of moneys in any such Fund and Account may be deposited in the Revenue Fund or the Construction Fund, including a Series interest Account therein; and provided further, however, that all income received from the investment or reinvestment of moneys in any Series Interest Account shall be credited to the Special Redemption Fund.

Nothing in the Bond Resolution shall prevent any Investment Securities acquired as investments of funds held under the Bond Resolution from being issued or held in book-entry form.

Neither the Comptroller of the City nor any Paying Agent shall be liable for any depreciation in value of any investments made by the City.

Covenants

The City has covenanted and agreed in the Bond Resolution with the holders of all Bonds issued pursuant to the Bond Resolution as follows:

Maintenance of the Properties of the Sewerage System; Keeping the Sewerage System in Good Repair. The City will: (i) maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Sewerage System and all additions and betterments thereto and extensions thereof, and every part and parcel thereof in good repair, working order and condition; (ii) from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted; and (iii) comply, or cause to be complied, with the terms and conditions of any permit or license for the Sewerage System or any part thereof issued by any Federal or State governmental agency or body and with any Federal or State law or regulation applicable to the construction, operation, maintenance and repair of the Sewerage System or requiring a license, permit or approval therefor.

Rates and Charges. The City will fix, charge and collect such Sewerage Services Charges as shall be required in order that in each Fiscal Year the Net Revenues shall be not less than the Net Revenue Requirement for such Fiscal Year. The failure in any Fiscal Year to comply with the foregoing rate covenant does not constitute an Event of Default if the City shall comply with requirements described in the next paragraph.

Prior to the end of each Fiscal Year the Commissioner of Public Works of the City shall complete a review of the financial condition of the Sewerage System for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the rate covenant described in the Bond Resolution and described above and shall by a Written Certificate of the City make a determination with respect thereto. Such review shall take into consideration the completion of any uncompleted Improvement and the issuance of future Series of Bonds if necessary to finance the completion of such Improvements. Such Written Certificate shall set forth a reasonably detailed statement of the actual and estimated Revenues, Operation and Maintenance Expenses, Aggregate Debt Service, and any other estimates or assumptions upon which such determination was based, and shall be filed with the City Clerk on or before July 1 in each year. If it is determined in such Written Certificate that the Revenues may not be so sufficient, the Commissioner of Public Works of the City shall forthwith make a study for the purpose of determining a schedule of Sewerage Service Charges which, in the opinion of the Commissioner of Public Works, will cause sufficient Revenues to be collected in the following Fiscal Year to comply with such rate covenant in and will cause additional Revenues to be collected in such following and later Fiscal Year sufficient to eliminate the amount of any deficiency at the earliest practicable time, or the Commissioner of Public Works may elect to cause the Consulting Engineer to make such a study and render such opinion. The Common Council shall as

promptly as practicable but no later than the one hundred twenty (120) days following such determination by the Commissioner of Public Works, or receipt of the Consulting Engineer's recommendation, adopt and place in effect a schedule of Sewerage Service Charges as so determined or recommended in accordance with the Bond Resolution.

Sale, Lease or Other Disposition of Properties of the Sewerage System. The properties of the Sewerage System shall not be sold, mortgaged, leased or otherwise disposed of except as described below.

The properties of the Sewerage System may be sold, leased, or otherwise disposed of in their entirety if, simultaneously with such sale, lease or other disposition thereof, provision is made for the payment of all Bonds then Outstanding and such Bonds are no longer deemed Outstanding within the meaning of the Bond Resolution.

