

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS:	<u>Insured</u>	<u>Underlying</u>
Fitch:	AAA	AA
Moody's:	Aaa	Aa3
Standard & Poor's:	AAA	AA-

(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2001 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein for a description of certain other provisions of law which may affect the Federal tax treatment of interest on the Series 2001 Bonds.) Interest on the Series 2001 Bonds is not exempt from State of Wisconsin income tax or franchise tax.

\$29,095,000
CITY OF MILWAUKEE,
Milwaukee County, Wisconsin
Sewerage System Revenue Bonds, Series 2001

Dated: December 1, 2001

Due: June 1, 2003 - 2021

The \$29,095,000 Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") will be dated December 1, 2001, will bear interest payable semiannually on June 1 and December 1 of each year, commencing June 1, 2002, at the rates, and will mature on June 1 in the years and amounts as detailed on the following page.

The Series 2001 Bonds shall be issued by the City of Milwaukee, Milwaukee County, Wisconsin (the "City") for the purposes of financing the costs of improvements to the City's Sewerage System, funding the Reserve Account and paying the issuance expenses incurred in connection with the Series 2001 Bonds.

The Series 2001 Bonds maturing on June 1, 2013 and thereafter shall be subject to call and prior redemption on June 1, 2012 and on any interest payment date thereafter, in whole or in part, from maturities selected by the City, and by lot within a maturity at par plus accrued interest to the date of redemption. (See "OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.)

The Series 2001 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 2001 Bonds. Individual purchases will be made in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Purchasers of the Series 2001 Bonds will not receive certificates representing their interest in the Series 2001 Bonds purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The Series 2001 Bonds are limited special obligations of the City payable solely from and secured by the funds pledged therefor. (See "SECURITY" herein.)

The Series 2001 Bonds are being offered when, as and if issued and subject to the legal opinion of Hawkins, Delafield & Wood, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. In addition, certain legal matters will be passed upon for the Underwriters by Michael Best & Friedrich, Milwaukee, Wisconsin. It is anticipated that the Series 2001 Bonds will be available for delivery to DTC on or about December 4, 2001.

Payment of the principal of and interest on the Series 2001 Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2001 Bonds.

Ambac

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:

W. Martin Morics, City Comptroller and Secretary to the Public Debt Commission
Room 404, City Hall - 200 East Wells Street - Milwaukee, Wisconsin 53202 - Phone (414) 286-2301

Siebert Brandford Shank & Co., LLC

Dated: November 16, 2001

MATURITY SCHEDULE

\$29,095,000 Sewerage System Revenue Bonds

The Series 2001 Bonds will be dated December 1, 2001, will bear interest at the rates shown below, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2002, and will mature on June 1 of the years and in the amounts shown below.

Year	Amount	Interest Rate	Price or Yield
2003	\$1,000,000	3.50%	2.25%
2004	1,035,000	3.50	2.65
2005	1,080,000	5.00	2.95
2006	1,135,000	5.00	3.21
2007	1,190,000	3.75	3.46
2008	1,235,000	4.00	3.68
2009	1,285,000	4.00	3.83
2010	1,340,000	4.00	3.93
2011	1,395,000	4.00	4.03
2012	1,450,000	4.00	4.17
2013	1,520,000	5.25	4.27
2014	1,600,000	5.25	4.39
2015	1,685,000	5.25	4.51
2016	1,775,000	5.25	4.61
2017	1,875,000	5.375	4.70
2018	1,970,000	4.70	4.81
2019	2,070,000	4.875	4.88
2020	2,170,000	5.00	4.95
2021	2,285,000	5.00	100

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the City of Milwaukee or by Robert W. Baird & Co., the Financial Advisor, to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Series 2001 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Robert W. Baird & Co., in its role as Financial Advisor, assisted the City of Milwaukee in preparing the Official Statement. Robert W. Baird & Co. obtained information from the City of Milwaukee and other sources that it believed was reliable, but cannot guarantee the accuracy or completeness of the information in this Official Statement. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any other sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Milwaukee.

These Securities have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
MATURITY SCHEDULE.....	2	SEWER MAINTENANCE FUND RESTATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS	19
INTRODUCTION TO THE OFFICIAL STATEMENT	4	RESTATED STATEMENT OF CASHFLOWS	20
Summary Statement	4	SEWER MAINTENANCE FUND DISTRIBUTION OF MAJOR ASSETS	21
SERIES 2001 BONDS.....	6	SEWER MAINTENANCE FUND PRO FORMA OPERATIONS & DEBT SERVICE-LEVEL DEBT SERVICE.....	22
The Financing Plan	6	TAX STATUS	23
Sources and Uses	6	Certain Ongoing Federal Tax Requirement and Covenants.....	23
The Resolutions	6	Certain Collateral Federal Tax Consequences	23
Maturity and Interest Rates	6	State Tax Matters	23
Optional Redemption Prior to Maturity	7	Original Issue Discount	23
SECURITY.....	7	Bond Premium	24
Pledge of Revenues, Funds and Other Moneys	7	NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS	24
COVENANTS TO SECURE THE BONDS.....	8	RULE 15c2-12 AMENDMENTS	24
Rates And Charges.....	8	BOOK-ENTRY-ONLY SYSTEM	25
Service to the City.....	9	LEGAL MATTERS.....	26
FUNDS AND ACCOUNTS	9	Litigation Statement.....	26
Establishment of Funds and Accounts	9	Legal Opinion	28
Flow of Funds	10	MUNICIPAL BOND INSURANCE POLICY	28
ADDITIONAL BONDS	11	Payment Pursuant to Municipal Bond Insurance Policy	28
Conditions for the Issuance of Parity Bonds Other Than Refunding Bonds Hereunder.....	11	Ambac Assurance Corporation	29
Refunding Bonds	12	Available Information.....	29
Bond Anticipation Notes.....	12	Incorporation of Certain Documents by Reference.....	30
Subordinate Obligations.....	12	RATINGS	30
THE SEWERAGE SYSTEM	13	FINANCIAL ADVISOR	31
History of Utility.....	13	UNDERWRITING	31
General Information.....	13	LEGISLATION	31
Types of Sewers	13	CLOSING DOCUMENTS AND CERTIFICATES	31
Need for Improvements	14	REPRESENTATIONS OF THE CITY	32
CUSTOMER DATA.....	14	ADDITIONAL INFORMATION.....	32
Largest Users	14	Appendix A – City of Milwaukee General Information	A-1
History of Usage and Total Billings.....	15	Appendix B – Excerpts from City of Milwaukee 2000 Financial Statements	B-1
Rate Information	15	Appendix C – Draft Form of Legal Opinion	C-1
Average Residential Billing	16	Appendix D – Summary of Certain Provisions of the Bond Resolution.....	D-1
Collection and Billing	16	Appendix E – Form of Municipal Bond Insurance Policy-AMBAC.....	E-1
SEWERAGE SYSTEM REVENUE BOND INDEBTEDNESS.....	17		
Future Financing	17		
SEWERAGE MAINTENANCE FUND RESTATED BALANCE SHEET	18		

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 \$29,095,000 Sewerage System Revenue Bonds, Series 2001 of the City, dated December 1, 2001 (the "Series 2001 Bonds"). The following information is furnished solely to provide limited introductory information regarding the Series 2001 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: \$29,095,000 Sewerage System Revenue Bonds, Series 2001.
Dated Date: December 1, 2001.
Maturity: June 1 as shown below.
Amounts and Maturities:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$1,000,000	2013	\$1,520,000
2004	1,035,000	2014	1,600,000
2005	1,080,000	2015	1,685,000
2006	1,135,000	2016	1,775,000
2007	1,190,000	2017	1,875,000
2008	1,235,000	2018	1,970,000
2009	1,285,000	2019	2,070,000
2010	1,340,000	2020	2,170,000
2011	1,395,000	2021	2,285,000
2012	1,450,000		

Interest Payment Dates: Each June 1 and December 1 beginning June 1, 2002.
Denominations: \$5,000 or integral multiples thereof.
Purpose: The Series 2001 Bonds are issued for the purposes of financing the costs of improvements to the City's Sewerage System, funding the Reserve Account and paying the issuance expenses incurred in connection with the Series 2001 Bonds.
Security: Principal and interest on the Series 2001 Bonds will be payable solely from and secured by the funds pledged therefor. (See "SECURITY" herein.)

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Series 2001 Bonds in accordance with the provisions of Chapter 66 of the Wisconsin Statutes (the "Act").

Form of Issuance: The Series 2001 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 2001 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Tax Status of Interest: Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2001 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein).

Redemption Feature: The Series 2001 Bonds are subject to redemption prior to maturity. (See "OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.)

Professionals:	Bond Counsel	Hawkins, Delafield & Wood New York, New York
		Quarles & Brady LLP Milwaukee, Wisconsin
	Underwriter's Counsel	Michael Best & Friedrich LLP Milwaukee, Wisconsin
	Financial Advisor	Robert W. Baird & Co. Milwaukee, Wisconsin
	Underwriter	Siebert Brandford Shank & Co., LLC Chicago, Illinois
	Trustee	Bank One Trust Company, National Association Milwaukee, Wisconsin
	Independent Auditors	KPMG Peat Marwick LLP Milwaukee, Wisconsin

Delivery: Delivery will be on or about December 4, 2001 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices or yields of the Series 2001 Bonds are detailed on the inside front cover of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist the Underwriter 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 Underwriter's proposal, at the time of the delivery of the Series 2001 Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "RULE 15c2-12 AMENDMENTS" herein).

SERIES 2001 BONDS

THE FINANCING PLAN

The Series 2001 Bonds shall be issued by the City of Milwaukee, Milwaukee County, Wisconsin (the "City") for the purpose of financing the costs of improvements of any plant and equipment within or without the comparative limits of the City's Sewerage System for the collection, transportation, storage, treatment and disposal of sewage or storm water and surface water, including necessary lateral, main and interception sewers.

SOURCES AND USES

Sources of Funds

Par Amount of Bonds	\$29,095,000.00
Reoffering Premium (Net of Discount)	756,474.00
Accrued Interest from 12/01/2001 to 12/04/2001	11,310.70
TOTAL SOURCES	\$29,862,784.70

Uses of Funds

Amount Available for Projects	\$27,154,374.85
Deposit to Debt Service Reserve Fund (DSRF)	2,343,383.76
Deposit to Debt Service Fund	11,310.70
Costs of Issuance (Including Underwriter's Discount & bond insurance premium)	353,715.39
TOTAL USES OF FUNDS	\$29,862,784.70

THE RESOLUTIONS

By way of a Bond Resolution adopted on August 2, 2001 (the "Bond Resolution") and a Series Resolution adopted on September 25, 2001, the Common Council has authorized and approved the sale of the Series 2001 Bonds including providing certain of the details and form of the Series 2001 Bonds and setting out certain covenants with respect thereto. Pursuant to the Bond Resolution, bonds may be issued thereunder in series from time to time. Bonds of all series issued or to be issued under the Bond Resolution are hereinafter referred to as the Bonds.

Reference should be made to the Bond Resolution for definitions of terms not defined herein. 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. "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.

By way of a Resolution adopted on November 16, 2001 (the "Award Resolution"), the Public Debt Commission of the City approved a Purchase Contract with the Underwriter for the purchase of the Series 2001 Bonds and provided certain details of the Series 2001 Bonds.

A summary of certain provisions of the Bond Resolution is set forth under "Summary of Bond Resolution" in Appendix D.

MATURITY AND INTEREST RATES

The Series 2001 Bonds are to be dated December 1, 2001 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 Series 2001 Bonds will be payable on June 1, 2002 and thereafter semiannually on December 1 and June 1 of each year and calculated on the basis of 30-day months and a 360-day year.

OPTIONAL REDEMPTION PRIOR TO MATURITY

The Series 2001 Bonds with principal maturity dates on or after June 1, 2013, will be subject to redemption prior to their maturity at the option of the City on any interest payment date on or after June 1, 2012, at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding Series 2001 Bonds are called for redemption, the Series 2001 Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the Series 2001 Bonds of any maturity are called for redemption, the particular Series 2001 Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any Series 2001 Bonds to be redeemed in whose name such Series 2001 Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

SECURITY

Pledge of Revenues, Funds and Other Moneys

(A) The Series 2001 Bonds will be payable on a parity with additional Series of Bonds issued pursuant to the Bond Resolution. The Series 2001 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 Series 2001 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 2001 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 the Series 2001 Bonds shall be prior and superior to the lien and security interest for the payment of Subordinate Obligations. The Series 2001 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 2001 Bonds and the Net Revenues as received by the City and the Funds and Accounts herein, 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 2001 Bonds, and all the Net Revenues as received by the City and the Funds and Accounts herein, 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 including the Series 2001 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 has 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 Series 2001 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 Series 2001 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 Series 2001 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 Series 2001 Bonds. Each Series 2001 Bond shall recite in substance the provisions of this subsection (D).

(E) To additionally secure the Series 2001 Bonds, there shall at the time of delivery of the Series 2001 Bonds on deposit in the Special Redemption Fund for credit to the Reserve Account therein, an amount equal to the Reserve Account Requirement which shall equal the lesser of (i) an amount equal to the maximum annual principal and interest requirements for the Series 2001 Bonds, (ii) an amount equal to 10 percent (10%) of the principal amount of the Series 2001 Bonds, or (iii) 125% of the average annual principal and interest requirements for the Series 2001 Bonds. The Reserve Account for the Series 2001 Bonds shall be funded from the proceeds of the Series 2001 Bonds.

(F) No holder of a Series 2001 Bond shall be required to see that the moneys derived from such Series 2001 Bonds are applied to the purpose or purposes for which such Bond is issued. The validity of the Series 2001 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 Series 2001 Bonds. The Series 2001 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 2001 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. "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.

(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).

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 is 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 shall be considered to be a fund held under the Bond Resolution for purposes of the pledge made in Bond Resolution.

(B) There are 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, the Sewerage System Special Redemption Fund and Reserve Account therein and the Surplus Fund shall be considered to be funds held under the Bond Resolution for purposes of the pledge made in the Bond Resolution.

(C) There is 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. The Construction Fund shall be considered to be a fund held under the Bond Resolution for purposes of the pledge made in the Bond Resolution.

Flow of Funds

(A) From and after the time of delivery of the Series 2001 Bonds 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, 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) of Section 6.02 of the Bond Resolution.

(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) 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 therein.

(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 Hereunder

(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 Section 3.03 of the Bond 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 or (ii) to the extent audited figures are not available, on figures taken by an independent certified public accountant from the City's books and records, showing that the Net Revenues for: (a) the most recent Fiscal Year, or (b) 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 (the "Additional Bonds Requirement").
- (5) Such further documents, moneys and securities as are required by the provisions of any Series Resolution.
- (6) The provisions of paragraph (4) of subsection (A) of Section 3.04 of the Bond Resolution shall not apply to the initial Series of Bonds issued pursuant to the Bond Resolution, unless or except as is otherwise set forth in the Series Resolution authorizing the issuance thereof.

(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 Section 3.03 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 subsection (A) of Section 3.04 of the Bond Resolution shall be complied with upon the issuance of such Series; provided, further, however, that clause (4) of subsection (A) of Section 3.04 of the Bond Resolution 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 provisions of Section 3.03 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 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 Section 3.04 of the Bond Resolution shall be complied with upon the issuance of such Series.

(C) The proceeds of the Refunding Bonds of each Series issued pursuant to Section 3.05 of the Bond Resolution 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 Milwaukee Sewerage System traces its history back to the 1860's. The City's Sewerage System consists of three types of sewers: combined, sanitary and storm, all located within the boundaries of the City of Milwaukee. 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. It should be noted that 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 City of Milwaukee's 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 City's Sewerage System then conveys this flow to the intercepting sewerage system operated by the Milwaukee Metropolitan Sewerage District. In addition to the sewer pipes, the City's 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 only the use of gravity to move the flow. In five 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 two 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.

Types of Sewers

Type of Sewer	Miles of Sewers			
	Total	< = 21" Diameter	21" Diameter < and > 54" Diameter	=> 54" Diameter
Combined	547	305	176	66
Sanitary	932	920	12	1
Storm	950	637	239	74

Type of Sewer	Age of Sewers (in Miles)					Total
	<26 Years	26 to 50 years	51 years to 75 years	76 years to 100 years	>100 Years	
Combined	120	86	64	135	142	547
Sanitary	114	478	288	51	—	931
Storm	70	546	278	56	—	950
TOTAL	304	1,110	630	242	142	2,428

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 no longer functioning adequately. 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 bypasses 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

Milwaukee 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:

Customer Classification	2000 Billings		Number of Accounts	
	Amount	Percent	Amount	Percent
Residential	\$7,141,567	49.5%	127,864	89.9
Commercial	4,903,970	34.0	12,594	8.9
Industrial	1,706,048	11.8	1,243	1.0
Government	685,998	4.7	498	0.2
TOTAL	\$14,437,583	100%	142,199	100%

Largest Users

Below is a profile of the Milwaukee Sewer System's 15 largest customers for the year 2000.

Customer	Usage (100 cubic feet)	Billing	Billing as Percent of Total Billed
Miller Brewing	2,191,699	\$565,925	3.9%
Milwaukee County	1,003,730	342,222	2.4
Red Star Yeast	2,343,069	319,548	2.2
Wisconsin Electric	627,910	285,448	2.0
Milwaukee Public Schools	538,748	244,915	1.7
Emmber Foods	421,901	166,863	1.2
UWM	369,649	162,161	1.1
Master Lock	251,310	114,246	0.8
Tower Automotive	362,576	93,787	0.7
Marquette University	219,418	85,085	0.6
Metropolitan	185,045	84,121	0.6
Veterans Administration	200,582	83,069	0.6
St. Lukes Hospital	261,407	79,026	0.6
S.E. Wis Products	209,552	78,401	0.5
Allen Bradley	162,717	73,453	0.5
TOTAL	\$9,349,313	\$2,778,270	19.3%

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 1998 and 1999.

Customer	1998 Billed Amount	1999 Billed Amount
Miller Brewing	\$238,145	\$318,418
Milwaukee County	196,449	234,644
Red Star Yeast	132,195	178,093
Wisconsin Electric	126,091	167,320
Milwaukee Public Schools	124,651	135,289
Allen Bradley	98,856	85,211
UWM	95,472	108,305
Emmber Foods	73,234	95,575
Master Lock	62,209	73,797
Tower Automotive	61,604	73,698
St. Lukes Hospital	46,382	56,552
S.E. Wis Products	44,319	53,680
Marquette University	43,835	51,117
Metropolitan	37,382	46,251
Veterans Administration	37,013	46,958
Total	<u>\$1,417,837</u>	<u>\$1,724,908</u>

Rate Information

The rate for the City of Milwaukee Sewer Maintenance Fee is based upon actual water consumption. Water consumption acts as a proxy for the amount of water returned to the Sewerage 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.

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 Milwaukee Metropolitan Sewerage District ("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's 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 Sewerage 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 2000 budgeted Sewer Fee rate was \$0.4546 per 100 cubic feet of water consumed. This translated into an average annual residential fee of \$48.44. 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. Other factors influencing the increase in the 2000 Sewer rate included inflationary cost increases, declining water consumption, increases in equipment rental expenses, and funding of a mandatory Sanitary Manhole Rehabilitation project required by MMSD.

The 2001 budgeted Sewer Fee rate is \$0.5401 per 100 cubic feet of water. This translates into an average annual residential fee of \$54.89. The 2001 Sewer Fund budget includes operating, maintenance and capital costs. In addition to inflationary cost increases, the 2001 Sewer rate increase was the result of decreased water consumption, expanded infiltration and inflow efforts resulting from a mandate from MMSD, increased contingency funds, increased capital debt service costs, and initial implementation of a capital cash conversion policy. This policy aims at the gradual increase in cash financing of annual sewer repair and replacement capital needs with a proportional decrease in annual revenue bond financing. A cash conversion policy is being implemented for the Sewer Maintenance Fund's capital program in order to realize long-term savings by avoiding unnecessarily high debt service costs.

Average Residential Billing

The following includes historical average residential billings.

Year	Actual Billing (Total Residential)
1998	\$26.89
1999	\$35.55
2000	\$55.66
2001	\$64.79*

**Estimated billing*

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

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 and Solid Waste 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); and Solid Waste Charge (Fund 0470).

SEWERAGE SYSTEM REVENUE BOND INDEBTEDNESS

The City's Sewerage System projected revenue debt relating to the Series 2001 Bonds is shown below. The City has no other outstanding revenue debt related to its Sewerage System. Set forth below are principal and interest payments based on an average interest rate of 4.84% on the Series 2001 Bonds.