Any portion of the properties of the Sewerage System may be sold, leased, or otherwise disposed of on such terms and conditions as may be determined by the City if the value of such portion of the properties as of the date of such sale, lease or disposition does not exceed five percent (5%) of the net book assets of the Sewerage System as of the last day of the preceding Fiscal Year as shown in the most recent audited financial statements of the City. Any part of the properties of the Sewerage System having a value as of the date of the sale, lease or disposition which exceeds five percent (5%) of the net book assets of the Sewerage System as of the last day of the preceding Fiscal Year as shown in the most recent audited financial statements of the City may be sold, leased, or otherwise disposed of if the Consulting Engineer shall certify to the City in writing that the terms and conditions of the proposed sale, lease or other disposition of any such properties are fair and reasonable, and that the estimated Revenues to be derived from the remaining properties of the Sewerage System, after taking into consideration the use by the City of the proceeds of such proposed sale, lease or other disposition of such properties, will be sufficient to enable the City to comply with all covenants and conditions of the Bond Resolution. Proceeds of any sale, lease or other disposition of any portion of the properties of the Sewerage System pursuant to this paragraph shall be paid into the Special Redemption Fund and applied to the purchase or redemption of Bonds or into the Revenue Fund and applied by the City for the purpose of constructing extensions, betterments or improvements to the Sewerage System as the City shall determine.

Buildings and any other portion of the works, plant and facilities of the Sewerage System and real and personal property comprising a part thereof, which, in the opinion of the Commissioner of Public Works, shall have become unserviceable, inadequate, obsolete, worn out, or unfit to be used in the operation of the Sewerage System, or no longer necessary, material to, or useful in such operation may be sold, leased, or otherwise disposed of. Proceeds of any such sale, lease or other disposition of any portion of the properties of the Sewerage System pursuant to this paragraph shall be paid into the Revenue Fund.

If permitted by the laws of the State, the City may transfer without consideration the properties comprising the Sewerage System to a public corporation or political subdivision of the State; provided such corporation or subdivision assumes all of the City's or the City's obligations and duties under the Bond Resolution.

In the event that any part of the properties of the Sewerage System shall be transferred from the City through the operation of law (including condemnation), any moneys received by the City as a result thereof shall be paid: (i) if such proceeds are not in excess of $250,000, into the Revenue Fund; or (ii) if such proceeds are in excess of $250,000; (a) into the Special Redemption Fund and or (b) into the Construction Fund and used to finance Improvements.

Insurance. Except as provided for in the next paragraph, the City shall keep, or cause to be kept, the works, plants and facilities comprising the properties of the Sewerage System and the operations thereof insured to the extent available at reasonable cost with responsible insurers, with policies payable to the City, against risks of direct physical loss, damage to or destruction of the above-ground structures, and the equipment and contents therein, of the Sewerage System arising from accidents, casualties or negligence, and other causes customarily insured against, at least to the extent that similar insurance is usually carried by utilities operating like properties, including liability insurance and workers' compensation insurance; provided, however, that any time while any contractor engaged in constructing any part of the Sewerage System shall be fully responsible therefor, the City shall not be required to keep such part of the Sewerage System insured. All policies of insurance shall be for the benefit of the Holders of the Bonds and the City as their respective interests may appear.

In the event of any loss or damage to the properties of the Sewerage System covered by insurance, the City will: (i) with respect to each such loss, promptly repair and reconstruct to the extent necessary to the proper conduct of the operations of the Sewerage System the lost or damaged portion thereof and shall apply the proceeds of any insurance policy or policies covering such loss or damage for that purpose to the extent required therefor, unless, in case of loss or damage involving $250,000 or more, the City shall determine that such repair and reconstruction not be undertaken; and (ii) if the City shall not use the entire proceeds of such insurance to repair or reconstruct such lost or damaged property, the proceeds of such insurance policy or policies or any portion thereof not used for such repair or reconstruction, as the case may be, shall be paid into the Revenue Fund. If the City does not obtain insurance from responsible insurers as provided for in the Bond Resolution, and the City fails to carry insurance against any of the risks normally insured against by operators of facilities similar to the Sewerage System, it must secure the concurrence of an independent insurance consultant. In making its decision whether to concur, the independent insurance consultant shall: (i) make an estimate of the added financial risks, if any, assumed by the City as a result of the failure to insure; (ii) consider the availability of commercial insurance, the terms upon which such insurance is available and the costs of such available insurance, and the effect of such terms and costs upon the City's costs and charges for its services; and (iii) determine whether the added financial risk, if any, being assumed by the City is prudent in light of the savings to be realized in light of the general availability of insurance.

The City may include insurance required by the Bond Resolution as part of a blanket insurance policy of the City.

Consulting Engineer. The Common Council or the Commissioner of Public Works may from time to time retain and appoint, as Consulting Engineer, an independent consulting engineer or engineering firm or corporation having special skill, knowledge and experience in analyzing the operations of sewerage systems, preparing rate analyses, forecasting the loads and revenues of sewerage systems, preparing feasibility reports respecting the financing of sewerage systems and advising on the operation of sewerage facilities, who shall be available to advise the City, upon request, and to make such investigations and determinations as may be necessary from time to time under the provisions of the Bond Resolution.

Books of Account; Annual Audit. The City will maintain and keep proper books of account relating to the Sewerage System and in accordance with generally accepted accounting principles. Within two hundred forty (240) days after the end of each Fiscal Year, the City shall cause such books of account to be audited by an independent certified public accountant. The audit required by the Bond Resolution may be part of a comprehensive audit of the City; provided that the Sewerage System in such audit is treated as an "*enterprise fund*" and the revenues and expenses of the Sewerage System are stated in a manner which permits identification by category of the sources and uses of the Revenues. A copy of each

audit report shall be prepared in conformity with generally accepted accounting principles and shall be filed promptly with the Common Council.

Punctual Payment of Bonds. The City will duly and punctually pay, or cause to be paid, but only from the Revenues, income and other funds specified in the Bond Resolution, the principal and Redemption Price (if any) of, and interest on, each and every Bond on the dates and at the places, and in the manner provided in the Bonds according to the true intent and meaning thereof, and the City shall faithfully do and perform and at all times fully observe and keep any and all of its covenants, undertakings, stipulations and provisions contained in the Bonds and in the Bond Resolution.

Payment of Taxes and Other Claims. The City shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties of the Sewerage System (or any part thereof) or upon the Net Revenues or income received therefrom when the same shall become due, as well as all lawful claims for labor, material and supplies, which, if not paid, might become a lien or charge upon said properties or any part thereof, or upon the Revenues derived from the ownership or operation of the Sewerage System, or which might in any way impair the security of the Bonds, except any such assessments, charges or claims which the City shall in good faith contest as to validity.

Extension of Payment of Bonds. The City will not, directly or indirectly, extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Bond Resolution, to the benefit of the Bond Resolution or to any payment out of any assets of the City or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Bond Resolution) held by the Paying Agents, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in the Bond Resolution shall be deemed to limit the right of the City to issue Refunding Bonds as provided in the Bond Resolution and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Sound Improvements and Extensions. The City shall not expend any of the income, revenues, receipts, profits and other moneys derived by it from the ownership or operation of the Sewerage System for any renewals, replacements, additions, betterments and improvements to, or extensions of, the Sewerage System which, in the sole opinion of the Commissioner of Public Works, will not properly and advantageously contribute to the conduct of the business of the Sewerage System in an efficient and economical manner unless required to do so to permit the continued operation of the Sewerage System or to preserve or protect the Sewerage System.

Further Assurances. The City shall, at any and all times, insofar as it may be authorized so to do, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming any and all of the rights, Revenues and other funds hereby pledged or charged with or assigned to the payment of the Bonds or intended so to be, or which the City or the City may hereafter become bound to pledge or charge or assign.