Year	Principal	Interest	Total
2002	—	\$1,357,284	\$1,357,284
2003	\$1,000,000	1,339,784	2,339,784
2004	1,035,000	1,304,171	2,339,171
2005	1,080,000	1,259,059	2,339,059
2006	1,135,000	1,203,684	2,338,684
2007	1,190,000	1,152,996	2,342,996
2008	1,235,000	1,105,984	2,340,984
2009	1,285,000	1,055,584	2,340,584
2010	1,340,000	1,003,084	2,343,084
2011	1,395,000	948,384	2,343,384
2012	1,450,000	891,484	2,341,484
2013	1,520,000	822,584	2,342,584
2014	1,600,000	740,684	2,340,684
2015	1,685,000	654,452	2,339,452
2016	1,775,000	563,627	2,338,627
2017	1,875,000	466,643	2,341,643
2018	1,970,000	369,957	2,339,957
2019	2,070,000	273,206	2,343,206
2020	2,170,000	168,500	2,338,500
2021	2,285,000	57,125	2,342,125
	<u>\$29,095,000</u>	<u>\$16,738,276</u>	<u>\$45,833,276</u>

Future Financing

The capital financed needs to be supported by revenue bonding include only repair and replacement of existing City Sewerage System facilities. Any expansion of the Sewerage System financed through bonding is currently financed through issuance of the City's general obligation bonds, and any future expansion is expected to be financed in this manner. The Series 2001 Bonds represent approximately two years (2000 and 2001) of revenue bond financed capital needs of the Sewerage System.

The City expects to spend from \$12,000,000-\$18,000,000 annually for Sewerage System repair and replacement needs, with \$11,000,000-\$16,000,000 of this amount to be financed annually through revenue bonds.

**SEWER MAINTANANCE FUND
 RESTATED BALANCE SHEET
 DECEMBER 31, 2000 (Unaudited)
 (Thousands of Dollars)**

ASSETS

Cash and investments		—
Receivables (net)		
Accounts	\$	5,326
Unbilled Accounts		1,392
Due from other funds		212
Inventory of materials and supplies		3
Prepaid items		6
Machinery and equipment		852
Furniture and furnishings		146
Infrastructure		261,955
Construction work in progress		2,312
Accumulated depreciation		(81,837)
Total Assets	\$	<u>190,367</u>

LIABILITIES AND FUND EQUITY

Liabilities		
Accounts payable		1,672
Accrued wages		599
Due to other funds		1,897
Bond anticipation notes payable		6,258
Total Liabilities	\$	<u>10,426</u>
 Fund Equity		
Contributed capital	\$	178,410
Retained earnings		
Unreserved		1,531
Total Fund Equity	\$	<u>179,941</u>
 Total Liabilities and Fund Equity	\$	<u><u>190,367</u></u>

Source: Office of the Comptroller, City of Milwaukee.

SEWER MAINTENANCE FUND
RESTATED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2000 (Unaudited)
(Thousands of Dollars)

Operating Revenues	
Charges for Services	
Sewer maintenance fee	<u>\$ 15,582</u>
Operating Expenses	
Employee services	5,585
Depreciation	3,064
Services, supplies and materials	<u>5,529</u>
Total Operating Expenses	<u>\$ 14,178</u>
Operating income (Loss)	<u>\$ 1,404</u>
Nonoperating Revenues (Expenses)	
Interest expense	\$ (124)
Net income (Loss)	\$ 1,280
Retained Earnings (Deficit) - January 1	<u>251</u>
Retained Earnings (Deficit) - December 31	<u>\$ 1,531</u>

Source: Office of the Comptroller, City of Milwaukee.

RESTATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000 (Unaudited)
(Thousands of Dollars)

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$	1,404
Adjustments to Reconcile Operating Income to Cash Provided by (Used for)		
Operating Activities		
Depreciation		3,064
(Increase) decrease in receivables		(2,922)
(Increase) decrease in due from other funds		(104)
(Increase) decrease in inventory of materials and supplies		(3)
(Increase) decrease in prepaid items		(2)
Increase (decrease) in accounts payable		1,532
Increase (decrease) in accrued wages		100
Increase (decrease) in due to other funds		(1,086)
Net Cash Provided by (used for) Operating Activities	\$	<u>1,983</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond anticipation notes	\$	6,258
Acquisition of property, plant and equipment		(8,117)
Interest paid		(124)
Net Cash Provided by (used for) Capital and Related Financing Activities	\$	<u>(1,983)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	\$	-
 Cash and Cash Equivalents at January 1	\$	-
 Cash and Cash Equivalents at December 31	\$	-

Non-cash Activities:

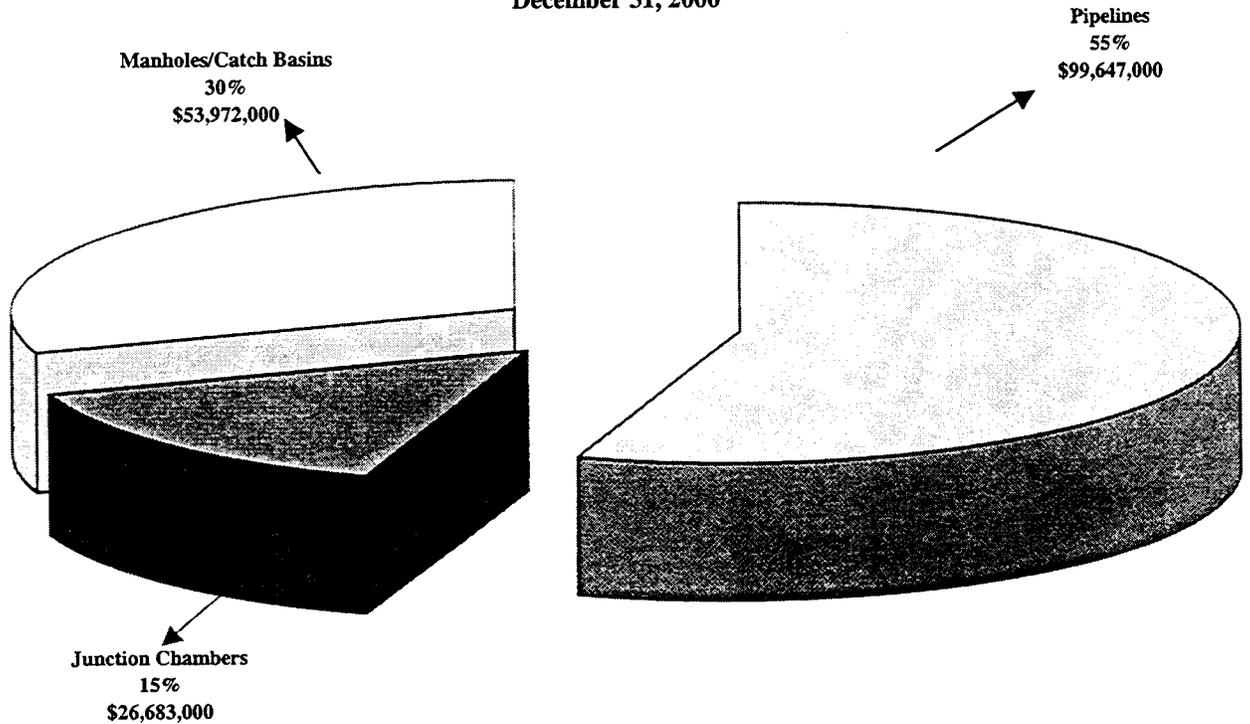
During the year, various furniture, furnishings, machinery and equipment of \$372,000 were donated to the Sewer Maintenance Fund from general fund departments.

Source: Office of the Comptroller, City of Milwaukee.

**SEWER MAINTENANCE FUND
DISTRIBUTION OF MAJOR ASSETS
DECEMBER 31, 2000**

Pipelines	\$99,646,816
Junction Chambers	26,683,250
Manholes/Catch Basins/etc.	<u>53,971,721</u>
TOTAL	<u>\$180,301,787</u>

**City of Milwaukee
Sewer Maintenance Fund
December 31, 2000**



Source: American Appraisal Associates.

SEWER MAINTENANCE FUND
PRO FORMA OPERATIONS & DEBT SERVICE-LEVEL DEBT SERVICE
(Dollars in Thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating Revenues	\$8,590.0	\$8,997.0	\$15,582.0	\$18,850.4	\$27,074.4	\$28,950.0	\$29,100.0	\$31,600.0	\$34,345.9
Operating Expenses*	\$8,456.0	\$8,895.0	\$11,114.0	\$14,191.5	\$21,314.4	\$20,713.9	\$19,015.7	\$19,527.2	\$20,053.6
Net Income Available for Debt Service	\$134.0	\$102.0	\$4,468.0	\$4,659.0	\$5,760.0	\$8,236.1	\$10,084.3	\$12,072.8	\$14,292.4
Maximum Annual Debt Service (2001 Issue)					\$2,343.4	\$3,815.4	\$5,259.2	\$6,821.3	\$8,352.9
Debt Service Coverage					2.46X	2.16X	1.92X	1.77X	1.71X
22 Minimum Debt Service Coverage					1.20X	1.20X	1.20X	1.20X	1.20X
Sewer Charge Rates (per hundred cubic feet)					0.8329**	0.9081	0.9221	1.0128	1.1134

* Excludes Depreciation and taxes.

** Adopted Budget.

TAX STATUS

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2001 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Series 2001 Bonds and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2001 Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2001 Bonds. Bond Counsel renders their opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update their opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2001 Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2001 Bonds in order that interest on the Series 2001 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2001 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2001 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2001 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2001 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2001 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2001 Bonds.

Prospective owners of the Series 2001 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Series 2001 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation affecting municipal bonds is regularly proposed. There can be no assurance that legislation enacted or proposed by the United States Congress after the date of issuance of the Series 2001 Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2001 Bonds.

Original Issue Discount

"Original issue discount" (OID) is the excess of the sum of all amounts payable at the stated maturity of a Series 2001 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2001 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2001 Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2001 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to

the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2001 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2001 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2001 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2001 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2001 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

State Tax Matters

Interest on the Series 2001 Bonds is not exempt from State of Wisconsin income tax or franchise tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The Issuer will not designate the Series 2001 Bonds as "qualified tax-exempt obligations" for purposes of Section 265 (b)(3) of the Code relating to the ability of certain financial institutions (within the meaning of Section 265(b)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RULE 15c2-12 AMENDMENTS

On November 10, 1994, the Securities and Exchange Commission adopted in final form certain amendments (the "Amendments") to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended. In general, the Amendments prohibit an underwriter from purchasing or selling municipal securities unless it has determined that the issuer of such securities has committed to provide annually certain information, including audited financial information, and notice of various events described in the Amendments, if material. The Amendments apply to municipal securities (such as the Series 2001 Bonds) sold on or after July 3, 1995. The City will provide a Continuing Disclosure Certificate to the purchaser(s) of the Series 2001 Bonds. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Series 2001 Bonds to provide: annual financial information for the City, including audited financial statements of the City for each fiscal year ending on and after December 31, 2001, in a timely manner; notices of certain events with respect to the Series 2001 Bonds, if material, including: principal and interest payment delinquencies; non-payment related defaults; unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions or events affecting the tax-exempt status of the Series 2001 Bonds; modifications to rights of security holders; bond calls; defeasances; release, substitution, or sale of property securing

repayment of the Series 2001 Bonds and rating changes; and notice of any failure of the City to provide required annual financial information with respect to the City not later than June 30, 2002 or any June 30 thereafter. The annual financial information referred to above will be provided to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any. The notice of certain events referred to above will be provided to each nationally recognized municipal securities information repository, to the Municipal Securities Rulemaking Board and to the appropriate state information depository, if any. As of the date of this Official Statement, the following nationally recognized municipal securities information repositories have been approved by the SEC: Bloomberg Municipal Repository; DPC Data Inc.; Standard & Poor's J.J. Kenny Repository and F.T. Interactive Data; no state information depository has been designated for the State of Wisconsin. The continuing obligation to provide annual financial information and notices referred to above will terminate with respect to the Series 2001 Bonds when the Series 2001 Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Series 2001 Bonds. The City has not failed to comply in any material respect with any previous undertaking in a written contract agreement specified in the Amendments.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2001 Bonds. The Series 2001 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 Bond certificate will be issued for each maturity of the Series 2001 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2001 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2001 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2001 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 2001 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 2001 Bonds, except in the event that use of the book-entry system for the Series 2001 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2001 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 2001 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2001 Bonds 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 Series 2001 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2001 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents.

Beneficial Owners of Series 2001 Bonds may wish to ascertain that the nominee holding the Series 2001 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2001 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 such other DTC nominee) will consent or vote with respect to the Series 2001 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to City 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 the Series 2001 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 2001 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 City 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, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2001 Bonds at any time by giving reasonable notice to City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2001 Bond certificates will be printed and delivered.

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

NEITHER THE CITY NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OFFERED OBLIGATIONS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE OFFERED OBLIGATIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE OFFERED OBLIGATIONS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF SERIES 2001 BONDS.

LEGAL MATTERS

LITIGATION STATEMENT

The City, its boards, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. The City of Milwaukee does not carry a blanket policy of insurance against tort liability. In addition, §893.80, Stats. limits the amount recoverable against a political corporation, its officer, officials or employes 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 currently 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 December 31, 2000 and from that date to November 16, 2001.

Bradley DeBraska v. City of Milwaukee. This case involves all police officers that are represented by the Milwaukee Police Association. The Association alleges the Milwaukee Police Department violated the Fair Labor Standards Act in regard to compensatory time, time spent during roll call, commuting time, overtime, retaliation, disciplinary hearings, caring for canines, and sick leave.

On December 1, 1997, the parties entered into a Stipulation resolving some of the matters in this litigation. The parties thereupon filed cross-motions for summary judgment with respect to the remaining issues. On June 19, 1998, the Court issued a Decision and Order granting summary judgment for the City on certain issues, summary judgment for the plaintiff on other issues, and denying summary judgment to both parties on still other issues and ordering a trial thereon. Following rendition of this Decision and Order, the parties entered into a Settlement Agreement resolving all issues on which either the plaintiff was granted summary judgment, or upon which a trial had been ordered. The City and the Court have approved the Settlement Agreement; the terms thereof have been implemented.

On November 19, 1998, the plaintiff appealed as to the issues upon which the City prevailed on summary judgment. On September 2, 1999, the Seventh Circuit issued its decision in which it reversed the District Court's determination of the compensatory time issue in favor of the City and affirmed the District Court's determinations in favor of the City on the remaining issues presented by the appeal. The compensatory time issue was remanded to the District Court for consideration on its merits. On September 26, 2000, the District Court ruled that the Department's system for governing police officer access to earned and accrued compensatory time-off balances violated the Act and directed further proceedings to determine damages and other remedies to be awarded to the plaintiffs. In February 2001, the District Court ordered mediation of these issues with a "target date" of July 1, 2001 for completion of mediation efforts. Settlement discussions have failed and the matter has been returned to court for further proceedings.

James A. Rehrauer, et al. v. City of Milwaukee, et al. This action was filed on behalf of 68 retired firefighter plaintiffs seeking to declare an ordinance implementing a judgment in an earlier case involving duty disability conversion invalid. The plaintiffs sought a declaration that they are entitled to the highest conversion age in effect during their careers. Summary judgment in favor of the City has been entered. The case has been settled by 64 of the 68 plaintiffs. Five plaintiffs appealed to the Wisconsin Court of Appeals. The Court of Appeals reversed. So far as we are able to determine three plaintiffs will be impacted by the decision.

U.S. Department of Justice Pattern and Practice Investigation-Milwaukee Police Department. The Equal Employment Opportunity Commission ("EEOC") conducted a pattern and practice investigation from December 1993 to September 1996. The investigation resulted in a finding of probable cause that the Fire and Police Commission ("FPC") and Milwaukee Police Department discriminated, based on race, in the areas of hiring, discipline, retaliation, and terms and conditions of employment. The EEOC sought \$5 million in total remedies for the class claims and nearly \$2 million to the individual hiring charging parties. Additionally, the EEOC requested remedies for the 15 individual "terms and conditions" charging parties in an amount totaling over \$2.5 million. The EEOC also sought an additional \$1 million in compensation to the "terms and conditions" class members. The 15 individual charges could become individual lawsuits if the charging parties request and receive Right to Sue letters; however, we cannot anticipate with any accuracy at this time if, indeed, there will be individual lawsuits, and if so, how many of the 15 individual charging parties will file a lawsuit. The EEOC referred the matter to the United States Department of Justice ("DOJ") in February 1997. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit has been authorized against the City of Milwaukee and the FPC on the basis of the information provided by the EEOC and upon further information compiled by the DOJ since the matter was referred to them. DOJ alleges that between 1991 and 1996, African-Americans were discriminated against in terms of differential and less favorable treatment in the hiring process (failing background investigations), and in terms and conditions of employment such as discipline, discharge, and assignment. The City has begun, and will continue to communicate with DOJ in an effort to explore possible settlement. It is presently unknown whether settlement can or will be effectuated. DOJ is presently requesting \$6.15 million in compensatory damages for a class of 100 victims of discriminatory terms and conditions of employment and an unspecified sum in back pay for a group of approximately 39 African-Americans who failed background investigations. Back pay cannot be estimated at this time.

U.S. Department of Justice Investigation of Firefighter Selection Procedures (Brotherhood of Firefighters v. FPC). The EEOC concluded an investigation into hiring and employment practices for the Milwaukee Fire Department based upon charges filed by the Brotherhood of Firefighters dated October 30, 1996 and February 26, 1997. The charges alleged discrimination on the basis of race (African-American) with respect to: 1) hiring; 2) promotion; 3) terms and conditions of employment and 4) discipline. On December 10, 1999 the EEOC issued a Reasonable Cause Determination finding reasonable cause to believe that Title VII had been violated with respect to the following: a) that Blacks as a class were discriminated against in recruitment of firefighters and cadets; b) that the 1993 and 1995 written examinations for entry level firefighter

positions were not properly validated and resulted in an adverse impact on the hiring of Blacks as firefighters; c) that the 1995 written examination for promotion to Fire Lieutenant was not properly validated and resulted in adverse impact on Blacks as a class; and d) that Black candidates for Battalion Chief in 1996 were victims of discrimination as a class because they were given ratings in the subjective, not properly validated selection process, which resulted in the cloistering of Black candidates in the lower half of the eligibility list and fewer than expected promotions of Blacks to that position. The EEOC determined that there was probable cause to believe discrimination had occurred. On October 4, 2000, over the City's objections, the EEOC failed the conciliation and referred the matter to the United States Department of Justice. The Department of Justice conducted its own investigation of the charges as well as a like and related matter: the 1999 entry-level examination for firefighter. In October, 2001, after several months of negotiations, the Department of Justice, the Brotherhood of Firefighters and the City entered into a settlement agreement concerning the recruitment and hiring charges for Cadet and entry level firefighters, and the 1993, 1995 and 1999 examinations. The settlement does not cover the promotional charges. The proposed Supplemental Order will, if approved and entered by the Court, obligate the City of pay a total of \$1.8 million in back pay, payable in three annual installments of \$600,000 each commencing in 2002. In addition, the City will contribute the employer portion of Medicare Tax on the back pay award, and will provide up to 40 priority appointments of African Americans who were the victims of past discrimination to the position of Firefighter, with retroactive seniority and pension benefits. The cost of providing such retroactive pension benefits is unknown, but is anticipated to be approximately \$615,000. The proposed order will be submitted to the United States District Court. The Court will be asked to set a fairness hearing and thereafter enter a final order. Court approval of the settlement is anticipated, but not guaranteed.

Super Excavators, Inc., v. City of Milwaukee. An underground-utility contractor that installed a sewer for the City filed this case. The plaintiff alleges that on July 10, 1998, while it was tunneling, a sudden surge of water entered the tunnel from a leaking City sewer above. The contractor seeks in excess of \$880,000 as compensation for additional work performed as a result of the wet conditions. If successful it is possible that a court would also award pre-judgment interest, bringing the amount over \$1 million. The City is defending the case. It is the opinion of the City staff that the water was a result of natural groundwater conditions that were the responsibility of the contractor.

With regard to other pending or threatened litigation and unasserted claims, it is the opinion of the City Attorney that such litigation and claims will not be finally determined so as to result individually or in the aggregate in a final judgment against the City which would affect its financial position.

LEGAL OPINION

The legal opinion of Hawkins, Delafield & Wood, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will be delivered to the purchasers of the Series 2001 Bonds. A draft of the legal opinion for the Series 2001 Bonds is included herein as Appendix C.