Protection of Security. The City is duly authorized under all applicable law to create and issue the Bonds, to adopt the Bond Resolution and to pledge the Revenues and other moneys, securities and funds purported to be pledged by the Bond Resolution in the manner and to the extent provided in the Bond Resolution. The Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal

rank with, the pledge created by the Bond Resolution, except as otherwise expressly provided therein, and all action on the part of the City to that end has been duly and validly taken. The Bonds are and will be valid and legally enforceable obligations of the City in accordance with their terms and the terms of the Bond Resolution. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Bond Resolution and all the rights of the Bondholders hereto against all claims and demands of all persons whomsoever.

Exclusion of Interest on Tax-exempt Bonds for Federal Income Taxation Purposes. In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Tax-exempt Bonds of any Series, the City shall comply with the provisions of the Code applicable to such Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of such Bonds, reporting of earnings on the Gross Proceeds of such Bonds, and rebates of Rebatable Amount to the United States Treasury City. In furtherance of the foregoing, the City shall comply with the Tax Certificate relating to such Bonds or such instructions as may be delivered by Bond Counsel at the time such Bonds are issued as to compliance with the Code with respect to such Bonds, as such instructions may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The City shall not take any action or fail to take any action with respect to the application and investment of Gross Proceeds of Tax-exempt Bonds or use, ownership or management of the Sewerage System or any facility or project thereof or any Improvement thereto which would cause a failure to comply with the provisions of Sections 103 and 141 to 150 of the Code, such covenant to be effective (i) throughout the term of such Bonds, and (ii) through the date that the final rebate, if any, must be made to the United States Treasury City in accordance with Section 148 of the Code with respect to such Bonds.

Notwithstanding any other provision hereof to the contrary, the City's failure to comply with the provisions of the Code applicable to the Tax-exempt Bonds of a Series shall not entitle the Holder of Bonds of any other Series, or any trustee acting on their behalf, to exercise any right or remedy provided to Holders of Bonds under the Bond Resolution based upon the City's or the City's failure to comply with the provisions of the Bond Resolution or of the Code.

Annual Budget. As part of the City's annual budgeting process, the City shall prepare and include a budget for the Sewerage System for the ensuing Fiscal Year. Each budget shall: (i) set forth in reasonable detail amounts required for repair, replacement or reconstruction of the Sewerage System and major or extraordinary repairs, renewals or replacements of the Sewerage System, if any, for the period to be covered by such budget; (ii) specify the amounts to be set aside for the purposes set forth in clause (i) hereof and the amounts to be deposited in the Funds created under the Bond Resolution and the amounts to be maintained in the Revenue Fund for working capital and operating reserves for such purposes for such period, and (iii) project the amounts required for such purposes for the next five Fiscal Years in such format as the Commissioner of Public Works shall determine. A copy of each such report shall be filed and maintained in the records of the City.

Events of Default

Each of the following events constitutes an Event of Default under the Bond Resolution:

(a) if payment of the principal and Redemption Price (if any) of any Bond, shall not punctually be made when due and payable, whether at the stated maturity thereof or upon proceedings for the redemption thereof (whether by voluntary redemption or a mandatory sinking fund redemption or otherwise);

(b) if payment of the interest on any Bond shall not punctually be made when due;

(c) if the provisions of any Series Resolution with respect to mandatory Sinking Fund Installment payments or the redemption of Term Bonds therefrom, as the case may be, shall not punctually be complied with at the time and in the manner specified in such Series Resolution;

(d) if the City shall fail to duly and punctually perform or observe any other of the covenants, agreements or conditions contained in the Bond Resolution or in the Bonds, on the part of the City to be performed, and such failure shall continue for ninety (90) days after written notice thereof from the Holders of not less than twenty percent (20%) of the Bonds then Outstanding; provided, that if such failure shall be such that it cannot be corrected within such ninety (90) day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected; and

(e) if the City shall: (i) admit in writing its inability to pay its debts generally as they become due; or (ii) file a petition in bankruptcy or seeking a composition of indebtedness under the provisions of any Federal or state bankruptcy or similar law; or (iii) make an assignment for the benefit of its creditors; or (iv) file a petition or any answer seeking relief under the provisions of any Federal or state bankruptcy or similar law, or (v) consent to the appointment of a receiver of the whole or any substantial part of the Sewerage System; or (vi) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the City, or of the whole or any substantial part of the Sewerage System.

Acceleration of Bonds

If an Event of Default shall happen and shall not have been remedied, then and in every such case the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding, by notice in writing to the City, may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable. The right of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding to make any such declaration, however, shall be subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by the City under the Bond Resolution (except the principal on and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the City or provision satisfactory to the Holders of a majority in principal amount of the Bonds then Outstanding shall be made for such payment, and all defaults under the Bonds or under the Bond Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be cured or be secured to the satisfaction of the Holders of a majority in principal amount of the Bonds then Outstanding or provision deemed by such Holders of the Bonds to be adequate shall be made therefor, then and in every such case the Holders of a majority in principal amount of the Bonds then Outstanding, by written notice to the City, may rescind such declaration and annul such default in its entirety, but no such rescission shall extend to or affect any subsequent default or impair or exhaust any resulting right or power.

Application of Revenues in an Event of Default

During the continuance of an Event of Default as defined in items (a) through (c) of the Events of Default described above or of any other Event of Default resulting in an Event of Default as defined in

items (a) through (c) of the Events of Default described above, the Revenues received by a receiver appointed pursuant to the Bond Resolution as the result of the taking of possession of the business and properties of the Sewerage System, shall be applied by the receiver: first, to the payment of all necessary and proper Operation and Maintenance Expenses of the Sewerage System and all other proper disbursements or liabilities made or incurred by the receiver; second, to the then due and overdue payments into the Special Redemption Fund, including the making up of deficiencies therein; and last, for any lawful purpose in connection with the Sewerage System.

In the event that at any time the funds held by the receiver are insufficient for the payment of the principal and Redemption Price (if any) of, and interest then due on, the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds and all Revenues and other moneys received or collected for the benefit or for the account of Holders of the Bonds by the receiver shall be applied as follows:

(1) Unless the principal of all of the Bonds shall have become due and payable,

First, to the payment of all necessary and proper Operation and Maintenance Expenses of the Sewerage System and all other proper disbursements or liabilities made or incurred by the receiver;

Second, to the payment to the persons entitled thereto of all installments of interest then due (including any interest on overdue principal) in the order of the maturity of such installments, earliest maturities first, and if the amounts available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amount due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, to the payment to the persons entitled thereto of the principal and premium, if any, due and unpaid upon the Bonds at the time of such payment without preference or priority of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and redemption premium, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become due and payable,

First, to the payment of all necessary and proper Operation and Maintenance Expenses of the Sewerage System and all other proper disbursements or liabilities made or incurred by the receiver;

Second, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied pursuant to the foregoing paragraphs, such moneys shall be applied by the receiver at such times, and from time to time, as it in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future.

If and whenever any overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses, and liabilities of the Holders of the Bonds, their respective agents and attorneys, and all other sums payable by the City under the Bond Resolution including the principal and

Redemption Price (if any) of all Bonds which shall then be payable, shall either be paid in full by or for the account of the City or provision satisfactory to the receiver shall be made for such payment, and all defaults under the Bond Resolution or the Bonds shall be made good and secured to the satisfaction of the receiver or provision deemed by the receiver to be adequate therefor, the receiver shall pay over to the City all of its moneys, securities, funds and Revenues then remaining unexpended in the hands of the Bondholders' Committee described in the Bond Resolution, control of the business and possession of the property of the City shall be restored to the City, and thereupon the City shall be restored to its former positions and rights under the Bond Resolution, and all Revenues shall thereafter be applied as provided in the Bond Resolution. No such payment over to the City by the receiver or resumption of this application of Revenues as provided in the Bond Resolution, shall extend to or affect any subsequent default under the Bond Resolution or impair any right consequent thereon.