FINANCIAL GUARANTY INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2001 Bonds effective as of the date of issuance of the Series 2001 Bonds. Under the terms of the Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2001 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Series 2001 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2001 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2001 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2001 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2001 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Series 2001 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

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

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

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2001 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2001 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2001 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2001 Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately **\$4,988,000,000** (unaudited) and statutory capital of approximately **\$2,963,000,000** (unaudited) as of **September 30, 2001**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Series 2001 Bonds.

Ambac Assurance makes no representation regarding the Series 2001 Bonds or the advisability of investing in the Series 2001 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Financial Guaranty Insurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company's Current Report on Form 8-K dated January 24, 2001 and filed on January 24, 2001;
- 2) The Company's Current Report on Form 8-K dated March 19, 2001 and filed on March 19, 2001;
- 3) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and filed on March 28, 2001;
- 4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2001 and filed on May 15, 2001;
- 5) The Company's Annual Report on Form 8-K dated July 18, 2001 and filed on July 23, 2001;
- 6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2001 and filed on August 10, 2001;
- 7) The Company's Current Report on Form 8-K dated and filed on September 17, 2001;
- 8) The Company's Current Report on Form 8-K dated and filed on September 19, 2001;
- 9) The Company's Current Report on Form 8-K dated and filed on October 22, 2001;
- 10) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2001 and filed on November 14, 2001; and

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

RATINGS

Moody's Investors Service has assigned its municipal bond rating of "Aaa" to this issue of Series 2001 Bonds with the understanding that upon delivery of the Series 2001 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2001 Bonds will be issued by Ambac Assurance Corporation.

Standard & Poor's Ratings Group has assigned its municipal bond rating of "AAA" to this issue of Series 2001 Bonds with the understanding that upon delivery of the Series 2001 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2001 Bonds will be issued by Ambac Assurance Corporation.

Fitch IBCA, Inc. has assigned its municipal bond rating of "AAA" to this issue of Series 2001 Bonds with the understanding that upon delivery of the Series 2001 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2001 Bonds will be issued by Ambac Assurance Corporation.

In addition, the City has requested underlying ratings on the Series 2001 Bonds from Fitch IBCA, Inc., Moody's Investors Service, Inc. and from Standard & Poor's Ratings Group. Fitch IBCA, Inc. has assigned a rating of "AA" on the Series 2001 Bonds, Moody's Investors Service has assigned a rating of "Aa3" on the Series 2001 Bonds and Standard & Poor's Rating Group has assigned a rating of "AA-", on the Series 2001 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 2001 Bonds.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Series 2001 Bonds.

UNDERWRITING

The Series 2001 Bonds have been purchased by Siebert Brandford Shank & Co., LLC (the "Underwriter"). The Underwriter purchased the Series 2001 Bonds at a price of \$29,753,678.45 (which includes an original issuance premium of \$756,474.00) less underwriter's discount of \$109,106.25, plus accrued interest on the Series 2001 Bonds to December 4, 2001.

The Underwriter may offer and sell the Series 2001 Bonds to certain dealers (including depositing the Series 2001 Bonds into Investment Trusts) and others at prices lower than the public offering prices stated on the inside front cover page of this Official Statement. The initial offering prices may be changed from time to time by the Underwriter.

LEGISLATION

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Series 2001 Bonds or the financial condition of the City's Sewerage System.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Series 2001 Bonds by the Underwriter thereof, the City will furnish to the Underwriter the following closing documents, in form satisfactory to Bond Counsel:

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;
- (4) the opinion as to the legality of the Series 2001 Bonds under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes with respect to the Series 2001 Bonds, rendered by Hawkins, Delafield & Wood, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, in substantially the form as set forth in Appendix C;
- (5) copies of this Official Statement issued in conjunction with the Series 2001 Bonds within seven business days after the sale of the Series 2001 Bonds in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

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

ADDITIONAL INFORMATION

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

W. MARTIN MORICS, City Comptroller and Secretary
City of Milwaukee, Public Debt Commission
City Hall - Room 404, 200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-2301


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

November 16, 2001

APPENDIX A

CITY OF MILWAUKEE, WISCONSIN

GENERAL INFORMATION

**CITY OF MILWAUKEE, WISCONSIN
General Information**

TABLE OF CONTENTS

	<u>Page</u>
THE CITY.....	A-3
Location, Organization and Government.....	A-3
General.....	A-3
Elected Officials	A-3
City Officials	A-3
Common Council.....	A-3
Public Services and Facilities	A-4
Employee Relations	A-4
GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION	A-5
General.....	A-5
City of Milwaukee	A-5
Selected Economic Data	A-5
Building Permits	A-6
Bank Deposits	A-7
Leading	A-8
Business and Industrial Firms Located Within Milwaukee County.....	A-8
EMPLOYMENT AND INDUSTRY	A-9
Ten Largest Taxpayers With 2000 Assessed Valuations	A-10
DEBT STRUCTURE	A-11
Legal Debt Limitations	A-11
Debt Margin.....	A-11
Debt Refunded	A-11
Analysis of General Obligation Debt.....	A-12
Outstanding as of September 30, 2001	A-12
General Obligation Debt Service Requirements	A-13
Trends of General Obligation Debt.....	A-14
Trends of Self-Sustaining General Obligation Debt	A-15
Ratio of General Obligation Debt	A-16
Computation of Net Direct and Overlapping Debt	A-17
Future Financing.....	A-17

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City of Milwaukee 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. Milwaukee is Wisconsin's largest city with a population of 606,000 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Metropolitan Statistical Area (SMSA) consisting of Milwaukee, Waukesha, Washington and Ozaukee Counties, has a population of over 1.5 million. This SMSA is the 24th largest metropolitan area in the United States.

The Port of Milwaukee provides excellent 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 tied into the interstate highway network through newly resurfaced expressways.

Milwaukee 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, in operation under a Home Rule Charter since 1874, provides for 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.

At present, 17 Alderpersons comprise the Common Council. Each Alderperson represents, and is elected from, an aldermanic district with a population of approximately 36,000.

CITY OFFICIALS

(initial year in office follows name)

Mayor	John O. Norquist	(1988)
City Attorney	Grant F. Langley	(1984)
City Comptroller	W. Martin Morics	(1992)
City Treasurer	Wayne F. Whittow	(1976)

COMMON COUNCIL

Marvin E. Pratt	(1987)	Rosa Cameron	(2000)
Terrance Herron	(2000)	Annette E. Scherbert	(1984)
Michael S. D'Amato	(1996)	Angel Sanchez	(2000)
Paul A. Henningsen	(1983)	Jeffrey A. Pawlinski	(1996)
James A. Bohl, Jr.	(2000)	Suzanne M. Breier	(1992)
Marlene E. Johnson-Odom	(1980)	Thomas G. Nardelli	(1986)
Fredrick G. Gordon	(1992)	Michael J. Murphy	(1989)
Robert G. Donovan	(2000)	Willie L. Hines, Jr.	(1996)
Donald F. Richards	(1988)		

The terms of all the above elected positions expire in April, 2004.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 8,700 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City owned water utility); various cultural and recreational services including a library system; and, general municipal administration. General obligation and revenue backed debt issuance is available to the City. City government also participates in housing and neighborhood programs through separate Housing and Redevelopment Authorities. These two latter Authorities have the ability to borrow using revenue backed financings.

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

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

The second special purpose government is the Wisconsin Center District which oversees construction/operation of the Midwest Express Center, Milwaukee's new major convention complex. This complex also includes the existing Arena and Auditorium facilities, formerly known as "MECCA". The Midwest Express Center is being financed by \$215 million of revenue bonds backed by dedicated sales tax revenues from the lodging, restaurant, and vehicle rental areas. Phase one of the Midwest Express Center was completed during 1998. Phase two was completed in 2000.

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

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

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

EMPLOYEE RELATIONS

Approximately 6,750 of the City's 8,000 full-time employees are members of bargaining units represented by 19 unions. The City is currently negotiating with 19 bargaining units for contracts to be effective January 1, 2001. These negotiations have not yet been concluded. For the years 1999-2000, 18 bargaining units settled voluntarily with the exception of the Milwaukee Police Association (MPA) which was decided using interest arbitration.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 606,000, represents about 40 percent of the population of the greater metropolitan area. Population in the four county retail trade area surrounding Milwaukee is 1,509,600 and represents 28% of the population of the State of Wisconsin. Based on the last U.S. Census, over 60 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 to 64. Forty-nine percent of the Milwaukee SMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

The City of Milwaukee's effective buying income is approximately \$8.4 billion, 30 percent of the total effective buying income in the four county metro Milwaukee area. In Milwaukee, 24 percent of City households earn between \$20,000 and \$35,000 per year; 18 percent earn between \$35,000 and \$50,000 per year and 24 percent earn over \$50,000 per year. The age distribution of the population of the City of Milwaukee is 11 percent between 18 and 24 years old; 16 percent between 25 and 34 years old; 20 percent between 35 and 49 years old and 26 percent are 50 years or older.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population⁽¹⁾</u>	<u>Per Capita Average Income</u>	<u>Per Capita Household Income</u>	<u>Per Capita Equalized Value</u>
1996	620,609	\$12,800	\$33,300	\$24,736
1997	612,740	13,219	34,271	25,315
1998	610,654	13,436	34,839	26,575
1999	608,150	13,780	35,830	27,462
2000	605,572	N/A	N/A	28,641

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

Sources: Derived from data contained in Sales and Marketing Management magazine as reported for the appropriate year. Data for 2000 is currently unavailable. Other sources include the Bureau of Census; Wisconsin Department of Revenue; Metropolitan Milwaukee Association of Commerce and the City of Milwaukee Division of Economic Development.

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BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 1996 through September of 2001.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1996	169,138,769	2,363
1997	319,410,366	2,318
1998	246,033,955	2,408
1999	332,184,632	2,429
2000	281,978,437	2,448
2001*	286,384,566*	2,171*

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
1996	6,234,953	65	5,887,200	118	12,122,153	183	88
1997	8,292,100	80	19,219,402	265	27,511,502	345	112
1998	6,781,406	67	38,475,720	522	45,257,126	589	97
1999	9,489,837	84	10,951,700	119	20,441,537	203	109
2000	13,501,445	113	21,682,808	239	35,184,253	352	137
2001*	14,519,093*	116*	53,633,896*	241*	68,152,989*	357*	136*

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1996	37,779,942	77
1997	161,478,796 ⁽¹⁾	86
1998	68,042,140	79
1999	128,343,915	95
2000	99,967,923	88
2001*	66,080,229*	67*

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1996	26,684,674	291
1997	46,502,536	170
1998	25,046,871	191
1999	30,726,416	145
2000	43,153,279	181
2001*	60,469,315*	381*

Alterations And Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1996	92,552,000	1,907
1997	83,917,532	1,950
1998	107,687,818	2,041
1999	152,672,764	2,080
2000	103,672,982	2,042
2001*	91,682,033*	1,587*

* As of September 2001.

⁽¹⁾ Includes Midwest Express Center.

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

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

BANK DEPOSITS

The following table illustrates a five year history of bank deposits for the largest banks in the City. (In Thousands of Dollars)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Bank One, Milwaukee, N.A.	\$5,949,652 ⁽¹⁾	\$5,816,324 ⁽¹⁾	\$5,297,707	\$4,262,523	\$4,397,409
Firststar Bank, Milwaukee, N.A. ⁽²⁾	4,991,700	4,735,862	5,730,006	--	--
M & I Marshall & Ilsley Bank	3,043,161	5,520,720	6,206,362	5,245,384	8,623,224
Wells Fargo Bank Wisconsin, N.A.	1,490,844	1,513,210	1,673,894	1,667,542	1,803,846
Associated Bank Milwaukee	611,374	611,250	698,472	1,929,558	1,918,455
TCF National Bank Wisconsin	--	485,644 ⁽³⁾	484,226	439,957	452,798 ⁽⁵⁾
First Bank (N.A.) ⁽⁴⁾	603,522	--	--	--	--
Park Bank	324,103	365,924	400,758	390,147	445,397

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

⁽²⁾ Firststar Bank, Milwaukee, N.A. was purchased in 1999 by Star Banc of Cincinnati, Ohio.

⁽³⁾ TCF, formerly known as TCF Bank Wisconsin, FSB, received its charter as a national bank on April 7, 1997.

⁽⁴⁾ First Bank, Milwaukee, N.A. merged into U.S. Bank National Association, Minneapolis, Minnesota as of June 1, 1997.

⁽⁵⁾ TCF National Bank Wisconsin data as of December, 2000. TCF National Bank Wisconsin merged with TCF National Bank, Minneapolis, Minnesota during 2000.

Source: State of Wisconsin Office of Commissioner of Banking, May 2001.

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

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

<u>Employer</u>	<u>2000 Employment</u>	<u>Type of Business or Service</u>
Milwaukee Public Schools	11,352	Education
Aurora Health Care	10,566	Health Care
City of Milwaukee	7,700	Government
Milwaukee County ⁽¹⁾	7,310	Government
U.S. Government (Excludes V.A. Medical Center)	6,353	Government
Covenant Health Care	5,552	Health Care
Wisconsin Electric Power Company	5,372	Electric utility
M&I Marshall & Ilsley	4,957	Holding company banking/finance and data services
Columbia-St. Mary's	4,200	Health Care
Northwestern Mutual Life	3,948	Insurance
Medical College of Wisconsin	3,806	Medical school/academic/health care
Firststar Corporation	3,241	Finance, banking
Harley Davidson, Inc.	3,141	Manufacturer, motorcycles
Rockwell Automation (formerly Allen-Bradley)	3,103	Manufacturer, electrical/electronic products
Briggs and Stratton	3,066	Manufacturer, small engines, automotive locks and keys
SBC Communications (Ameritech Corporation)	3,015	Communications
University of Wisconsin-Milwaukee	2,830	Education
Marcus Corporation	2,394	Hotels, motels, restaurants and theatres
Froedtert Memorial Hospital	2,383	Health Care
Tower Automotive (formerly A.O. Smith Automotive Products Co.)	2,116	Manufacturer, automobile and truck frames
Journal Communications	2,042	Publishing, printing and broadcasting
Marquette University	2,035	Education
Delphi Automotive Systems (General Motors)	1,978	Manufacturer, automotive electronic engine control modules, catalytic converters, and automotive electronic chassis control modules
Carson Pirie Scott & Co.	1,960	Retail
Clement Zablocki Veterans Medical Center	1,960	Health care

Note: Data reflects full-time equivalent employees.

⁽¹⁾ The value for Milwaukee County is authorized full-time equivalents. Information on the actual full-time equivalent is not available at this time.

Source: Milwaukee County Department of Administration January 2001 survey. Wisconsin Department of Workforce Development quarterly report, "Employment and Wages".

EMPLOYMENT AND INDUSTRY

During the first eight months of 2001, the City's unemployment rate averaged 7.5%. Presented below are annual unadjusted unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 1996 through August, 2001.

	<u>City of Milwaukee</u>	<u>State of Wisconsin</u>	<u>United States</u>
2001 ⁽¹⁾	7.5%	4.4%	4.4%
2000	5.9	3.3	4.0
1999	4.9	3.1	4.2
1998	4.8	3.2	4.5
1997	5.2	3.5	4.9
1996	5.1	3.5	5.4

Source: Wisconsin Department of Workforce Development and U.S. Bureau of Labor Statistics.

(1) January through August averages.

Milwaukee's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 65 percent of the workforce. Manufacturing firms employ 20 percent of the work force. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

CITY OF MILWAUKEE ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY GROUP 1996 – 2000⁽¹⁾

<u>Industry Group</u>	<u>Number of Establishments</u>					<u>Employment</u>				
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000⁽¹⁾</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000⁽¹⁾</u>
Agriculture	101	111	109	109	101	557	670	746	750	935
Construction	831	831	828	822	827	7,624	8,224	8,035	8,134	8,840
Manufacturing	1,079	1,075	1,060	1,041	1,015	61,575	61,913	59,536	56,591	55,645
Transportation & Communications	572	601	588	580	567	18,167	18,533	18,645	16,456	16,164
Wholesale Trade	1,297	1,280	1,238	1,173	1,115	19,852	20,216	20,201	20,551	19,827
Retail Trade	2,848	2,748	2,636	2,626	2,621	44,520	43,319	42,856	43,661	42,417
Finance, Insurance & Real Estate	1,378	1,361	1,377	1,290	1,212	33,026	34,006	33,344	35,370	32,874
Services	<u>6,268</u>	<u>6,412</u>	<u>6,533</u>	<u>6,107</u>	<u>5,798</u>	<u>118,067</u>	<u>123,166</u>	<u>127,280</u>	<u>140,006</u>	<u>142,618</u>
Totals	<u>14,374</u>	<u>14,419</u>	<u>14,369</u>	<u>13,748</u>	<u>13,256</u>	<u>303,388</u>	<u>310,047</u>	<u>310,643</u>	<u>321,519</u>	<u>319,320</u>

(1) Second quarter, 2000.

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2000 ASSESSED VALUATIONS ⁽¹⁾

First Security Bank	\$197,382,680
Northwestern Mutual Life Insurance Company (Insurance)	167,947,300
Teachers Insurance & Annuity Association of America (Real Estate Investment)	103,438,000
Towne Realty (Real Estate)	88,919,750
Miller Brewing Company (Brewing)	69,844,300
Great Lakes REIT (Real Estate Investment)	68,746,760
Marcus Corp. (Hotels, Motels, Restaurants)	66,632,270
Metropolitan Associates (Real Estate Investment)	64,308,370
Allen Bradley (Manufacturing)	55,941,700
100 East Wisconsin Joint Venture (Real Estate Investment)	55,171,140

⁽¹⁾ The above assessed values represent an equalization ratio of 101.4% to full value as determined by the Wisconsin Department of Revenue. (2000 Assessments for 2001 Purposes.)

Source: City of Milwaukee, Assessor's Office.

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DEBT STRUCTURE

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

LEGAL DEBT LIMITATIONS

Section 67.03 of the Wisconsin Statutes limits direct general obligation borrowing to an amount equivalent to five percent of the equalized valuation of taxable property. Section 119.49 of the Wisconsin Statutes further authorizes referendum approved bonding in an additional amount equivalent to two percent of the equalized taxable property for school capital purposes. Such debt margins, as of September 30, 2001, are calculated upon the 2000 City equalized valuation for 2001 purposes of \$17,344,251,400. The available five percent debt margin for City borrowing is \$227,444,923 or 26.2% remaining for future debt issuance. The available two percent debt margin for school capital purposes is \$346,885,028, or 100% remaining for future debt issuance. Together, as detailed below, "Total Debt Margin" equals \$574,329,951 or 47.3%.

DEBT MARGIN

2000 Equalized Value of Taxable Property in the City		<u>\$17,344,251,400</u>
Legal Debt Limitation		
5% of Equalized Value for City Borrowing	\$ 867,212,570	
2% of Equalized Value for School Borrowing	<u>\$346,885,028</u>	
		\$1,214,097,598
General Obligation Debt Outstanding as of September 30, 2001	\$666,331,216	
Less: Provision for Remaining 2001 Maturities	<u>\$26,563,569</u>	
Net General Obligation Debt Outstanding as of September 30, 2001		<u>\$639,767,647</u>
Total Debt Margin (In Dollars)		<u>\$ 574,329,951</u>
(As a Percentage)		47.3%

DEBT REFUNDED

The City issued \$43,065,000 General Obligation Refunding Bonds, Series of 1992 dated February 1, 1992 for the purpose of refunding portions of four general obligation bond issues. In addition, the City issued \$65,525,000 General Obligation Refunding Bonds, Series of 1993 dated April 1, 1993 for the purpose of refunding portions of nine general obligation bond issues. The City has also issued \$75,460,000 General Obligation Refunding Bonds, Series of 1996, dated February 1, 1996 for the purpose of refunding additional portions of thirteen general obligation bond issues. Finally, the City issued \$30,725,000 General Obligation Refunding Bonds (Series of 2001-A and Series of 2001-B) dated July 1, 2001 for the purpose of refunding additional portions of five general obligation bond issues. The City has entered into Escrow Agreements with Bank One Wisconsin Trust Company related to the Series of 1992 Bonds; U.S. Bank Trust, N.A. (formerly First Trust, N.A.), related to the Series of 1993 Bonds; Wells Fargo Bank Wisconsin, N.A. (formerly Norwest Bank Wisconsin, N.A.), related to the Series of 1996 Bonds; and Associated Trust Company, N.A. related to the Series of 2001 Bonds all for the purpose of securing the payment of principal and interest on the refunded issues. None of the refunded debt is reflected in the "Debt Margin" presentation above.