Suits at Law or Equity and Mandamus; Appointment of a Receiver

If an Event of Default shall happen and shall not have been remedied, then and in every such case, but subject to the provisions, limitations and conditions as set forth in the Bond Resolution so far as the remedies thereunder are concerned, the Holder of any Bond at the time Outstanding shall be entitled, for the equal benefit and protection of all Holders of the Bonds similarly situated, to proceed, protect and enforce the rights vested in such Holder by the Bond Resolution by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action of law, whether for the specific performance of any covenant or agreement contained in the Bond Resolution, or in aid of the exercise of any power granted in the Bond Resolution, or to enforce any other legal or equitable right vested in the Holders of Bonds by the Bond Resolution or by law; provided, however, that no judicial proceeding shall be brought seeking the appointment of a receiver to take possession of the Sewerage System or to manage, receive and apply the Revenues unless the Holders of not less than a majority in principal amount of the Bonds then Outstanding or a Bondholders' Committee representing the Holders of not less than a majority in principal amount of the Bonds then Outstanding shall have joined in or consented to such proceeding.

Remedies Not Exclusive; Waivers of Default; Abandonment of Proceedings; Adverse Determination

No remedy by the terms of the Bond Resolution conferred upon or reserved to the Holders of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given thereunder to the Holders of the Bonds or now or hereafter existing at law or in equity or by statute.

No delay or omission of any Holder of Bonds to exercise any right or power arising upon the occurrence of a default under the Bond Resolution, including an Event of Default, shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein. Every power and remedy given by this Article to the Holders of Bonds may be exercised from time to time and as often as may be deemed expedient by such Holders.

In case the Holders of the Bonds or a Bondholders' Committee formed pursuant to the Bond Resolution shall have proceeded to enforce any right under the Bond Resolution and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Holders of the Bonds or such Bondholders' Committee, then and in every such case the City and the Holders of the Bonds shall be restored to their former positions and rights under the Bond Resolution, and all rights, remedies and powers of the Holders of the Bonds shall continue as if no such proceedings had been taken.

Amending and Supplementing of the Bond Resolution

Amending and Supplementing of the Bond Resolution Without Consent of Holders of Bonds. The City, from time to time and at any time and without the consent or concurrence of any Holder of any Bond, may adopt a Series Resolution (i) for the purpose of providing for the issuance of Bonds pursuant to the Bond Resolution; (ii) to make any changes, modifications, amendments or deletions hereto which may be required to permit the Bond Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America; or (iii) if the rights of the Holders of the Bonds then Outstanding shall not be materially adversely affected thereby, a Supplemental Resolution for any one or more of the following purposes:

1. to make any changes or corrections in the Bond Resolution as to which the City shall have been advised by counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Bond Resolution, or to insert in the Bond Resolution such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable;

2. to add additional covenants and agreements of the City for the purpose of further securing the payment of the Bonds;

3. to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the Bond Resolution;

4. to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge, or charge, created or to be created by the provisions of the Bond Resolution;

5. to grant to, or to confer upon, the Holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them; and

6. to modify in any other respect any of the provisions of the Bond Resolution.

Except for Series Resolutions authorizing the issuance of Bonds pursuant hereto, the City shall not adopt any Supplemental Resolution described above and as provided for in the Bond Resolution unless in the Opinion of Counsel (which opinion may be combined with the opinion required by the Bond Resolution) the adoption of such Supplemental Resolution is permitted by the purposes described above and as provided for in the Bond Resolution and the provisions of such Supplemental Resolution do not materially adversely affect the rights of the Holders of the Bonds then Outstanding.

The City shall furnish a notice of each amendment or supplement described above and a copy of the Supplemental Resolution effecting such amendment or supplement to each Rating Agency which has rated the Bonds at least fifteen (15) days prior to the effective day of the Supplemental Resolution.

Amendment of Bond Resolution With Consent of Holders of Bonds. With the consent of the Holders of not less than a majority of the Bonds then Outstanding, the City from time to time and at any time may adopt a resolution amendatory hereof or supplemental for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Bond Resolution, or modifying or amending the rights and obligations of the City thereunder, or modifying or amending in any manner the rights of the Holders of the Bonds then Outstanding; provided however, that without the specific consent of the Holder of each such Bond which would be affected thereby, no Supplemental Resolution amending or supplementing the provisions hereof shall: (1) change the fixed maturity date for the

payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the Redemption Price (or the redemption premium) payable upon the redemption or prepayment thereof, or (2) reduce the aforesaid percentage of Bonds, the Holders of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of the Bond Resolution; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby; or (4) authorize the creation of any pledge of the Revenues and other moneys pledged thereunder, prior, superior or equal to the pledge of and lien and charge thereon created for the payment of the Bonds except to the extent provided in the Bond Resolution; or (5) deprive any Holder of the Bonds in any material respect of the security afforded by the Bond Resolution; provided further, however, that without the specific consents of the Holders of not less than a majority in principal amount of the Term Bonds then Outstanding and affected thereby, no Supplemental Resolution amending or supplementing the provisions of the Bond Resolution shall (a) change the amount of any Sinking Fund Installments for the retirement of Term Bonds or the due dates of such installments or the terms for the purchase or redemption thereof from such installments, or (b) reduce the aforesaid percentage of Term Bonds, the Holders of which are required to consent to any such Supplemental Resolution. (Nothing in this paragraph, however, shall be construed as making necessary the approval of the Holders of the Bonds of the adoption of any Supplemental Resolution). A modification or amendment with respect to the Revenue Fund or the Special Redemption Fund or Reserve Account shall not be deemed a change in the terms of payments; provided that no such modification or amendment shall, except upon the consent of the Holders of all Bonds then outstanding affected thereby, reduce the amount or amounts required to be credited to the Special Redemption Fund or Reserve Account. If any Series of Bonds is insured as to payment of principal and interest, the insurer of such Series of Bonds shall be considered the Holder of such Bonds for purposes of the Bond Resolution.

The City shall furnish a notice of each amendment or supplement and a copy of the Supplemental Resolution effecting such amendment or supplement to each Rating Agency which has rated the Bonds at least fifteen (15) days prior to the effective day of the Supplemental Resolution.

Discharge of Liens and Pledges; Bonds No Longer Outstanding and Deemed to be Paid

Except as otherwise provided in the Bond Resolution with regard to Option Bonds, the obligations of the City under the Bond Resolution and the liens, pledges, charges, trusts, covenants and agreements of the City made or provided for therein, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be Outstanding:

(i) when such Bond shall have been canceled, or shall have been surrendered for cancellation or is subject to cancellation, or shall have been purchased by or on behalf of the City from moneys held under the Bond Resolution; or

(ii) as to any Bond not canceled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal and Redemption Price (if any) of such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise) either (a) shall have been made or caused to be made in accordance with the terms thereof or (b) shall have been provided for by irrevocably depositing with the Paying Agent for such Bond, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) noncallable Refunded Municipal Obligations or noncallable Government Obligations, maturing as to principal and interest in such amount and at such times as will insure, together with any cash deposit, the availability of sufficient moneys to make such payment, whichever the City deems to be in its best interest, and, if the City determines it to be in

its best interest as verified by an independent nationally recognized firm of certified public accountants in a report delivered to the City and the Comptroller of the City, and all necessary and proper fees, compensation and expenses of the Comptroller of the City and the Paying Agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Comptroller of the City and said Paying Agents.

At such time as a Bond shall be deemed to be no longer Outstanding, as aforesaid, such Bond, except for the purposes of any payment from such moneys, Refunded Municipal Obligations or Government Obligations, shall no longer be secured by or entitled to the benefits of the Bond Resolution.