**ANALYSIS OF GENERAL OBLIGATION DEBT
OUTSTANDING AS OF SEPTEMBER 30, 2001**

SERIAL BONDS

Schools	\$91,316,794
Tax Increment Districts	88,328,596
Street Improvements	83,730,477
Sewers	79,719,084
Public Buildings	53,827,641
Water Improvements	50,047,208
Police Facilities	38,358,818
Blight Elimination, Slum Clearance and Urban Renewal	28,332,789
Special Assessment Financing	25,926,457
Parking Facilities	21,278,998
Bridges	13,592,930
Playgrounds and Recreational Facilities	9,202,621
Library	6,541,904
Fire Engine Houses	6,113,198
Harbor Improvements	3,635,772
Economic Development	1,114,008
Industrial Land Bank	480,425
Resource Recovery Project	156,443
Convention Complex	144,224
Lakefront Development	66,332
City Hall and Annex Renovation	29,454
Bridges and Buildings Field Headquarters	6,003
Municipal Garage	5,848
Forestry/Sanitation Field Headquarters	5,262
Sanitation	2,909
Safety Academy	805
TOTAL BONDS OUTSTANDING	<u>\$601,965,000</u>
SERIAL NOTES	
Finance Real & Personal Property Tax Receivables	\$22,430,000
FMIS Replacement Project	15,409,746
Schools	13,277,230
Parking Facilities	5,817,839
Municipal Expenses	4,355,485
Public Buildings	2,241,988
Grant & Aid Projects	634,334
Blight Elimination, Slum Clearance and Urban Renewal	199,594
TOTAL NOTES OUTSTANDING	<u>\$64,366,216</u>
TOTAL GENERAL OBLIGATION DEBT OUTSTANDING AS OF SEPTEMBER 30, 2001	<u>\$666,331,216</u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

The following indicates the annual requirements of principal and interest on outstanding City of Milwaukee general obligation debt as of September 30, 2001.

	<u>TOTAL ANNUAL REQUIREMENTS</u>		
	<u>Principal Requirements As At 09/30/01</u>	<u>Interest Requirements As At 09/30/01</u>	<u>Total As At 09/30/01</u>
2001	\$26,563,569	\$9,407,387	\$35,970,956
2002	78,509,045	31,673,936	110,182,981
2003	65,984,456	28,203,110	94,187,566
2004	62,516,994	25,097,470	87,614,464
2005	59,886,953	21,919,091	81,806,044
2006	52,630,199	18,787,979	71,418,178
2007	48,605,000	16,083,534	64,688,534
2008	45,820,000	13,652,993	59,472,993
2009	41,245,000	11,377,562	52,622,562
2010	37,875,000	9,294,141	47,169,141
2011	34,280,000	7,395,091	41,675,091
2012	30,210,000	5,652,793	35,862,793
2013	26,140,000	4,043,297	30,183,297
2014	21,925,000	2,775,781	24,700,781
2015	16,530,000	1,752,561	18,282,561
2016	9,320,000	881,361	10,201,361
2017	4,315,000	414,187	4,729,187
2018	3,780,000	195,802	3,975,802
2019	195,000	4,875	199,875
	<u>\$666,331,216</u>	<u>\$208,612,951</u>	<u>\$874,944,167</u>

TRENDS OF GENERAL OBLIGATION DEBT

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

<u>Dec. 31</u>	<u>General Obligation Debt Outstanding⁽¹⁾</u>	<u>Debt Service Fund Balance⁽²⁾</u>		<u>General Obligation Debt Less Debt Service Balance</u>
		<u>Allocated To Specific Issues⁽³⁾</u>	<u>Unallocated⁽⁴⁾</u>	
1996	\$428,839,903	\$9,202,481	\$15,760,338	\$403,877,084
1997	459,797,806	8,336,613	13,901,387	437,559,806
1998	518,401,459	9,691,634	15,249,366	493,460,459
1999	559,098,751	11,253,948	20,068,052	527,776,751
2000	605,239,921	9,623,007	20,812,993	574,803,921
2001 ⁽⁵⁾	663,331,216	9,263,836	20,036,164	637,031,216

(1) Includes amounts borrowed for Tax Incremental District Program, Parking Program, financing of special assessments, delinquent taxes and water purposes. See "TRENDS OF SELF SUSTAINING GENERAL OBLIGATION DEBT" on the following page for additional information.

(2) The allocation of the Debt Service Fund balances to specific issues is based upon the debt service due for Tax Incremental Districts, Parking, Special Assessment, Water and Delinquent Tax borrowings as a portion of total debt service. (For further information regarding debt service due for Tax Increment Districts, please see "TAX INCREMENT DISTRICT FINANCING.")

(3) From Provision for Future Maturities - Principal and Interest.

(4) From Debt Service Fund Revenues.

(5) Estimated at September 30, 2001.

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT

<u>Dec. 31</u>	<u>General Obligation Debt Less Debt Service Balance ⁽⁵⁾</u>	<u>Self-Sustaining General Obligation Debt⁽¹⁾</u>					<u>Total Self Sustaining Debt</u>	<u>Net General Obligation Debt Less Self-Sustaining Debt⁽⁶⁾</u>
		<u>TID Program⁽²⁾</u>	<u>Parking Program</u>	<u>Special Assessments⁽³⁾</u>	<u>Delinquent Taxes⁽⁴⁾</u>	<u>Water</u>		
1996	\$413,079,565	\$51,151,636	\$18,827,480	\$25,893,023	\$23,950,000	\$36,954,850	\$156,776,989	\$256,302,576
1997	445,896,419	55,188,023	16,973,337	27,609,606	23,855,000	47,343,043	170,969,009	274,927,410
1998	503,152,093	64,899,209	21,532,010	27,912,744	23,195,000	61,981,967	199,520,930	303,631,163
1999	539,030,699	66,836,574	25,399,711	28,560,056	21,950,000	57,373,821	200,120,162	338,910,537
2000	584,426,928	66,078,454	26,981,616	26,299,555	21,225,000	52,611,050	193,195,675	391,231,253
2001 ⁽⁷⁾	646,295,052	88,328,596	27,096,837	25,926,457	22,430,000	50,047,208	213,829,098	432,465,954

(1) The City defines "Self-Sustaining General Obligation Debt" to include any general obligation debt previously issued whose debt service requirements is currently met with current non-Citywide property tax revenues.

(2) See "TAX INCREMENT DISTRICT FINANCING" herein for additional information.

(3) The Public Debt Commission, as one of its statutory mandates, oversees the portion of the Public Debt Amortization Fund used annually to prepay outstanding debt. The Commissioners of the Public Debt have reserved a portion of this Fund sufficient to make principal and interest payments for all outstanding special assessments purpose debt service to maturity.

(4) Debt service on securities used to fund delinquent tax is offset completely by remitted delinquent tax payments.

(5) Unallocated portion only. Allocated Debt Service Fund Balance relates to "Self-Sustaining" Debt categories detailed above.

(6) General Obligation Debt less unallocated Debt Service Balance and less Self-Sustaining Debt on a per capita basis is as follows:

<u>December 31</u>	<u>Debt Per Capita</u>
1996	\$412.99
1997	448.69
1998	497.22
1999	557.28
2000	646.05

(7) Estimated at September 30, 2001.

**RATIO OF GENERAL OBLIGATION DEBT
To Equalized And Assessed Values And To Per Capita
And Per Capita Incomes For The Years 1996 Through 2000**

Year (12/31)	Population ⁽¹⁾	Net Equalized Valuation ⁽²⁾	Assessed Valuation	General Obligation Debt ⁽³⁾	General Long-Term Debt/Equalized Valuation ⁽⁴⁾	Long-Term Debt/Assessed Valuation	Long-Term Debt Per Capita ⁽⁴⁾	General Per Capita Income	General Long-Term Debt/Per Capita Income
1996	620,609	\$15,041,199,500	\$14,850,606,600	\$403,877,084	2.69%	2.72%	\$650.78	\$12,800	5.08%
1997	612,740	15,511,857,400	14,914,137,234	437,559,806	2.82	2.93	714.10	13,219	5.40
1998	610,654	16,228,218,000	16,072,114,035	493,460,459	3.04	3.07	808.09	13,436	6.01
1999	608,150	16,701,225,300	15,774,873,167	527,776,751	3.16	3.35	867.84	13,870	6.30
2000	605,572	17,344,251,400	17,582,994,597	574,803,921	3.31	3.27	949.19	N/A	N/A

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

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

(3) See - "TRENDS OF GENERAL OBLIGATION DEBT" herein (page 29).

(4) The Public Debt Amortization Fund may be used to acquire debt prior to maturity. Assuming the year-end unsegregated fund balance had been applied in this manner to debt in 1996 through 2000, the following results would have occurred:

<u>Dec. 31</u>	Debt Percentage Of Equalized <u>Value</u>	Direct Debt Per <u>Capita</u>
1996	2.39%	\$604.47
1997	2.48	627.43
1998	2.71	721.84
1999	2.89	793.76
2000	3.06	877.44

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
SEPTEMBER 30, 2001**

<u>Governmental Unit</u>	<u>Debt Outstanding As of 9/30/01</u>	<u>Approximate Percentage Applicable</u>	<u>Milwaukee's Share of Debt</u>
City of Milwaukee ⁽¹⁾	\$637,031,216	100.00%	\$637,031,216
Area Board of Vocational, Technical and Adult Education, District No. 9	81,605,000	36.95	30,153,048
County of Milwaukee	485,313,760	45.31	219,895,665
Milwaukee Metropolitan Sewerage District ⁽²⁾	503,580,011	46.42	<u>233,761,841</u>
TOTAL NET DIRECT AND OVERLAPPING DEBT			<u><u>\$1,120,841,769</u></u>

- (1) Net of Debt Service Fund Balance. Excludes \$73,342,064 of Industrial Revenue Bonds. Excludes \$16,772,867 of City of Milwaukee Water Revenue Bonds, Series of 1998. Includes \$104,594,024 outstanding, which financed Milwaukee Public Schools improvements.
- (2) Includes \$218,705,011 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

The City anticipates no further general obligation or revenue anticipation offerings during the remainder of 2001. The City's general fund "cash flow" financing for Fiscal Year 2002 is expected to be marketed in February 2002. This offering is expected to be in the \$110-\$120 million range. Financing of delinquent tax receivables as general obligation notes will also occur in February 2002. This offering is expected to be in the \$10-\$12 million range.

General obligation capital financings are anticipated for June 2002. These offerings, possibly a taxable bond issue as well as tax-exempt are expected to be in the \$45-\$60 million range. Finally, revenue anticipation notes for the Milwaukee Public Schools are expected to be again marketed in August 2002.

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APPENDIX B

**Audited Financial Statements of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2000**

CITY OF MILWAUKEE
Financial Statements
For the Year Ended December 31, 2000
(Excerpts From Annual Financial Report)

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS		B-3
GENERAL PURPOSE FINANCIAL STATEMENTS (COMBINED STATEMENTS - OVERVIEW)		
Combined Balance Sheet-All Fund Types, Account Groups and Discretely Presented Component Units	1	B-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	2	B-8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Budgeted Special Revenue Fund Types	3	B-10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types and Discretely Presented Component Units	4	B-13
Combined Statement of Cash Flows - All Property Fund Types and Discretely Presented Component Units	5	B-14
Notes to the Financial Statements		B-16
SELECTED COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES		
General Fund		
Comparative Balance Sheet	A	B-37
Statement of Revenues, Expenditures and Changes in Fund Balance	B	B-38
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	C	B-39
Schedule of Revenues - Budget and Actual	D	B-40
Schedule of Expenditures - Budget and Actual	E	B-41
Debt Service Funds		
Combining Balance Sheet	F	B-42
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	G	B-43
Capital Projects Funds		
Combining Balance Sheet	H	B-44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	I	B-46
General Long-Term Obligations Account Group		
Statement of General Long-Term Obligations	J	B-48



777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the City of Milwaukee (a municipality incorporated under the laws of the State of Wisconsin) as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's Comptroller. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Milwaukee as of December 31, 2000, and results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of expressing an opinion on the general purpose financial statements taken as a whole. The selected combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Milwaukee. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

KPMG LLP

Milwaukee, Wisconsin
May 25, 2001



CITY OF MILWAUKEE
 COMBINED BALANCE SHEET -
 ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2000
 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1999
 (Thousands of Dollars)

Exhibit 1

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 9,240	\$ 19,024	\$ 34,531	\$ 41,912
Investments			67,985	
Receivables (net):				
Taxes	23,152	8,335		
Accounts	18,918	1,511	3,202	1,647
Unbilled accounts	989			
Special assessments				13,233
Notes and loans	768	6,291	18,866	
Accrued interest	961		178	
Due from other funds	11,917	253	387	
Due from primary government				
Due from component units	4,892	24	12,354	
Due from other governmental agencies	1,383	12,984		7,155
Other receivables	12,694			
Inventory of materials and supplies	5,988			199
Inventory of property for resale	26			
Prepaid items	366	34		1
Deferred charges				
Other assets				
Restricted Assets:				
Cash and cash equivalents				
Investments	281			
Loans receivables				
Land				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Furniture and furnishings				
Construction work in progress				
Nonutility property				
Accumulated depreciation				
Other Debits:				
Resources available in Governmental Funds				
Resources to be Provided for:				
Retirement of general obligation debt				
Pension contribution payable from subsequent year's budget				
Unfunded compensated absences				
Unfunded claims and judgments				
Total Assets and Other Debits	\$ 91,575	\$ 48,456	\$ 137,503	\$ 64,147
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 23,180	\$ 6,461	\$	\$ 12,739
Accrued wages	27,277	245		220
Accrued expenses				

Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust and Agency	Account Groups		Totals (Memorandum Only) Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity 1999 (Restated)	
		General Fixed Assets	General Long-Term Obligations			2000	1999
\$ 20,022 4,000	\$ 217,109 6,006	\$	\$	\$ 341,838 77,991	\$ 31,963 13,765	\$ 373,801 91,756	\$ 416,403 80,931
	141,378			172,865		172,865	127,392
22,112				47,390	8,703	56,093	34,448
10,047				11,036		11,036	10,790
				13,233		13,233	13,583
	468			26,393	56,007	82,400	76,975
29				1,168	467	1,635	1,425
614				13,171		13,171	15,596
				-	2,112	2,112	18
				17,270		17,270	13,751
				21,522	19,098	40,620	23,421
				12,694		12,694	13,253
2,183				8,370		8,370	9,887
				26	10,928	10,954	13,591
106				507	1,666	2,173	2,367
2				2		2	-
983				983	405	1,388	1,564
				-	3,037	3,037	1,418
	387,461			387,742	15,030	402,772	415,990
				-	40	40	45
19,719		39,694		59,413	38,719	98,132	98,650
78,323		132,870		211,193	253,270	464,463	478,601
271,681				271,681		271,681	265,635
192,747		93,534		286,281	4,697	290,978	285,429
189				189	122	311	174
9,827		63,088		72,915	44,748	117,663	70,585
540				540		540	564
(153,436)				(153,436)	(125,165)	(278,601)	(261,731)
				117,488		117,488	118,686
				405,015		405,015	354,403
				-		-	1,835
				30,534		30,534	26,308
				43,520		43,520	58,661
<u>\$ 479,688</u>	<u>\$ 752,422</u>	<u>\$ 329,186</u>	<u>\$ 596,557</u>	<u>\$ 2,499,534</u>	<u>\$ 379,612</u>	<u>\$ 2,879,146</u>	<u>\$ 2,770,648</u>
\$ 13,135 3,236	\$ 1,730	\$	\$	\$ 57,245 30,978	\$ 10,726 18 6,505	\$ 67,971 30,996 6,505	\$ 46,061 28,907 4,882

CITY OF MILWAUKEE
COMBINED BALANCE SHEET -
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2000
 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1999
 (Thousands of Dollars)

Exhibit 1 (Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities (Continued):				
Due to other funds	\$ 253	\$ 6,220	\$ 1,840	\$
Due to primary government				
Due to component units		2,112		
Due to other governmental agencies		850		2,553
Bonds and notes payable - current				
General obligation debt payable - current				
Deferred revenue	1,971	11,560	31,220	13,209
Bond anticipation notes payable				
Bonds and notes payable				
General obligation debt				
Unfunded pension costs				
Unfunded compensated absences				
Unfunded claims and judgments				
Revenue bonds payable				
Other payables				12,694
Advances from other governmental agencies				
Other liabilities				
Total Liabilities	<u>\$ 52,681</u>	<u>\$ 27,448</u>	<u>\$ 33,060</u>	<u>\$ 41,415</u>
Fund Equity and Other Credits:				
Contributed capital	\$	\$	\$	\$
Investment in general fixed assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for debt service - 2001 (2000)		13,045	30,436	
Reserved for future retirement of general obligation debt			74,007	
Reserved for delinquent taxes receivable		7,963		
Reserved for encumbrances, prepaids, and carryovers	8,886			34,278
Reserved for inventory	6,014			199
Reserved for mortgage trust	281			
Reserved for environmental remediation	304			
Reserved for deferred compensation				
Reserved for tax stabilization - 2001 (2000)	5,500			
Reserved for tax stabilization - 2002 (2001) and subsequent years' budgets	17,909			
Unreserved:				
Special assessment (deficit)				(11,745)
Undesignated				
Total Fund Equity and Other Credits	<u>\$ 38,894</u>	<u>\$ 21,008</u>	<u>\$ 104,443</u>	<u>\$ 22,732</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 91,575</u>	<u>\$ 48,456</u>	<u>\$ 137,503</u>	<u>\$ 64,147</u>

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

Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust and Agency	Account Groups		Totals (Memorandum Only) Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity 1999 (Restated)	
		General Fixed Assets	General Long-Term Obligations			2000	
\$ 4,733	\$ 125	\$	\$	\$ 13,171	\$	\$ 13,171	\$ 15,596
				-	17,270	17,270	13,751
	52,476			2,112		2,112	18
				55,879	12,292	68,171	93,375
				-	2,454	2,454	2,163
9,496				9,496		9,496	8,948
51	191,536			249,547	10,978	260,525	215,894
6,258				6,258		6,258	-
	110,000			110,000	642	110,642	100,963
74,070			522,503	596,573		596,573	551,031
				-		-	1,835
			30,534	30,534		30,534	26,308
			43,520	43,520		43,520	58,661
16,029				16,029	12,422	28,451	36,886
				12,694		12,694	13,253
				-	1,358	1,358	2,186
				-	3,871	3,871	5,060
<u>\$ 127,008</u>	<u>\$ 355,867</u>	<u>\$ -</u>	<u>\$ 596,557</u>	<u>\$ 1,234,036</u>	<u>\$ 78,536</u>	<u>\$ 1,312,572</u>	<u>\$ 1,225,778</u>
\$ 123,743	\$	\$ 329,186	\$	\$ 123,743	\$ 289,516	\$ 413,259	\$ 375,806
				329,186		329,186	307,032
228,937				228,937	11,560	240,497	264,909
				43,481		43,481	43,673
				74,007		74,007	75,013
				7,963		7,963	7,716
				43,164		43,164	47,765
				6,213		6,213	6,667
				281		281	281
				304		304	291
	387,461			387,461		387,461	389,544
				5,500		5,500	11,250
				17,909		17,909	18,137
				(11,745)		(11,745)	(12,384)
	9,094			9,094		9,094	9,170
<u>\$ 352,680</u>	<u>\$ 396,555</u>	<u>\$ 329,186</u>	<u>\$ -</u>	<u>\$ 1,265,498</u>	<u>\$ 301,076</u>	<u>\$ 1,566,574</u>	<u>\$ 1,544,870</u>
<u>\$ 479,688</u>	<u>\$ 752,422</u>	<u>\$ 329,186</u>	<u>\$ 596,557</u>	<u>\$ 2,499,534</u>	<u>\$ 379,612</u>	<u>\$ 2,879,146</u>	<u>\$ 2,770,648</u>

CITY OF MILWAUKEE
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000**
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1999
 (Thousands of Dollars)