Notwithstanding the foregoing, in the case of a Bond which is to be redeemed or otherwise prepaid prior to its stated maturity, no deposit under clause (b) of subparagraph (ii) of the second paragraph above shall constitute such payment, discharge and satisfaction as aforesaid until such Bond shall have been irrevocably designated for redemption or prepayment and proper notice of such redemption or prepayment shall have been previously given in accordance with the Bond Resolution or provision shall have been irrevocably made for the giving of such notice.

All income from all Refunded Municipal Obligations and Government Obligations in the hands of the Paying Agents which is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be paid to the City for deposit in the Revenue Fund free and clear of any trust, lien, security interest, pledge or assignment securing any Bonds or otherwise existing under the Bond Resolution.

All moneys, Refunded Municipal Obligations or Government Obligations set aside and held in trust pursuant to the provisions of the Bond Resolution for the payment of Bonds (including interest and premium thereof, if any) shall be applied to and used solely for the payment of the particular Bond (including interest and premium thereof, if any) with respect to which such moneys and Investment Securities have been so set aside in trust. If moneys, Refunded Municipal Obligations or Government Obligations have been deposited or set aside with a Paying Agent for the payment of a specific Bond and such Bond shall be deemed to have been paid and to be no longer Outstanding, but such Bond shall not have in fact been actually paid in full, no amendment to the Bond Resolution shall be made without the consent of the Holder of each Bond affected thereby.

The City may at any time surrender to a Paying Agent for a Series of Bonds for cancellation by it any Bonds of such Series previously executed and delivered, which the City may have acquired in any manner whatever, and such Bonds upon such surrender for cancellation shall be deemed to be paid and no longer Outstanding.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "*Certificate*") dated as of December 1, 2010 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the "*City*") and pursuant to resolution 100846 duly adopted by the Common Council of the City on November 23, 2010 (the "*Resolution*"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article 1 hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I – Definitions

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

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

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

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

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

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

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

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

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Offered Obligations, or other events affecting the tax-exempt status of the Offered Obligations;

(vii) modifications to rights of Security Holders, if material;

(viii) bond calls, if material;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Offered Obligations, if material;

(xi) ratings changes;

(xii) tender offers;

(xiii) bankruptcy, insolvency, receivership or similar event of the Obligor (as specified in the Addendum Describing Annual Report).

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

(xiv) the consummation of a merger, consolidation, or acquisition involving the Obligor or the sale of substantially all of the assets of the Obligor, other than pursuant to its terms, if material; and

(xv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II - The Undertaking

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

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

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

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

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

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

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

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

ARTICLE III - Operating Rules

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

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

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

Section 3.4. Transmission of Information and Notices. Transmission of information and notices shall be as prescribed by the SEC and the Repository. The transmission requirements are described in the Addendum Describing Repository.

ARTICLE IV - Termination, Amendment and Enforcement

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

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

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in

legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to the Repository.

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

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

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

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

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

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

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

securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING REPOSITORY AND SID

This Addendum Describing Repository (the "*Addendum*") is delivered by the City of Milwaukee, Wisconsin (the "*Issuer*") pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the filing information as specified by the Securities and Exchange Commission.

Repositories

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

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

SID (State Information Depository)

None.

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SEWERAGE SYSTEM REVENUE BONDS

This Addendum Describing Annual Report for Sewerage System Revenue Bonds (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 December 1, 2010. This Addendum describes the content of Annual Financial Information prepared with respect to obligations of the Sewerage System (the "*System*"). Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Obligor: City of Milwaukee, Wisconsin

Content of Annual Financial Information for Issuer:

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

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of December, 2010.

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 December 1, 2010. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

$37,000,000 Sewerage System Revenue Bonds, Series 2013 S5

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT FOR SEWERAGE SYSTEM REVENUE BONDS

Date of Issue: June 26, 2013

No Previous Non-Compliance. The Issuer represents that for the period beginning 6 years prior to the date hereof, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

IN WITNESS WHEREOF, this Supplemental Certificate to be executed this 26th day of June, 2013.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

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