Exhibit 2

	General	Special Revenue
Revenues:		
Property taxes	\$ 98,456	\$
Other taxes	12,808	
Special assessments		
Licenses and permits	10,154	
Intergovernmental	278,434	61,404
Charges for services	45,383	
Fines and forfeits	18,036	
Other	14,358	1,152
 Total Revenues	 \$ 477,629	 \$ 62,556
Expenditures:		
Current:		
General government	\$ 157,615	\$ 1,488
Public safety	220,879	14,278
Public works	100,696	4,678
Health	11,363	12,205
Culture and recreation	17,584	2,180
Conservation and development	7,502	26,572
Other		
Capital outlay		
Debt Service:		
Principal retirement		
Interest		
 Total Expenditures	 \$ 515,639	 \$ 61,401
 Excess of Revenues over (under) Expenditures	 \$ (38,010)	 \$ 1,155
Other Financing Sources (Uses):		
Proceeds of bonds and notes	\$ 1,312	\$ 10,975
Operating transfers in	11,213	
Operating transfers out	(338)	(12,351)
Operating transfers to component units	(150)	
Contributions received.....	536	
Contributions used	(685)	
 Total Other Financing Sources (Uses)	 \$ 11,888	 \$ (1,376)
 Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	 \$ (26,122)	 \$ (221)
 Fund Balances - January 1	 65,023	 21,231
Residual Equity Transfers from Other Funds	2	
Residual Equity Transfers to Other Funds	(9)	(2)
 Fund Balances - December 31	 \$ 38,894	 \$ 21,008

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
Debt Service	Capital Projects	Expendable Trust	2000	Reporting Entity 1999
\$ 57,675	\$ 2,587	\$	\$ 158,718	\$ 160,926
1,051			13,859	11,118
	3,930		3,930	3,362
	8,319		10,154	8,996
			348,157	342,725
			45,383	37,598
			18,036	17,694
<u>31,164</u>	<u>1,947</u>	<u>20,841</u>	<u>69,462</u>	<u>121,890</u>
\$ <u>89,890</u>	\$ <u>16,783</u>	\$ <u>20,841</u>	\$ <u>667,699</u>	\$ <u>704,309</u>
\$	\$	\$	\$ 159,103	\$ 133,691
			235,157	215,569
			105,374	95,868
			23,568	25,353
			19,764	18,643
			34,074	34,891
		23,054	23,054	22,427
	77,629		77,629	100,922
70,143			70,143	66,925
<u>23,733</u>			<u>23,733</u>	<u>22,640</u>
\$ <u>93,876</u>	\$ <u>77,629</u>	\$ <u>23,054</u>	\$ <u>771,599</u>	\$ <u>736,929</u>
\$ <u>(3,986)</u>	\$ <u>(60,846)</u>	\$ <u>(2,213)</u>	\$ <u>(103,900)</u>	\$ <u>(32,620)</u>
\$	\$ 78,940	\$	\$ 91,227	\$ 83,312
26,584		45	37,842	37,975
(20,387)	(1,885)		(34,961)	(35,320)
			(150)	(150)
			536	651
			<u>(685)</u>	<u>(612)</u>
\$ <u>6,197</u>	\$ <u>77,055</u>	\$ <u>45</u>	\$ <u>93,809</u>	\$ <u>85,856</u>
\$ 2,211	\$ 16,209	\$ (2,168)	\$ (10,091)	\$ 53,236
105,170	6,985	398,714	597,123	546,789
462		9	473	7,679
<u>(3,400)</u>	<u>(462)</u>		<u>(3,873)</u>	<u>(10,581)</u>
\$ <u>104,443</u>	\$ <u>22,732</u>	\$ <u>396,555</u>	\$ <u>583,632</u>	\$ <u>597,123</u>

CITY OF MILWAUKEE
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND BUDGETED SPECIAL REVENUE FUND TYPES**
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (Thousands of Dollars)

Exhibit 3

	Amended Budget	Actual on Budgetary Basis	General Fund Variance - Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 98,456	\$ 98,456	\$
Other taxes	10,905	12,808	1,903
Licenses and permits	8,759	10,154	1,395
Intergovernmental	279,056	278,434	(622)
Charges for services	43,824	45,383	1,559
Fines and forfeits	19,306	18,036	(1,270)
Other	<u>12,891</u>	<u>14,358</u>	<u>1,467</u>
Total Revenues	<u>\$ 473,197</u>	<u>\$ 477,629</u>	<u>\$ 4,432</u>
Expenditures:			
Current:			
General government	\$ 160,893	\$ 157,615	\$ 3,278
Public safety	220,732	220,879	(147)
Public works	96,835	100,696	(3,861)
Health	11,688	11,363	325
Culture and recreation	17,519	17,584	(65)
Conservation and development	<u>8,025</u>	<u>7,502</u>	<u>523</u>
Total Expenditures	<u>\$ 515,692</u>	<u>\$ 515,639</u>	<u>\$ 53</u>
Excess of Revenues over (under) Expenditures	<u>\$ (42,495)</u>	<u>\$ (38,010)</u>	<u>\$ 4,485</u>
Other Financing Sources (Uses):			
Proceeds of bonds and notes	\$	\$ 8,071	\$ 8,071
Operating transfers in	11,213	11,213	
Operating transfers out	(365)	(338)	27
Operating transfers to component units	(150)	(150)	
Contributions received	675	536	(139)
Contributions used	(826)	(685)	141
Use of fund balance - reserved for tax stabilization	<u>11,250</u>	<u>11,250</u>	
Total Other Financing Sources (Uses)	<u>\$ 21,797</u>	<u>\$ 29,897</u>	<u>\$ 8,100</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ (20,698)</u>	<u>\$ (8,113)</u>	<u>\$ 12,585</u>
Fund Balances - January 1 (Excludes Reserved for Tax Stabilization)	55,085	55,085	
Residual Equity Transfers from Other Funds	36	2	(34)
Residual Equity Transfers to Other Funds	<u>(61)</u>	<u>(9)</u>	<u>52</u>
Fund Balances (Deficits) - December 31	<u>\$ 34,362</u>	<u>\$ 46,965</u>	<u>\$ 12,603</u>

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

Special Revenue Funds			Totals (Memorandum Only) Reporting Entity		
Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
\$	\$	\$ -	\$ 98,456	\$ 98,456	\$ -
		-	10,905	12,808	1,903
		-	8,759	10,154	1,395
62,082	61,404	(678)	341,138	339,838	(1,300)
		-	43,824	45,383	1,559
		-	19,306	18,036	(1,270)
		-	12,891	14,358	1,467
<u>\$ 62,082</u>	<u>\$ 61,404</u>	<u>\$ (678)</u>	<u>\$ 535,279</u>	<u>\$ 539,033</u>	<u>\$ 3,754</u>
\$ 1,488	\$ 1,488	\$ -	\$ 162,381	\$ 159,103	\$ 3,278
14,424	14,278	146	235,156	235,157	(1)
4,678	4,678	-	101,513	105,374	(3,861)
12,692	12,205	487	24,380	23,568	812
2,217	2,180	37	19,736	19,764	(28)
<u>26,583</u>	<u>26,572</u>	<u>11</u>	<u>34,608</u>	<u>34,074</u>	<u>534</u>
<u>\$ 62,082</u>	<u>\$ 61,401</u>	<u>\$ 681</u>	<u>\$ 577,774</u>	<u>\$ 577,040</u>	<u>\$ 734</u>
<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ (42,495)</u>	<u>\$ (38,007)</u>	<u>\$ 4,488</u>
\$	\$	\$ -	\$ -	\$ 8,071	\$ 8,071
		-	11,213	11,213	-
		-	(365)	(338)	27
		-	(150)	(150)	-
		-	675	536	(139)
		-	(826)	(685)	141
		-	11,250	11,250	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,797</u>	<u>\$ 29,897</u>	<u>\$ 8,100</u>
\$ -	\$ 3	\$ 3	\$ (20,698)	\$ (8,110)	\$ 12,588
(1)	(1)	-	55,084	55,084	-
		-	36	2	(34)
	(2)	(2)	(61)	(11)	50
<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 34,361</u>	<u>\$ 46,965</u>	<u>\$ 12,604</u>

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CITY OF MILWAUKEE

Exhibit 4

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2000
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)**

	Enterprise Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity	
			2000	1999 (Restated)
Operating Revenues:				
Charges for services	<u>\$ 126,357</u>	<u>\$ 20,925</u>	<u>\$ 147,282</u>	<u>\$ 140,688</u>
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges	\$ 26,211	\$	\$ 26,211	\$ 27,144
Employee services	11,483	748	12,231	11,646
Administrative and general	4,746	20,570	25,316	26,015
Housing assistance payments		17,016	17,016	16,819
Depreciation	11,786	17,404	29,190	35,569
Transmission and distribution	16,212		16,212	15,662
Maintenance and utilities		13,333	13,333	12,520
Services, supplies and materials	20,329	132	20,461	12,873
Payment in lieu of taxes	9,087		9,087	7,952
Water treatment	7,642		7,642	7,443
Water pumping	4,969		4,969	5,346
Billing and collection	3,460		3,460	3,527
Bad debts		859	859	(221)
Interest expense and subsidies		88	88	102
Cost of goods disbursed			-	643
Rehabilitation costs (cost recoveries)		4,135	4,135	4,178
Show expenses		198	198	181
Other operating expenses	1,095	1,220	2,315	517
Total Operating Expenses	<u>\$ 117,020</u>	<u>\$ 75,703</u>	<u>\$ 192,723</u>	<u>\$ 187,916</u>
Operating Income (Loss)	<u>\$ 9,337</u>	<u>\$(54,778)</u>	<u>\$ (45,441)</u>	<u>\$ (47,228)</u>
Nonoperating Revenues (Expenses):				
Federal grants and subsidies	\$	\$ 35,150	\$ 35,150	\$ 34,687
Interest income	1,132	5,297	6,429	6,423
Interest expense	(4,943)	(2,145)	(7,088)	(6,487)
Loss on early repayments of Tax Incremental Districts			-	(4,119)
Net gain (loss) on sale of fixed assets	(439)	(11,724)	(12,163)	(348)
Contributions		139	139	516
Other	402	891	1,293	(4,547)
Total Nonoperating Revenues (Expenses)	<u>\$ (3,848)</u>	<u>\$ 27,608</u>	<u>\$ 23,760</u>	<u>\$ 26,125</u>
Income (Loss) before Operating Transfers	\$ 5,489	\$(27,170)	\$ (21,681)	\$ (21,103)
Operating Transfers In	9,467		9,467	9,228
Operating Transfers Out	(12,348)		(12,348)	(11,883)
Operating Transfers from Primary Government		150	150	150
Net Income (Loss)	\$ 2,608	\$(27,020)	\$ (24,412)	\$ (23,608)
Retained Earnings - January 1	226,329	38,580	264,909	288,525
Residual Equity Transfer to Other Funds			-	(8)
Retained Earnings - December 31	<u>\$ 228,937</u>	<u>\$ 11,560</u>	<u>\$ 240,497</u>	<u>\$ 264,909</u>

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

CITY OF MILWAUKEE
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2000
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)

Exhibit 5

	Enterprise Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity 1999 (Restated)	
			2000	(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 9,337	\$ (54,778)	\$ (45,441)	\$ (47,228)
Adjustments to Reconcile Operating Income (Loss) to Cash				
Provided by (Used for) Operating Activities:				
Depreciation	11,786	17,404	29,190	35,569
Bad debt expense		859	859	(221)
(Gain) loss on properties		11,724	11,724	368
Other nonoperating revenues (expenses)	425		425	192
(Increase) decrease in receivables	(2,377)	(10,149)	(12,526)	(908)
(Increase) decrease in due from other funds	(158)		(158)	(182)
(Increase) decrease in due from primary government		(2,094)	(2,094)	359
(Increase) decrease in due from other governmental agencies		(9,077)	(9,077)	(780)
(Increase) decrease in inventory of materials and supplies	522	541	1,063	(256)
(Increase) decrease in inventory of property for resale		4,220	4,220	(4,489)
(Increase) decrease in prepaid items	19	(145)	(126)	1,876
(Increase) decrease in deferred charges	(2)		(2)	
(Increase) decrease in other assets	528	(352)	176	(474)
Increase (decrease) in accounts payable	2,128	4,315	6,443	(5,756)
Increase (decrease) in accrued wages	50	3	53	41
Increase (decrease) in accrued expenses		1,623	1,623	727
Increase (decrease) in due to other funds	(2,298)		(2,298)	(6,463)
Increase (decrease) in due to primary government		1,502	1,502	90
Increase (decrease) in due to other governmental agencies		(5,233)	(5,233)	4,581
Increase (decrease) in deferred revenue	(36)	6,236	6,200	(267)
Increase (decrease) in other liabilities		2,386	2,386	951
Net Cash Provided by (Used for) Operating Activities	<u>\$ 19,924</u>	<u>\$ (31,015)</u>	<u>\$ (11,091)</u>	<u>\$ (22,270)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers to other funds	\$ (3,152)	\$	\$ (3,152)	\$ (2,862)
Other nonoperating revenues (expenses)		4,079	4,079	(651)
Increase (decrease) in due to other funds			-	(1,046)
Contributions		31,066	31,066	30,076
Proceeds from bonds and notes payable		1,765	1,765	351
Retirement of bonds, notes and revenue bonds		(930)	(930)	(693)
Net increase (decrease) in due to primary government		296	296	(1,391)
Loss on early repayment of Tax Incremental Districts			-	(4,119)
Operating transfer from primary government		150	150	150
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>\$ (3,152)</u>	<u>\$ 36,426</u>	<u>\$ 33,274</u>	<u>\$ 19,815</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	\$ 3,450	\$ 32,120	\$ 35,570	\$ 18,006
Proceeds from bond anticipation notes	6,258		6,258	
Proceeds from sale of bonds and notes	4,891		4,891	8,133
Proceeds from sale of revenue bonds			-	12,686
Acquisition of property, plant and equipment	(14,509)	(43,721)	(58,230)	
Retirement of bonds, notes and revenue bonds		(8,556)	(8,556)	
Retirement of general obligation debt	(8,950)		(8,950)	

CITY OF MILWAUKEE
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2000
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)

Exhibit 5 (Continued)

	Enterprise Government	Primary Component Units	2000	Totals (Memorandum Only) Reporting Entity 1999 (Restated)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES (Continued):				
Interest paid	\$ (4,953)	\$ (1,120)	\$ (6,073)	\$ (5,456)
Sale of land and other assets	26		26	
Payment of obligation for capital lease			-	(44)
Return of contributions			-	(155)
Operating transfers to other funds	271		271	203
Residual equity transfer to other funds			-	(8)
Repairs and restorations	(422)		(422)	(1,295)
(Increase) decrease in fiscal agent funds		11,135	11,135	4,651
Net proceeds from sale of property, plant and equipment		(1,271)	(1,271)	546
Net Cash Provided by (Used for) Capital and Related Financing Activities ...	\$ (13,938)	\$ (11,413)	\$ (25,351)	(23,594)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	\$ 1,103	\$ 5,297	\$ 6,400	\$ 6,423
Purchases of investments	(4,000)	(13,243)	(17,243)	(12,654)
Proceeds from the sale and maturity of investments		13,661	13,661	18,947
New loans made		(11,916)	(11,916)	(6,401)
Loan payments received		6,511	6,511	12,653
(Increase) decrease in accrued interest		(31)	(31)	(122)
Capital expenditures on properties		(2,460)	(2,460)	(1,523)
Proceeds from the sale of properties		877	877	769
Other		977	977	361
Net Cash Provided by (Used for) Investing Activities	\$ (2,897)	\$ (327)	\$ (3,224)	\$ 18,443
Net Decrease in Cash and Cash Equivalents	\$ (63)	\$ (6,329)	\$ (6,392)	\$ (7,606)
Cash and Cash Equivalents at January 1	20,085	41,329	61,414	69,020
Cash and Cash Equivalents at December 31	\$ 20,022	\$ 35,000	\$ 55,022	\$ 61,414
Cash and Cash Equivalents at December 31 Consist of:				
Unrestricted cash	\$ 20,022	\$ 31,963	\$ 51,985	\$ 59,996
Restricted cash	-	3,037	3,037	1,418
	\$ 20,022	\$ 35,000	\$ 55,022	\$ 61,414

Non-cash Activities:

Enterprise Funds:

The Port of Milwaukee disposed of fixed assets with a net value of \$13 during the year.

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$33.

During the year, various furniture, furnishings, machinery and equipment of \$372 were donated to the Sewer Maintenance Fund from general fund departments.

Component Units:

Theater recorded equipment purchases of \$902 paid directly by the City of Milwaukee.

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. 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.

Blended Component Units

The City does not have any component units that are considered "blended."

Discretely Presented Component Units

The component units columns in the general purpose 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.

COMPONENT UNITS ENTERPRISE FUNDS

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.

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

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit corporation 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.

Pabst Theater - The City established the Pabst Theater as a municipal theater pursuant to Wisconsin Statutes. A separate board (Pabst Theater Board) is responsible for the maintenance, supervision and operation of the theater. The City issued debt to finance building repairs and annually provides significant subsidies to the Pabst Theater.

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

Financial statements of the individual component units can be obtained from their respective administrative offices.

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

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. Each fund is a separate fiscal and accounting entity with self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. The various funds are grouped in the accompanying financial statements into eight generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUND TYPES

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects - This Fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant - The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax - This Fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt and expenditures incurred in connection with administration of the Public Debt Amortization Fund.

General Obligation Debt - Principal and interest on the City's outstanding long-term general obligation debt are paid from this Fund.

Public Debt Amortization - The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 5 for further discussion.

Capital Projects Funds - Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Capital Projects Funds are identified as follows:

Bridges - To account for the financing, construction and repair of bridges and viaducts.

Buildings and Grounds - To account for the financing, construction and repair of buildings and improvements to city-owned land and playgrounds.

Sewers - To account for the financing and construction of new and replacement storm, sanitary and combined sewer projects.

Urban Renewal - To account for the financing and costs of activities undertaken to prevent and eliminate blight and slum conditions.

Streets - To account for the financing and construction of new and replacement streets, alleys and sidewalks; and for the cost of installation of street lights, traffic lights, parking signs and communication equipment.

Tax Incremental Districts - To account for the financing and costs of redeveloping blighted areas which are eligible under the Wisconsin Tax Incremental law, Section 66.46 of the Wisconsin Statutes.

Special Assessments - To account for the financing and construction of the City's assessable projects. Upon completion, owners of benefited property are assessed for construction costs incurred.

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Metropolitan Sewerage District User Charge - The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a "wholesale" user charge basis and the subsequent billing by the City to customers on a "retail" basis. The City adds administrative expense to the District's charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

Parking - The Parking Fund was established to account for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire, landscape and construct parking lots and structures.

Port of Milwaukee - All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this Fund.

Sewer Maintenance - The Sewer Maintenance Fund, in accordance with Wisconsin State Statutes Section 66.076, permits 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.

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

FIDUCIARY FUND TYPES

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held in trust or as an agent by the City for others. Expendable trust funds are accounted for and reported in essentially the same manner as governmental funds. Agency funds are custodial in nature and are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and other funds.

Expendable Trust Funds

Property Tax Collection - This Fund is used to account for advance property tax collections for the subsequent year's budget.

Deposits and Other Trust Funds - This Fund is used to account for the receipt and disposition of performance deposits, and for deposits the City holds in the capacity of trustee for various individuals, governmental entities and nonpublic organizations.

Deferred Compensation - The City's deferred compensation plan for City employees is accounted for in this fund in accordance with GASB No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

Agency Fund - Monies collected by the City for other governmental entities are reported in the Agency Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group - General fixed assets of the City, other than those reported in the enterprise fund are reported in this account group.

General Long-Term Obligations Account Group - General long-term debt and certain unfunded liabilities of governmental funds are accounted for in the General Long-Term Obligations Account Group.

C. Measurement Focus

The measurement focus of all governmental and expendable trust funds is the flow of current financial resources concept. Under this measurement focus, sources and uses of financial resources, including capital outlays, bond proceeds and retirement are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated using expendable available financial resources, are shown in the General Long-Term Obligations Account Group. The related expenditures are recognized when the liabilities are liquidated.

The measurement focus of proprietary funds and component unit enterprise funds is on the determination of net income, financial position and cash flows. Under this measurement focus, revenues and expenses are matched using the accrual basis of accounting. All fixed assets are capitalized at historical cost and depreciated over their useful lives.

D. Basis of Accounting

All governmental, expendable trust, and assets and liabilities of agency funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures and commitments of the current period. Significant revenues susceptible to accrual include most governmental revenues and charges for services. Licenses and permits, fines and forfeits generally are recorded as revenues when received in cash because they are not measurable until actually received. Special assessments are recognized as revenues when they are due.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

Under the modified accrual basis of accounting, expenditures are recognized when the related liability is incurred, if measurable, except for interest on general long-term debt and unfunded claims, judgments, compensated absences and pension contributions, which are recorded when due.

The proprietary funds and component unit enterprise funds follow the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period they are incurred.

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.

Investments

Investments, primarily consisting of fixed income securities, are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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 income, including changes in the fair value of investments, is recognized as revenue in the Statements of Revenues, Expenditures, and Changes in Fund Balances and the Statements of Revenues, Expenses, and Changes in Retained Earnings. Realized gains and losses, defined as the difference between the proceeds of the sale and the original cost of the investments sold, are also included in investment income.

Accrued interest on investments is recorded as earned, since it is both measurable and available. Investment transactions are recorded on the trade date.

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 Pooled - Investment Fund of the State of Wisconsin.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

Property taxes

Property taxes are recorded as receivables and deferred revenues in a trust 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 a trust fund. Property taxes are recognized in the appropriate governmental 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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 to revenues and is reduced by taxes receivable written off.

Property taxes receivable purchased from other taxing authorities are presented in the accompanying financial statements net of an allowance for estimated uncollectible amounts.

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.

Unbilled services

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

Special assessments

Special assessments consist of capital projects constructed through non-special assessment debt. 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. All special assessments are due when billed and may be paid on an instalment 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.

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 which are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary.

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

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 are accounted for under the consumption method, whereby inventory acquisitions are recorded in inventory accounts initially and charged as expenditures or expenses when requisitioned for use. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

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.

Property, plant and equipment

General fixed assets are recorded as expenditures in the governmental funds when purchased or constructed. Subsequently, the general fixed assets, except for infrastructures, are capitalized in the General Fixed Assets Account Group. Infrastructure assets such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems are not recorded in the General Fixed Assets Account Group. Assets are recorded at historical cost or estimated historical cost. Assets received as gifts or donations are recorded at fair market value at time of receipt. Interest cost was not capitalized during construction for 2000.

Depreciation is not recorded on general fixed assets.

Fixed assets of the proprietary funds and component units are capitalized at cost when purchased or constructed. When the fixed assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and the gain or loss on disposition is generally reflected in operations. Maintenance and repair costs are charged to operations as incurred and renewals and improvements are added to the asset accounts.

**CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

Depreciation is provided over the estimated useful lives using the straight-line method. The estimated depreciation lives in years are as follows:

	Parking	Port of Milwaukee	Water Works	Sewer Maintenance	Component Units
Buildings and improvements	20-40	10-50	45-58		7-80
Machinery and equipment	10	3-40	6-56	3-7	3-20
Water transmission and distribution systems			64-110		

Pension contributions

Pension contributions made on behalf of the employees are recorded in all funds as an expenditure when the liability is incurred. The employer's share of the annual contribution is recorded in the proprietary funds 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. The annual pension contribution requirement is recorded as a liability in the General Long-Term Obligations Account Group when incurred.

Compensated absences

Vacation pay is recorded as a liability in the General Long-Term Obligations Account Group as the benefits accrue to the employees. Accrued vacation pay is recognized as an expenditure when liquidated with expendable available financial resources. At year end, accrued vacation pay that will not be liquidated with expendable available financial resources is reported as a liability in the General Long-Term Obligations Account Group. Vacation benefits are recorded as expenses in the proprietary funds over the periods the benefits accrue to the employees.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances. Sick leave is recorded as an expenditure or expense when paid. Upon retirement, employees are entitled to payment for a portion of accumulated sick leave as terminal leave. The liability for terminal leave is described in Note 6.

Claims and judgments

Claims and judgments are recorded as liabilities when they are both probable and estimable. Claims and judgments that are expected to be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not expected to be liquidated with expendable available financial resources, a liability is recorded in the General Long-Term Obligations Account Group. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the proprietary funds as expenses when the related liabilities are incurred.

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.

Encumbrances and carryovers

Encumbrance accounting is employed in the governmental funds. Encumbrances of purchase orders, contracts and other commitments for the expenditure of funds are recorded as reservations of fund balance until expended. Encumbrances are not reflected as expenditures. Expenditures are recorded and encumbrances are liquidated when the services or materials are received. Appropriations not encumbered and not carried over by action of the Common Council lapse at year end. Unencumbered appropriations, authorized for carry-over, are recorded as reservations of fund balance.

Intergovernmental revenues

Intergovernmental grants are recorded as revenues, if they are susceptible to accrual, in the governmental funds in the period the related expenditures are incurred. State shared taxes are recognized as revenues in the governmental funds when the City is entitled to these funds. Intergovernmental grants received for proprietary fund operating purposes, or which may be utilized for either operations or capital expenditures at the discretion of the City, are recognized as nonoperating revenues in the accounting period in which they are earned. Intergovernmental grants restricted for the acquisition or construction of capital assets are recorded as contributed capital in the proprietary funds.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

Interest on general obligation long-term and special assessment debt

Interest on general obligation long-term and special assessments debt is recorded as an expenditure when due and payable from the primary government.

Interfund transactions

Transactions between funds are categorized as (1) quasi-external, (2) reimbursements, (3) advances or loans and (4) operating and residual equity transfers.

Quasi-external transactions primarily consist of billings for services rendered between departments and payments in lieu of taxes and are accounted for as revenues and expenditures or expenses in the funds involved if they are similar to transactions with third parties. Reimbursements for expenditures made on behalf of another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund. Advances or loans between funds are accounted for as short or long-term interfund receivables and payables.

Transfers to and from funds and component units to finance current operations are accounted for as operating transfers. Operating transfers are additions or deductions to the excess of revenues over expenditures in the governmental funds, and to net income in the proprietary funds. Transfers between the governmental and proprietary funds for the purchase or construction of fixed assets and other long-term capital needs and the return of capital to the governmental funds are accounted for as residual equity transfers. Residual equity transfers are additions or deductions to fund balances in the governmental funds and to either contributed capital or retained earnings, as appropriate, in the proprietary funds.

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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

As of December 31, 2000, the Debt Service Fund - General Obligation Debt has a fund balance of \$30,436,000 reserved for 2001 debt service.

All adopted budgets for the governmental funds are prepared in accordance with the modified accrual basis of accounting, except for the treatment of the fund balance - reserved for tax stabilization. For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$11,250,000 at January 1, 2000. Expenditures on a budgetary basis are financed by pending notes receivable of \$8,071,000 at December 31, 2000.

For 2000, expenditures exceeded appropriations in the General Fund in the amount of \$7,070,000. The Council has approved the issuance of short-term promissory notes to fund these deficits in 2001.

GASB Pronouncements

The Governmental Accounting Standards Board (GASB) Statement No. 20 (Statement) "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting" provides that proprietary funds should apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure. The City has elected to apply only FASB, APB and ARB materials issued on or before November 30, 1989 to the proprietary funds and component units.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

New Accounting Pronouncements

GASB recently issued Statements No. 33, Accounting and Financial Reporting for Nonexchange Transactions, No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues (an amendment of GASB Statement No. 33). The City intends to implement GASB 33, 34, and 36 for the year ended December 31, 2002. Management is currently evaluating the impact of these statements on the results of operations and financial condition.

Total columns on the Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only and are presented for analysis purposes only. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation because interfund eliminations have not been made in the aggregation of the data.

Comparative memorandum total data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the City's financial position and operation.

2. DEPOSITS AND INVESTMENTS

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

Deposits

At December 31, 2000, the reported amount of the City's deposits and cash on hand for the primary government was \$44,607,000 and the related bank balance was \$42,715,000. The carrying amounts of the City's deposits and cash on hand for the component units were \$14,584,000, and the related bank balance was \$17,703,000. Bank balances of deposits for accounts maintained by the City Treasurer in the amount of \$1,956,000 are entirely insured and \$3,003,000 are collateralized by securities held in the pledging banks' trust departments in the City's name. The remaining balance of \$37,756,000 is neither insured nor collateralized, nor was this amount significantly exceeded during the year. Of the component units deposits not in the custody of the City Treasurer, \$7,443,000 are entirely insured and \$10,260,000 are uninsured and uncollateralized at the end of the year.

Cash equivalents and investments

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

Cash and investments with fiscal agents include \$9,317,000 placed in trust for Housing Authority debt retirement, \$5,843,000 for Redevelopment Authority debt retirement and \$2,166,000 for Milwaukee Economic Development Corporation.

**CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

Primary Government:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
<i>(Thousands of Dollars)</i>					
U.S. Treasury Obligations	\$	\$ 68,594	\$	\$ 68,594	\$ 68,594
Commercial Paper		67,985		67,985	67,985
U.S. Agency Securities		46,841		46,841	46,841
Municipal Bonds and Notes		<u>11,045</u>		<u>11,045</u>	<u>11,045</u>
	<u>\$ -</u>	<u>\$ 194,465</u>	<u>\$ -</u>	<u>\$ 194,465</u>	<u>\$ 194,465</u>
Cash and Investments with Fiscal Agents				8,590	8,590
Local Government Pooled - Investment Fund				132,305	132,305
Institutional Money Market Fund.....				40,143	40,143
Deferred Compensation Investments				<u>387,461</u>	<u>387,461</u>
Total Cash Equivalents and Investments				<u>\$ 762,964</u>	<u>\$ 762,964</u>
Component Units:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
<i>(Thousands of Dollars)</i>					
U. S. Treasury Obligations	\$ 432	\$	\$ 6,284	\$ 6,716	\$ 6,716
Repurchase Agreements			2,580	2,580	2,580
Cash and Investments with Fiscal Agents				18,346	18,346
Local Government Pooled - Investment Fund				<u>21,569</u>	<u>21,569</u>
Total Cash Equivalents and Investments	<u>\$ 432</u>	<u>\$ -</u>	<u>\$ 8,864</u>	<u>\$ 49,211</u>	<u>\$ 49,211</u>

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

3. PROPERTY TAXES

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

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

At December 31, 2000, 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 OF MILWAUKEE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	City Levy	Purchased Taxes Receivable	Total
<i>(Thousands of Dollars)</i>			
1995 and prior	\$ 1,499	\$ 2,684	\$ 4,183
1996	435	753	1,188
1997	473	838	1,311
1998	1,308	2,397	3,705
1999	<u>4,543</u>	<u>8,779</u>	<u>13,322</u>
 Total delinquent property taxes receivable	 <u>\$ 8,258</u>	 <u>\$ 15,451</u>	 \$ 23,709
 Property taxes receivable on foreclosed property			 15,202
 Less: Allowance for uncollectible taxes			 <u>(11,332)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 27,579</u>

4. DEFERRED REVENUE

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

	General	Special Revenue	Debt Service	Capital Projects	Total
<i>(Thousands of Dollars)</i>					
Delinquent property taxes	\$ 167	\$	\$	\$	\$ 167
Unearned revenue	1,804	5,269			7,073
Long-term receivables		6,291	31,220	4,110	41,621
Unbilled special assessments				9,099	9,099
	<u>\$ 1,971</u>	<u>\$ 11,560</u>	<u>\$ 31,220</u>	<u>\$ 13,209</u>	<u>\$ 57,960</u>

5. DEBT

General obligation long-term debt, which includes \$28,560,000 designated for local improvement projects and special assessment use, consisted of 44 separate issues from 1990 through 2000 with applicable interest rates ranging between 3.4% to 10% as of December 31, 2000. Trust and Agency Fund bonds and notes payable consists of revenue anticipation notes maturing in 2001 with split interest rates of 5.0-5.25%. Changes in debt for 2000 were as follows:

CITY OF MILWAUKEE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Balance 01-01-00	New Issues	Repayments	Balance 12-31-00
<i>(Thousands of Dollars)</i>				
General Obligation Bonds and Notes:				
City	\$ 395,036	\$ 91,227	\$ 55,574	\$ 430,689
Milwaukee Public Schools	78,053	28,320	14,559	91,814
Enterprise - City (including current maturities)	<u>86,010</u>	<u>4,890</u>	<u>8,163</u>	<u>82,737</u>
Total	\$ 559,099	\$ 124,437	\$ 78,296	\$ 605,240
Deferred gain	<u>93</u>	<u>-</u>	<u>8</u>	<u>85</u>
Total General Obligation Debt	\$ 559,192	\$ 124,437	\$ 78,304	\$ 605,325
Sewer Maintenance				
Bond anticipation note	<u>\$ -</u>	<u>\$ 6,258</u>	<u>\$ -</u>	<u>\$ 6,258</u>
Water Works				
Revenue Bonds	<u>\$ 17,560</u>	<u>\$ -</u>	<u>\$ 787</u>	<u>\$ 16,773</u>
Trust and Agency Funds:				
Bonds and notes payable	<u>\$ 100,000</u>	<u>\$ 110,000</u>	<u>\$ 100,000</u>	<u>\$ 110,000</u>
Component Units Long-Term Debt (including current maturities):				
Bonds and notes - other	\$ 1,401	\$ 1,765	\$ 930	\$ 2,236
Revenue bonds - HACM	10,691		1,708	8,983
Revenue bonds - RACM	<u>11,147</u>		<u>6,848</u>	<u>4,299</u>
Total Component Units Long-Term Debt (including current maturities)	\$ 23,239	\$ 1,765	\$ 9,486	\$ 15,518
Total Debt	\$ 699,991	\$ 242,460	\$ 188,577	\$ 753,874

The beginning balance for the component units has been restated to correspond with the proper classification reflected in the Combined Balance Sheet.

Primary Government Long-Term Debt

General Obligation Bonds and Notes are secured by the full faith and unlimited taxing power of the City. The bonds and notes in the General Long-Term Obligations Account Group will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The bonds and notes in the Parking, Water Works, and Port of Milwaukee Enterprise Funds will be retired by revenues from these operations or, if the revenues are not sufficient, by future tax levies.

General long-term obligations do not include \$73,342,000 of City of Milwaukee Industrial Development Revenue Bonds issued in accordance with the Wisconsin Statutes. These obligations are primarily secured by revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers, and do not constitute indebtedness of the City.

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

**CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

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 2000, \$176,308,120 has been borrowed for thirty-three tax incremental districts (TID). Total debt service requirements associated with this debt issues amount to \$277,757,180. Tax increments received through 2000 total \$177,725,636. 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 \$91,814,000 of Milwaukee Public School long-term debt outstanding at December 31, 2000 consists of a portion of the City's general obligation bonds and notes, which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2000, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$598,014,000. These assets are excluded from the financial statements of the City.

The Sewer Maintenance Fund Bond Anticipation Note was issued for the purpose of financing the cost of improvements to the City's sewerage system pending the issuance of sewerage system revenue bonds. Interest payments are based on the State of Wisconsin Local Government Investment Pool rate and are payable semiannually. Principal is payable upon maturity on December 15, 2001.

The Water Works Revenue Bonds were issued for the purpose of providing for the payment of the cost of constructing improvements to the Water System of the Municipality, pursuant to Article XI, Section 3, of the Wisconsin Constitution, Section 66.066 Wisconsin Statutes, and is payable only from the income and revenues derived from the operation of the Water System of the Municipality. This Bond issuance does not constitute an indebtedness of the City of Milwaukee within the meaning of any constitutional or statutory debt limitation or provision.

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, 2000, the City's legal debt margin was \$639,294,000. Of this amount, \$346,885,000 was for school purposes and \$292,409,000 was for City purposes. The ratio of aggregate indebtedness of all taxing authorities located within the City's boundaries to the equalized value of the taxable property was approximately 5.9%, including 3.3% related to direct City indebtedness at December 31, 2000.

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

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
2001	\$ 73,647	\$ 30,449	\$ 744	\$ 433	\$ 105,273
2002	62,634	26,971	764	413	90,782
2003	58,240	23,938	784	393	83,355
2004	55,982	21,065	805	372	78,224
2005	53,542	18,129	826	350	72,847
Thereafter	<u>301,195</u>	<u>69,635</u>	<u>12,850</u>	<u>2,313</u>	<u>385,993</u>
Totals	<u>\$ 605,240</u>	<u>\$ 190,187</u>	<u>\$ 16,773</u>	<u>\$ 4,274</u>	<u>\$ 816,474</u>

During 2000, the City defeased \$112,000,000 of Revenue Anticipation Notes which come due in the first half of 2001 by placing funds in an irrevocable trust with a financial institution. Accordingly, these obligations have been removed as liabilities of the General Fund.

At December 31, 2000, a total of \$69,980,000 in outstanding general obligation bonds is considered defeased.

Component Units Long-Term Debt

The Housing Authority Bonds and Notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority Bonds and Notes are not a general obligation of the City, nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

CITY OF MILWAUKEE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000

Approximately \$4,705,000 of Redevelopment Authority bonds are payable from net revenues earned from certain veterans housing projects administered by the Housing Authority. Such revenues are pledged by the Housing Authority pursuant to a cooperation agreement entered into by the Redevelopment Authority and the Housing Authority. Under the terms of the agreement, only those revenues earned by the specified projects are pledged to repay the debt. The Redevelopment Authority bonds are not general obligations of the City, nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

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

Year	Bonds and Notes Payable		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
2001	\$ 1,593	\$ 48	\$ 860	\$ 217	\$ 2,718
2002	167	36	900	179	1,282
2003	167	25	940	139	1,271
2004	167	15	980	95	1,257
2005	142	4	619	49	814
Thereafter			8,983		8,983
Totals	<u>\$ 2,236</u>	<u>\$ 128</u>	<u>\$ 13,282</u>	<u>\$ 679</u>	<u>\$ 16,325</u>

6. RETIREMENT PLANS

Pension Benefits

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

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 6%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2000, 1999, and 1998 were \$20,693,000, \$19,261,000, \$19,265,000, respectively, equal to the required contributions on behalf of the plan members for each year. (See Note 11)

Other Postemployment Benefits

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

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

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 7,000 employees are eligible to receive these benefits. For 2000, the City paid approximately \$14,630,000 toward medical insurance for its retirees.

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

General City employees retiring at age 55 or older with 30 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible 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 25 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.

For 2000, the groups rate for life insurance for the City population as a whole was approximately fifty-one cents per month per \$1,000 of coverage after estimated dividends. The effect on this rate as a result of including retirees in the pool is not determinable. Group life insurance for retirees age 65 or older are financed on a pay-as-you-go basis and cannot be readily separated from amounts paid on behalf of active employees. The City estimates \$837,000 out of a total \$3,258,000 for group life insurance for 2000 is attributable to approximately 4,850 retirees on the basis of the common group life rate.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2000, approximately \$8,196,000 was paid for sick leave from all funds. At December 31, 2000, accumulated sick leave earned but not taken totaled approximately \$122,213,000 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 2000 terminal leave payments totaled \$2,255,000 to employees retiring during the year. As of December 31, 2000, the City has accrued approximately \$16,646,000 in the General Long-Term Obligations Account Group for future terminal leave payments. This amount is included under the unfunded compensated absences of \$30,534,000, with the remainder accrued vacation leave of \$13,889,000.

7. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND COMPONENT UNITS

The City maintains five enterprise funds within its primary government as follows:

Metropolitan Sewerage District User Charge Fund (MSDUC)
Parking Fund
Port of Milwaukee (Port)
Sewer Maintenance
Water Works Fund (Water)

Selected information for 2000 with respect to these enterprises was as follows:

**CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	MSDUC	Parking	Port	Sewer Maintenance	Water	Total
	<i>(Thousands of Dollars)</i>					
Operating revenues	\$ 30,516	\$ 16,227	\$ 1,976	\$ 15,582	\$ 62,056	\$ 126,357
Depreciation		(1,903)	(751)	(176)	(8,956)	(11,786)
Other operating expense	(30,176)	(12,141)	(2,219)	(18,652)	(42,046)	(105,234)
Operating income (loss)	340	2,183	(994)	(3,246)	11,054	9,337
Other nonoperating revenues (expenses)		(1,625)	(399)	(124)	(1,700)	(3,848)
Operating transfers in		1,406	453		7,608	9,467
Operating transfers out		(4,851)			(7,497)	(12,348)
Net income (loss)	340	(2,887)	(940)	(3,370)	9,465	2,608
Current capital contributions		3,059	1,869	372	33	5,333
Property, Plant and Equipment						
Additions		3,776	1,977	951	10,077	16,781
Disposals		(371)	(253)			(624)
Total assets	9,575	57,649	21,308	7,754	383,402	479,688
Working capital	1,132	6,123	443	2,771	18,046	28,515
General long-term debt:						
General obligation		27,009	3,150		52,663	82,822
Revenue bonds					16,773	16,773
Fund equity	1,132	29,420	17,933	(2,672)	306,867	352,680

The discretely presented component units include five enterprise funds as follows:

- Pabst Theater (Pabst)
- Milwaukee Economic Development Corporation (MEDC)
- Housing Authority (HACM)
- Redevelopment Authority (RACM)
- Neighborhood Improvement Development Corporation (NIDC)

Component unit disclosures for the 2000 Balance Sheets are as follows:

**CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Pabst	MEDC	HACM	RACM	NIDC	Total
<i>(Thousands of Dollars)</i>						
Assets:						
Due from primary government	\$	\$	\$	\$	\$ 2,112	\$ 2,112
Other current assets	2,396	14,839	40,703	12,468	16,592	86,998
Property, plant and equipment (net)	4,678	12	204,903	6,757	41	216,391
Other long-term assets		35,210	10,347	28,554		74,111
Total assets	<u>\$ 7,074</u>	<u>\$ 50,061</u>	<u>\$ 255,953</u>	<u>\$ 47,779</u>	<u>\$ 18,745</u>	<u>\$ 379,612</u>
Liabilities:						
Current liabilities	\$ 82	\$ 893	\$ 11,561	\$ 1,312	\$ 4,359	\$ 18,207
Bonds and notes payable - long term		642	8,983	3,439		13,064
Due to the primary government		1,596	2,597	10,757	2,320	17,270
Other long-term liabilities			13,554	16,441		29,995
Total liabilities	<u>\$ 82</u>	<u>\$ 3,131</u>	<u>\$ 36,695</u>	<u>\$ 31,949</u>	<u>\$ 6,679</u>	<u>\$ 78,536</u>
Equity:						
Contributed capital	\$ 9,946	\$ 5,453	\$ 248,398	\$ 12,304	\$ 13,415	\$ 289,516
Retained earnings (deficit)	(2,954)	41,477	(29,140)	3,526	(1,349)	11,560
Total equity	<u>\$ 6,992</u>	<u>\$ 46,930</u>	<u>\$ 219,258</u>	<u>\$ 15,830</u>	<u>\$ 12,066</u>	<u>\$ 301,076</u>
Total liabilities and equity	<u>\$ 7,074</u>	<u>\$ 50,061</u>	<u>\$ 255,953</u>	<u>\$ 47,779</u>	<u>\$ 18,745</u>	<u>\$ 379,612</u>

Component unit disclosures for the 2000 Statement of Revenues, Expenses, and Changes in Equity are as follows:

	Pabst	MEDC	HACM	RACM	NIDC	Total
<i>(Thousands of Dollars)</i>						
Operating revenues	\$ 581	\$ 2,823	\$ 15,087	\$ 2,681	\$ (247)	\$ 20,925
Operating expenses:						
Depreciation	179	18	17,042	155	10	17,404
Other	769	(1,025)	45,599	9,932	5,857	61,132
Operating income (loss)	(367)	3,830	(47,554)	(7,406)	(6,114)	(57,611)
Other nonoperating revenue (expense)	10	1,158	25,378	(3,439)	4,501	27,608
Operating transfers	150					150
Net income (loss) for the year	(207)	4,988	(22,176)	(10,845)	(1,613)	(29,853)
Retained earnings (deficit) - beginning (restated)	(2,747)	36,489	(6,964)	11,538	264	38,580
Retained earnings (deficit) - ending	<u>\$ (2,954)</u>	<u>\$ 41,477</u>	<u>\$ (29,140)</u>	<u>\$ 693</u>	<u>\$ (1,349)</u>	<u>\$ 8,727</u>

The retained earnings balance for the Milwaukee Economic Development Corporation of the City of Milwaukee, the Neighborhood Improvement Development Corporation of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee and the Housing Authority of the City of Milwaukee have been restated as of January 1, 2000 by \$700,000, \$119,000, \$256,000 and \$660,000 respectively, due to miscellaneous adjustments recorded to the 1999 component unit financial statements subsequent to the issuance of the City's December 31, 1999 Comprehensive Annual Financial Report.

8. FUND EQUITY

Reserved for tax stabilization

The Reserved for Tax Stabilization, \$23,409,000 at December 31, 2000, is governed by the City's Code of Ordinances. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the

CITY OF MILWAUKEE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000

City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Fund deficit

The Capital Projects Fund - Special Assessments fund deficit of \$11,745,000 is the result of expending funds for construction in advance of collecting assessments from the property owners. Upon project completion, the properties are assessed, thus reducing this deficit.

Retained deficit

Current and prior years' losses in the following proprietary funds have resulted in cumulative retained deficits with a fund equity (deficit), net of retained deficits, as indicated below. The City provides needed capital to the Enterprise Fund - Port of Milwaukee and Pabst Theater component unit.

	Net Loss from Operations	Cumulative Retained Deficit	Fund Equity (Deficit) Net of Retained Deficit
Enterprise Fund - Port of Milwaukee	\$ (940)	\$ (11,210)	\$ 17,933
Enterprise Fund - Sewer Maintenance	(3,370)	(3,119)	(2,672)
Pabst Theater Component Unit	(207)	(2,954)	6,992
Housing Authority of the City of Milwaukee Component Unit	(22,176)	(29,140)	219,258
Neighborhood Improvement Development Corporation Component Unit	(1,613)	(1,349)	12,066

Contributed capital

The changes in the City's contributed capital accounts for its proprietary funds and component units were as follows:

	Enterprise Funds	Component Units	Total
Beginning balance	\$ 118,410	\$257,396	\$ 375,806
Additions	5,755	32,120	37,875
Deletions	(422)	-	(422)
Ending balance	<u>\$ 123,743</u>	<u>\$289,516</u>	<u>\$ 413,259</u>

The beginning balance for the Component Units has been restated as of January 1, 2000 to reflect a decrease of \$660,000 due to miscellaneous adjustments recorded to the 1999 component units financial statements subsequent to the issuance of the City's December 31, 1999 Comprehensive Annual Financial Report.

9. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2000, and the net contributions, residual and operating transfers for 2000 were as follows:

**CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

Fund	Interfund Receivables	Interfund Payables	Net Contributions	Net Residual Transfers	Net Operating Transfers
<i>(Thousands of Dollars)</i>					
General Fund	\$ 11,917	\$ (253)	\$	\$ (7)	\$ 10,725
Special Revenue Funds:					
Grant and Aid Projects		(6,220)		(2)	
Community Development Block Grant	253				
Delinquent Tax					(12,351)
Debt Service:					
General Obligation Debt	387	(1,840)		(2,938)	6,197
Capital Projects Funds				(462)	(1,885)
Enterprise Funds:					
Metropolitan Sewerage District User Charge ...	402				
Parking		(387)	3,059		(3,445)
Sewer Maintenance	212	(1,897)			
Port of Milwaukee			341		453
Water Works		(2,449)			111
Trust and Agency Funds		(125)		9	45
Component Units:					
Pabst Theater					150
Totals	<u>\$ 13,171</u>	<u>\$ (13,171)</u>	<u>\$ 3,400</u>	<u>\$ (3,400)</u>	<u>\$ -</u>

10. GENERAL FIXED ASSETS

Changes in General Fixed Assets for the year ended December 31, 2000, were as follows:

	Balance 01-01-00	Additions	Deletions	Balance 12-31-00
<i>(Thousands of Dollars)</i>				
Land	\$ 39,223	\$ 471	\$	\$ 39,694
Buildings	129,877	2,993		132,870
Machinery and equipment	92,353	3,789	2,608	93,534
Construction work in progress	45,579	24,229	6,720	63,088
Totals	<u>\$ 307,032</u>	<u>\$ 31,482</u>	<u>\$ 9,328</u>	<u>\$ 329,186</u>

11. COMMITMENTS AND CONTINGENCIES

Claims and other legal proceedings

The City is involved in numerous lawsuits arising in the normal course of business, including claims for property damage, personal injury and personnel practices, disputes over contract awards and property condemnation proceedings, and suits contesting the legality of certain taxes. Under the 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. In addition, the City is subject to environmental remediation liabilities. The amount of such liabilities is not known. In the opinion of management, any additional lawsuits not provided for in the General Long-Term Obligations Account Group and environmental remediation liabilities will not have a material adverse effect on the City's financial position as of December 31, 2000.

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are

CITY OF MILWAUKEE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000

based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid in the General Fund and are recorded as expenditures when paid. Expenditures recorded in the General Fund in 2000 were \$63,850,000 (\$95,675,000 of incurred claims less \$31,825,000 recorded as long-term obligations).

At December 31, 2000, the amount of unfunded claims and judgment liabilities is \$43,520,231 and is included in unfunded claims and judgments in the General Long-Term Obligations Account Group and consists of: legal \$28,490,000, environmental \$3,200,000, unemployment \$425,680, workers' compensation \$5,526,627 and health insurance \$5,877,924. Changes in the balance of claims liabilities during 2000 consist of a reduction in legal reserves due to the Global Pension Settlement and a change in estimation of the City's reserve for health insurance. These changes are detailed as follows:

<i>(Thousands of Dollars)</i>	
Balance December 31, 1998	\$ 61,020
Claims and changes in estimates	13,071
Claim payments	<u>(15,430)</u>
Balance December 31, 1999	\$ 58,661
Claims and changes in estimates	31,825
Claim payments	<u>(46,966)</u>
Balance December 31, 2000	<u>\$ 43,520</u>

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

Approximately 80 plaintiff police officers brought action against the City alleging changes in the Employees' Retirement Act requires officers receiving a duty disability allowance upon attaining eligibility for normal retirement violates the contractual rights of members of the Employees' Retirement System. In 1996, the Circuit Court entered summary judgment in favor of the plaintiffs. The Court of Appeals affirms the Circuit Court's decision. The Supreme Court declined review of the decision of the Court of Appeals. An ordinance implementing the decision was approved in the lower court.

On August 18, 1998 an action was filed on behalf of 92 retired police officer plaintiffs seeking to declare an ordinance implementing a judgment in an earlier case involving duty disability conversion invalid. Eighty-six of the plaintiffs were parties to the earlier case. The plaintiffs sought a declaration that they were entitled to the highest conversion age in effect during their career. The plaintiffs' motion for a preliminary injunction was denied and a briefing schedule was completed on motions for summary judgment. On July 28, 1999 the Circuit Court granted the City's motion for summary judgment.

On October 7, 1998 an action was filed on behalf of 68 retired firefighter plaintiffs seeking to declare an ordinance implementing a judgment in an earlier case involving duty disability conversion invalid. The plaintiffs sought a declaration that they were entitled to the highest conversion age in effect during their career. The answer was filed.

On January 19, 2001, the Global Pension Settlement became effective. In anticipation of and as a precondition to the Global Pension Settlement becoming effective, the above claims and judgments were vacated and dismissed prior to December 31, 2000. As a result, the City has decreased its reserve in the General Long-Term Obligations Account Group at December 31, 2000.

The City has been notified of an Equal Employment Opportunity Commission (EEOC) investigation conducted of the Fire and Police Commission and the Milwaukee Police Department. The investigation resulted in a finding of probable cause of discrimination based on race, in the areas of hiring, discipline, retaliation and terms and conditions of employment. The EEOC sought \$5,000,000 in total remedies for the class claims and approximately \$2,000,000 to the individual hiring charging parties. Additionally, the EEOC requested remedies for the individual charging parties totaling approximately \$2,500,000 and an additional \$1,000,000 in compensation to the class members.

The EEOC referred the matter to the United States Department of Justice who conducted a further investigation and stated by letter dated January 2, 2001 that suit has been authorized against the City of Milwaukee and the Fire and Police Commission on the basis of the information provided by the EEOC and upon the further information obtained from the investigation performed by the Department of Justice. The City has begun, and will continue to communicate with the Department of Justice in an effort to explore possible settlement, however it is presently unknown whether settlement can or will be effectuated. The Department of Justice has requested \$6,150,000 in compensatory damages for a class of victims.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

The City has also been notified of a second EEOC investigation conducted of the hiring and employment practices for the Milwaukee Fire Department based upon charges filed by the Brotherhood of Firefighters which allege discrimination on the basis of race with respect to hiring, promotion, terms and conditions of employment and discipline. On December 10, 1999 the EEOC issued a Reasonable Cause Determination filing in respect to this investigation, resulting in a demand from the EEOC for a class-wide back-pay claims of \$12,700,000 with respect to the alleged victims. As of December 31, 2000, the City has recorded a reserve in the General Long-Term Obligations Account Group related to the above two cases.

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$3,200,000 in the General Long-Term Obligations Account Group for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2000. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2000.

Conduit Debt Obligations

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, is payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2000 is \$73,849,830, \$55,276,924, and \$230,000,000 for the City, Housing Authority, and Redevelopment Authority, respectively.

Job Opportunity Bond Program

The Redevelopment Authority of the City of Milwaukee has issued certain Economic Development Bonds under the Job Opportunity Bond Program. Additional bonds may also be issued under this Program. These bonds are payable from a revenue fund to which the Authority has pledged and appropriated revenues to be received by the Authority from revenue agreements. In the event of an insufficiency of such revenues, these bonds are payable out of a program reserve fund and a common reserve fund maintained with respect to the program. In the event amounts available in these reserve funds fall below specified levels, the City has agreed, pursuant to the terms of the first amendment to the cooperation and pledge agreement, to consider making loans to the Authority to assist the Authority in maintaining the reserve funds at required levels. To date, the City has not loaned any funds for this purpose. This obligation is not enforceable by the Authority, the Trustee or the owners of the bonds against the City or the Common Council of the City or against any individual of the Council of the City or any officer or agent of the City.

During 2000, the Authority made the required principal and interest payments of \$5,948,000 relating to one participant in the Job Opportunity Bond Program, which defaulted. Subsequent to year-end, the Authority received \$2,833,000 from foreclosure proceeds of the participant's assets, which reduced the Authority's loss to \$3,115,000 in 2000.

12. SUBSEQUENT EVENTS

In February of 2001, the City issued \$13,585,000 in general obligation short-term promissory notes for the purpose of financing 2000 real and personal property tax receivables and \$102,000,000 of Revenue Anticipation Notes for the purpose of financing the City's operating budget on an interim basis pending receipt of state shared revenue payments due in November, 2001.

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CITY OF MILWAUKEE
GENERAL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2000 AND 1999
(Thousands of Dollars)

Exhibit A

	2000	1999
ASSETS		
Cash and cash equivalents	\$ 9,240	\$ 34,662
Receivables (net):		
Taxes	23,152	21,280
Accounts	18,918	9,376
Unbilled accounts	989	1,170
Notes and loans	768	931
Accrued interest	961	564
Due from other funds	11,917	14,092
Due from component units	4,892	3,251
Due from other governmental agencies	1,383	-
Other receivables	12,694	13,253
Inventory of materials and supplies	5,988	6,428
Inventory of property for resale	26	26
Prepaid items	366	721
Restricted Assets:		
Investments	281	281
Total Assets	<u>\$ 91,575</u>	<u>\$ 106,035</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$ 23,180	\$ 14,606
Accrued wages	27,277	25,180
Due to other funds	253	699
Deferred revenue	1,971	527
Total Liabilities	<u>\$ 52,681</u>	<u>\$ 41,012</u>
Fund Balance:		
Reserved for encumbrances, prepaids, and carryovers	\$ 8,886	\$ 28,610
Reserved for inventory	6,014	6,454
Reserved for mortgage trust	281	281
Reserved for environmental remediation	304	291
Reserved for tax stabilization - 2001 (2000)	5,500	11,250
Reserved for tax stabilization - 2002 (2001) and subsequent years' budgets	17,909	18,137
Total Fund Balance	<u>\$ 38,894</u>	<u>\$ 65,023</u>
Total Liabilities and Fund Balance	<u>\$ 91,575</u>	<u>\$ 106,035</u>

CITY OF MILWAUKEE
GENERAL FUND

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2000
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)

	2000	1999
Revenues:		
Property taxes	\$ 98,456	\$ 89,250
Other taxes	12,808	10,283
Licenses and permits	10,154	8,996
Intergovernmental	278,434	277,884
Charges for services	45,383	37,598
Fines and forfeits	18,036	17,694
Other	<u>14,358</u>	<u>9,032</u>
Total Revenues	<u>\$ 477,629</u>	<u>\$ 450,737</u>
Expenditures:		
Current:		
General government	\$ 157,615	\$ 132,231
Public safety	220,879	205,717
Public works	100,696	91,817
Health	11,363	11,401
Culture and recreation	17,584	16,627
Conservation and development	<u>7,502</u>	<u>7,271</u>
Total Expenditures	<u>\$ 515,639</u>	<u>\$ 465,064</u>
Excess of Revenues over (under) Expenditures	<u>\$ (38,010)</u>	<u>\$ (14,327)</u>
Other Financing Sources (Uses):		
Proceeds of bonds and notes	\$ 1,312	\$
Operating transfers in	11,213	7,632
Operating transfers out	(338)	(73)
Operating transfers to component units	(150)	(150)
Contributions received	536	651
Contributions used	<u>(685)</u>	<u>(612)</u>
Total Other Financing Sources (Uses)	<u>\$ 11,888</u>	<u>\$ 7,448</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ (26,122)</u>	<u>\$ (6,879)</u>
Fund Balance - January 1 (Excludes Reserved for Tax Stabilization)	65,023	71,776
Residual Equity Transfers from Other Funds	2	163
Residual Equity Transfers to Other Funds	<u>(9)</u>	<u>(37)</u>
Fund Balance - December 31	<u>\$ 38,894</u>	<u>\$ 65,023</u>

CITY OF MILWAUKEE

Exhibit C

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2000

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 1999

(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	1999 Actual on Budgetary Basis
Revenues:				
Property taxes	\$ 98,456	\$ 98,456	\$	\$ 89,250
Other taxes	10,905	12,808	1,903	10,283
Licenses and permits	8,759	10,154	1,395	8,996
Intergovernmental	279,056	278,434	(622)	277,884
Charges for services	43,824	45,383	1,559	37,598
Fines and forfeits	19,306	18,036	(1,270)	17,694
Other	12,891	14,358	1,467	9,032
Total Revenues	\$ 473,197	\$ 477,629	\$ 4,432	\$ 450,737
Expenditures:				
Current				
General government	\$ 160,893	\$ 157,615	\$ 3,278	\$ 132,231
Public safety	220,732	220,879	(147)	205,717
Public works	96,835	100,696	(3,861)	91,817
Health	11,688	11,363	325	11,401
Culture and recreation	17,519	17,584	(65)	16,627
Conservation and development	8,025	7,502	523	7,271
Total Expenditures	\$ 515,692	\$ 515,639	\$ 53	\$ 465,064
Excess of Revenues over (under) Expenditures	\$ (42,495)	\$ (38,010)	\$ 4,485	\$ (14,327)
Other Financing Sources (Uses):				
Proceeds of bonds and notes	\$	\$ 8,071	\$ 8,071	\$ 1,312
Operating transfers in	11,213	11,213		7,632
Operating transfers out	(365)	(338)	27	(73)
Operating transfers to component units	(150)	(150)		(150)
Contributions received	675	536	(139)	651
Contributions used	(826)	(685)	141	(612)
Use of fund balance - reserved for tax stabilization	11,250	11,250		12,820
Total Other Financing Sources (Uses)	\$ 21,797	\$ 29,897	\$ 8,100	\$ 21,580
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ (20,698)	\$ (8,113)	\$ 12,585	\$ 7,253
Fund Balance - January 1 (Excludes Reserved for Tax Stabilization)	55,085	55,085		58,956
Residual Equity Transfers from Other Funds	36	2	(34)	163
Residual Equity Transfers to Other Funds	(61)	(9)	52	(37)
Fund Balance - December 31	\$ 34,362	\$ 46,965	\$ 12,603	\$ 66,335

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit D

	Amended Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 61,785	\$ 61,785	\$ -
Provision for Employees' Retirement	36,671	36,671	-
Total Property Taxes	\$ 98,456	\$ 98,456	\$ -
Other Taxes:			
Payment in lieu of taxes	\$ 10,160	\$ 10,758	\$ 598
Interest on city tax certificates and other taxes	745	2,050	1,305
Total Other Taxes	\$ 10,905	\$ 12,808	\$ 1,903
Licenses and Permits:			
Licenses:			
Business and occupational	\$ 2,964	\$ 3,115	\$ 151
Other	33	30	(3)
Permits:			
Building	4,911	5,732	821
Zoning	175	241	66
Other	676	1,036	360
Total Licenses and Permits	\$ 8,759	\$ 10,154	\$ 1,395
Intergovernmental:			
State Shares Revenues:			
State shared taxes	\$ 244,869	\$ 244,525	\$ (344)
Local street aids	27,700	27,752	52
Payment for municipal services	1,830	1,753	(77)
Other	4,657	4,404	(253)
Total Intergovernmental	\$ 279,056	\$ 278,434	\$ (622)
Charges for Services:			
General government	\$ 26,398	\$ 24,917	\$(1,481)
Public safety	6,170	6,270	100
Public works	7,674	10,698	3,024
Health	929	780	(149)
Culture and recreation	2,198	2,321	123
Conservation and development	455	397	(58)
Total Charges for Services	\$ 43,824	\$ 45,383	\$ 1,559
Fines and Forfeits:			
Municipal Court	\$ 5,506	\$ 4,965	\$ (541)
Police Department	13,800	13,071	(729)
Total Fines and Forfeits	\$ 19,306	\$ 18,036	\$ (1,270)
Other:			
Interest on temporary investments	\$ 7,200	\$ 8,825	\$ 1,625
Miscellaneous	5,691	5,533	(158)
Total Other	\$ 12,891	\$ 14,358	\$ 1,467
Total	\$ 473,197	\$ 477,629	\$ 4,432

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit E

	Amended Budget	2000 Actual				Variance - Favorable (Unfavorable)
		Salaries and Wages	Other Operating Costs	Equipment	Total	
General Government:						
Deferred Compensation	\$ 1,319	\$ 145	\$ 565	\$ 3	\$ 713	\$ 606
Zoning Appeals	223	172	51		223	
Intern Program	42	42			42	
Mayor	938	883	48	7	938	
Common Council - City Clerk	6,689	4,726	1,697	177	6,600	89
Municipal Court	3,237	1,785	1,445	2	3,232	5
City Attorney	8,052	3,896	4,083	76	8,055	(3)
Administration	8,236	4,491	3,427	125	8,043	193
Employee Relations	52,285	3,069	50,096	23	53,188	(903)
Election Commission	1,389	995	381	10	1,386	3
Comptroller	26,685	2,406	24,221	31	26,658	27
City Treasurer	4,980	1,500	1,806	3	3,309	1,671
Assessor's Office	3,522	3,118	398		3,516	6
Public Debt Commission	481	102	364		466	15
Employee Retirement Administration ..	31,495	1,141	28,852	40	30,033	1,462
Interest Expense	11,213		11,213		11,213	
Miscellaneous	107				-	107
Total General Government	\$ 160,893	\$ 28,471	\$ 128,647	\$ 497	\$ 157,615	\$ 3,278
Public Safety:						
Fire and Police Commission	\$ 805	\$ 618	\$ 179	\$ 5	\$ 802	\$ 3
Fire Department	64,554	58,332	3,885	2,537	64,754	(200)
Police Department	142,748	131,170	9,943	1,613	142,726	22
Neighborhood Services	12,625	7,283	5,241	73	12,597	28
Total Public Safety	\$ 220,732	\$ 197,403	\$ 19,248	\$ 4,228	\$ 220,879	\$ (147)
Public Works:						
General Office	\$ 8,560	\$ 2,691	\$ 5,851	\$ 9	\$ 8,551	\$ 9
Infrastructure	19,585	13,078	6,432	47	19,557	28
Support Services	30,241	17,638	10,990	4,662	33,290	(3,049)
Sanitation	30,482	15,795	14,612	934	31,341	(859)
Forestry	7,967	6,982	828	147	7,957	10
Total Public Works	\$ 96,835	\$ 56,184	\$ 38,713	\$ 5,799	\$ 100,696	\$ (3,861)
Health	\$ 11,688	\$ 9,077	\$ 2,242	\$ 44	\$ 11,363	\$ 325
Culture and Recreation:						
Public Library	\$ 17,519	\$ 11,697	\$ 3,186	\$ 2,701	\$ 17,584	\$ (65)
Conservation and Development:						
Department of City Development	\$ 8,025	\$ 2,804	\$ 4,698	\$ -	\$ 7,502	\$ 523
Total	\$ 515,692	\$ 305,636	\$ 196,734	\$ 13,269	\$ 515,639	\$ 53

CITY OF MILWAUKEE
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2000
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1999
(Thousands of Dollars)

Exhibit F

	General Obligation Debt	Public Debt Amortization	2000	Totals 1999
ASSETS				
Cash and cash equivalents	\$ 28,687		\$ 34,531	\$ 40,205
Investments		\$ 5,844	67,985	65,630
Receivables (net):				
Accounts	3,202		3,202	
Notes and loans	18,866		18,866	20,169
Accrued interest		178	178	425
Due from other funds	387		387	1,036
Due from component units	<u>12,354</u>		<u>12,354</u>	<u>10,500</u>
 Total Assets	 <u>\$ 63,496</u>	 <u>\$ 74,007</u>	 <u>\$ 137,503</u>	 <u>\$ 137,965</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 1,840	\$	\$ 1,840	\$ 2,121
Due to other governmental agencies			-	5
Deferred revenue	<u>31,220</u>		<u>31,220</u>	<u>30,669</u>
 Total Liabilities	 <u>\$ 33,060</u>	 <u>\$ -</u>	 <u>\$ 33,060</u>	 <u>\$ 32,795</u>
Fund Balances:				
Reserved for debt service - 2001 (2000)	\$ 30,436	\$	\$ 30,436	\$ 31,322
Reserved for future retirement of general obligation debt		<u>74,007</u>	<u>74,007</u>	<u>73,848</u>
 Total Fund Balances	 <u>\$ 30,436</u>	 <u>\$ 74,007</u>	 <u>\$ 104,443</u>	 <u>\$ 105,170</u>
 Total Liabilities and Fund Balances	 <u>\$ 63,496</u>	 <u>\$ 74,007</u>	 <u>\$ 137,503</u>	 <u>\$ 137,965</u>

CITY OF MILWAUKEE
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2000
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)

Exhibit G

	General Obligation Debt	Public Debt Amortization	<u>2000</u>	<u>Totals</u> 1999
Revenues:				
Property Taxes:				
General property taxes	\$ 48,973	\$	\$ 48,973	\$ 50,443
Tax increments	<u>8,702</u>	<u> </u>	<u>8,702</u>	<u>7,442</u>
Total Property Taxes	<u>\$ 57,675</u>	<u>\$ -</u>	<u>\$ 57,675</u>	<u>\$ 57,885</u>
Other Taxes:				
Interest on delinquent taxes	<u>\$</u>	<u>\$ 1,051</u>	<u>\$ 1,051</u>	<u>\$ 835</u>
Other:				
Interest on fund investments	\$ 2,711	\$ 8,671	\$ 11,382	\$ 1,259
Interest on general investments		4,128	4,128	2,791
Interest on special assessments		347	347	393
Deferred sewer assessments - bonds funds prior years			-	14
Premium and accrued interest on bonds and notes sold	6,306	-	6,306	4,156
Capitalized interest	442		442	824
Revenue from other agencies	<u>8,559</u>	<u> </u>	<u>8,559</u>	<u>4,777</u>
Total Other	<u>\$ 18,018</u>	<u>\$ 13,146</u>	<u>\$ 31,164</u>	<u>\$ 14,214</u>
Total Revenues	<u>\$ 75,693</u>	<u>\$ 14,197</u>	<u>\$ 89,890</u>	<u>\$ 72,934</u>
Expenditures:				
General Government:				
Public Debt Commission	\$	\$	\$ -	\$ 3
Debt Service:				
Principal retirement	57,683	12,460	70,143	66,925
Interest	<u>22,155</u>	<u>1,578</u>	<u>23,733</u>	<u>22,640</u>
Total Expenditures	<u>\$ 79,838</u>	<u>\$ 14,038</u>	<u>\$ 93,876</u>	<u>\$ 89,568</u>
Excess of Revenues over (under) Expenditures	<u>\$ (4,145)</u>	<u>\$ 159</u>	<u>\$ (3,986)</u>	<u>\$ (16,634)</u>
Other Financing Sources (Uses):				
Operating transfers in	\$ 26,584	\$	\$ 26,584	\$ 26,044
Operating transfers out	<u>(20,387)</u>	<u> </u>	<u>(20,387)</u>	<u>(16,702)</u>
Total Other Financing Sources (Uses)	<u>\$ 6,197</u>	<u>\$ -</u>	<u>\$ 6,197</u>	<u>\$ 9,342</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 2,052</u>	<u>\$ 159</u>	<u>\$ 2,211</u>	<u>\$ (7,292)</u>
Fund Balances - January 1	31,322	73,848	105,170	107,996
Residual Equity Transfers from Other Funds	462		462	7,505
Residual Equity Transfers to Other Funds	<u>(3,400)</u>	<u> </u>	<u>(3,400)</u>	<u>(3,039)</u>
Fund Balances - December 31	<u>\$ 30,436</u>	<u>\$ 74,007</u>	<u>\$ 104,443</u>	<u>\$ 105,170</u>

CITY OF MILWAUKEE
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2000
 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1999
 (Thousands of Dollars)

Exhibit H

	Bridges	Buildings and Grounds	Sewers
ASSETS			
Cash and cash equivalents	\$ 2,266	\$ 24,440	\$ 7,325
Receivables (net):			
Accounts			900
Special assessments			
Due from other funds			
Due from other governmental agencies	2,641		318
Inventory of materials and supplies			199
Prepaid items			
Total Assets	<u>\$ 4,907</u>	<u>\$ 24,440</u>	<u>\$ 8,742</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 45	\$ 8,857	\$ 1,688
Accrued wages	17	49	15
Due to other funds			
Due to other governmental agencies	1,546		
Deferred revenue	437		354
Other payables			
Total Liabilities	<u>\$ 2,045</u>	<u>\$ 8,906</u>	<u>\$ 2,057</u>
Fund Balances:			
Reserved for encumbrances, prepaids and carryovers	\$ 2,862	\$ 15,534	\$ 6,486
Reserved for inventory			199
Unreserved:			
Special assessment (deficit)			
Total Fund Balances (Deficit)	<u>\$ 2,862</u>	<u>\$ 15,534</u>	<u>\$ 6,685</u>
Total Liabilities and Fund Balance	<u>\$ 4,907</u>	<u>\$ 24,440</u>	<u>\$ 8,742</u>

Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Totals	
				2000	1999
\$ 3,995	\$ 2,976	\$ 910	\$	\$ 41,912	\$ 24,976
	747			1,647	519
			13,233	13,233	13,583
				-	12
342	3,556		298	7,155	3,547
				199	213
<u>1</u>				<u>1</u>	
<u>\$ 4,338</u>	<u>\$ 7,279</u>	<u>\$ 910</u>	<u>\$ 13,531</u>	<u>\$ 64,147</u>	<u>\$ 42,850</u>
\$ 616	\$ 1,066	\$ 290	\$ 177	\$ 12,739	\$ 6,483
1	126	12		220	273
				-	2,242
3	761		243	2,553	1,133
	256		12,162	13,209	12,481
			<u>12,694</u>	<u>12,694</u>	<u>13,253</u>
<u>\$ 620</u>	<u>\$ 2,209</u>	<u>\$ 302</u>	<u>\$ 25,276</u>	<u>\$ 41,415</u>	<u>\$ 35,865</u>
\$ 3,718	\$ 5,070	\$ 608	\$	\$ 34,278	\$ 19,156
				199	213
			(11,745)	(11,745)	(12,384)
<u>\$ 3,718</u>	<u>\$ 5,070</u>	<u>\$ 608</u>	<u>\$(11,745)</u>	<u>\$ 22,732</u>	<u>\$ 6,985</u>
<u>\$ 4,338</u>	<u>\$ 7,279</u>	<u>\$ 910</u>	<u>\$ 13,531</u>	<u>\$ 64,147</u>	<u>\$ 42,850</u>

CITY OF MILWAUKEE
 CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2000
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1999
 (Thousands of Dollars)

Exhibit I

	Bridges	Buildings and Grounds	Sewers
Revenues:			
Property taxes	\$	\$ 2,309	\$
Special assessments			
Intergovernmental	2,205	974	258
Other			<u>788</u>
Total Revenues	\$ 2,205	\$ 3,283	\$ 1,046
Expenditures:			
Capital outlay	<u>3,250</u>	<u>31,115</u>	<u>11,411</u>
Excess of Revenues over (under) Expenditures	<u>\$(1,045)</u>	<u>\$(27,832)</u>	<u>\$(10,365)</u>
Other Financing Sources (Uses):			
Proceeds of bonds and notes	\$ 4,045	\$ 31,149	\$ 12,305
Operating transfers in			
Operating transfers out			
Total Other Financing Sources (Uses)	<u>\$ 4,045</u>	<u>\$ 31,149</u>	<u>\$ 12,305</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 3,000	\$ 3,317	\$ 1,940
Fund Balances (Deficits) - January 1	(138)	12,217	4,745
Residual Equity Transfers to Other Funds			
Fund Balances (Deficits) - December 31	<u>\$ 2,862</u>	<u>\$ 15,534</u>	<u>\$ 6,685</u>

Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Totals	
				2000	1999
\$ 150	\$ 128	\$	\$	\$ 2,587	\$ 13,791
			3,930	3,930	3,362
536	4,048		298	8,319	5,889
<u>35</u>	<u>687</u>	<u>437</u>	<u> </u>	<u>1,947</u>	<u>8,515</u>
\$ 721	\$ 4,863	\$ 437	\$ 4,228	\$ 16,783	\$ 31,557
<u>2,368</u>	<u>20,296</u>	<u>5,600</u>	<u>3,589</u>	<u>77,629</u>	<u>100,922</u>
<u>\$ (1,647)</u>	<u>\$ (15,433)</u>	<u>\$ (5,163)</u>	<u>\$ 639</u>	<u>\$ (60,846)</u>	<u>\$ (69,365)</u>
\$ 6,387	\$ 18,384	\$ 4,785	\$ 1,885	\$ 78,940	\$ 74,222
			(1,885)	(1,885)	4,230
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>(7,225)</u>
<u>\$ 6,387</u>	<u>\$ 18,384</u>	<u>\$ 4,785</u>	<u>\$ -</u>	<u>\$ 77,055</u>	<u>\$ 71,227</u>
\$ 4,740	\$ 2,951	\$ (378)	\$ 639	\$ 16,209	\$ 1,862
(1,009)	2,119	1,435	(12,384)	6,985	12,628
<u>(13)</u>	<u> </u>	<u>(449)</u>	<u> </u>	<u>(462)</u>	<u>(7,505)</u>
<u>\$ 3,718</u>	<u>\$ 5,070</u>	<u>\$ 608</u>	<u>\$ (11,745)</u>	<u>\$ 22,732</u>	<u>\$ 6,985</u>

CITY OF MILWAUKEE
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP
STATEMENT OF GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit J

	Balance 01-01-00	Obligations Incurred	Obligations Retired	Debt Service Funds Operations	Balance 12-31-00
RESOURCES AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF GENERAL LONG-TERM OBLIGATIONS					
Resources available in Debt Service Funds	\$ 118,686	\$	\$	\$(1,198)	\$ 117,488
Resources to be Provided for:					
Retirement of general obligation debt	354,403	119,547	70,133	1,198	405,015
Pension contribution payable from subsequent year's budget	1,835		1,835		-
Unfunded compensated absences	26,308	6,481	2,255		30,534
Unfunded claims and judgments	<u>58,661</u>	<u>31,825</u>	<u>46,966</u>		<u>43,520</u>
Total Resources Available and to be Provided	<u>\$ 559,893</u>	<u>\$ 157,853</u>	<u>\$ 121,189</u>	<u>\$ -</u>	<u>\$ 596,557</u>
 GENERAL LONG-TERM OBLIGATIONS PAYABLE					
General obligation debt	\$ 473,089	\$ 119,547	\$ 70,133	\$	\$ 522,503
Unfunded pension costs	1,835		1,835		-
Unfunded compensated absences	26,308	6,481	2,255		30,534
Unfunded claims and judgments	<u>58,661</u>	<u>31,825</u>	<u>46,966</u>		<u>43,520</u>
Total General Long-Term Obligations Payable	<u>\$ 559,893</u>	<u>\$ 157,853</u>	<u>\$ 121,189</u>	<u>\$ -</u>	<u>\$ 596,557</u>

APPENDIX C

DRAFT FORM OF LEGAL OPINION

Upon delivery of the Series 2001 Bonds, a legal opinion substantially in the form set forth below, will be delivered to the Underwriter by Bond Counsel, dated the date of delivery of the Series 2001 Bonds.

Mr. W. Martin Morics
 City Comptroller of the
 City of Milwaukee
 Milwaukee, Wisconsin

Dear Sir:

CITY OF MILWAUKEE, WISCONSIN
 SEWERAGE SYSTEM REVENUE BONDS,
 SERIES 2001, \$29,095,000

At your request we have examined into the validity of an issue of \$29,095,000 principal amount of Sewerage System Revenue Bonds, Series 2001 (the "2001 Bonds"), of the City of Milwaukee, Wisconsin (the "City"). The 2001 Bonds are dated December 1, 2001, and are issued as fully registered bonds which when issued will be available for individual purchasers in book-entry form only in the denominations of \$5,000 or any integral multiple thereof. The 2001 Bonds mature on June 1 in each of the years and in the principal amounts set forth below, bearing interest from their dated date payable on June 1, 2002 and semiannually thereafter on December 1 and June 1 of each year, at the rate per annum stated opposite such year, as follows:

Year	Amount	Interest Rate	Year	Amount	Interest Rate
2003	\$1,000,000	3.50%	2013	\$1,520,000	5.25%
2004	1,035,000	3.50	2014	1,600,000	5.25
2005	1,080,000	5.00	2015	1,685,000	5.25
2006	1,135,000	5.00	2016	1,775,000	5.25
2007	1,190,000	3.75	2017	1,875,000	5.375
2008	1,235,000	4.00	2018	1,970,000	4.70
2009	1,285,000	4.00	2019	2,070,000	4.875
2010	1,340,000	4.00	2020	2,170,000	5.00
2011	1,395,000	4.00	2021	2,285,000	5.00
2012	1,450,000	4.00			

The 2001 Bonds maturing on and after June 1, 2013 are subject to optional redemption prior to their stated maturities on any interest payment date on and after June 1, 2012 upon the terms and conditions and at the prices set forth therein.

The 2001 Bonds recite that they are issued for the purpose of financing improvements to the Sewerage System and pursuant to resolutions adopted by the Common Council of the City on August 2, 2001 and September 25, 2001, respectively (hereinafter referred to collectively as the "Resolution"), the provisions of Chapter 66 of the Wisconsin Statutes and acts supplementary thereto, the Charter of the City, and resolutions duly passed by the Commissioners of the Public Debt of the City. The 2001 Bonds further recite that they are payable solely from and equally and ratably secured solely by the net revenues derived by the City through the ownership and operation of the Sewerage System of the City which, by the terms of the Resolution, are pledged to the payment thereof, subject to the provisions of the Resolution permitting the application of such revenues to the purposes and on the terms and conditions set forth in the Resolution.

We have examined (i) the Constitution and statutes of the State of Wisconsin; (ii) the Charter of the City; (iii) certified copies of the Resolution and a certified transcript of proceedings relating to authorizing the issuance of the 2001 Bonds; (iv) such other papers, instruments, documents and proceedings as we have deemed necessary or advisable; and (v) a specimen 2001 Bond.

We have relied upon such transcript of proceedings as to the matters of facts stated therein without independent verification. We have not been engaged nor have undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2001 Bonds, and express no opinion relating thereto.

In our opinion, the 2001 Bonds have been duly authorized and issued in accordance with the Constitution and laws of the State of Wisconsin and the Charter of the City and constitute valid and legally binding special obligations of the City, payable solely from and secured solely by the net revenues of the Sewerage System of the City pledged to the payment thereof by the Resolution subject to the prior payment from such revenues of the expenses of operation and maintenance of such Sewerage System and on a parity with other Bonds hereafter issued under the Resolution by the City, payable from the net revenues of the Sewerage System.

It is to be understood that the rights of the holders of the 2001 Bonds under the 2001 Bonds and under the Resolution and the enforceability thereof may be subject to judicial discretion, to the valid exercise of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditor's rights.

It is also our opinion that, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants as described herein, interest on the 2001 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the 2001 Bonds and have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2001 Bonds from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the 2001 Bonds. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2001 Bonds.

Very truly yours,

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains terms and conditions relating to the issuance of the Bonds, including the Series 2001 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 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 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 or (ii) to the extent audited figures are not available, on figures taken by an independent certified public accountant from the City's books and records, showing that the Net Revenues for: (a) the most recent Fiscal Year, or (b) 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.

The provisions of the Bond Resolution described immediately above do not apply to the Series 2001 Bonds.

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, the Special Redemption Fund and Reserve Account therein and the 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 be 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 therefor;

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 shall be deposited in the respective Fund and Account from 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 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 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 workman's 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 commencing with the Fiscal Year ending December 31, 2001, 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 of, 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 all 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 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 E

FORM OF MUNICIPAL BOND INSURANCE POLICY SPECIMEN-AMBAC

Ambac

Financial Guaranty Insurance Policy

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

Obligor:

Policy Number:

Obligations:

Premium:

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

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

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

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

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

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

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



President



Secretary

Effective Date:

Authorized Representative

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

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



Authorized Officer of Insurance Trustee