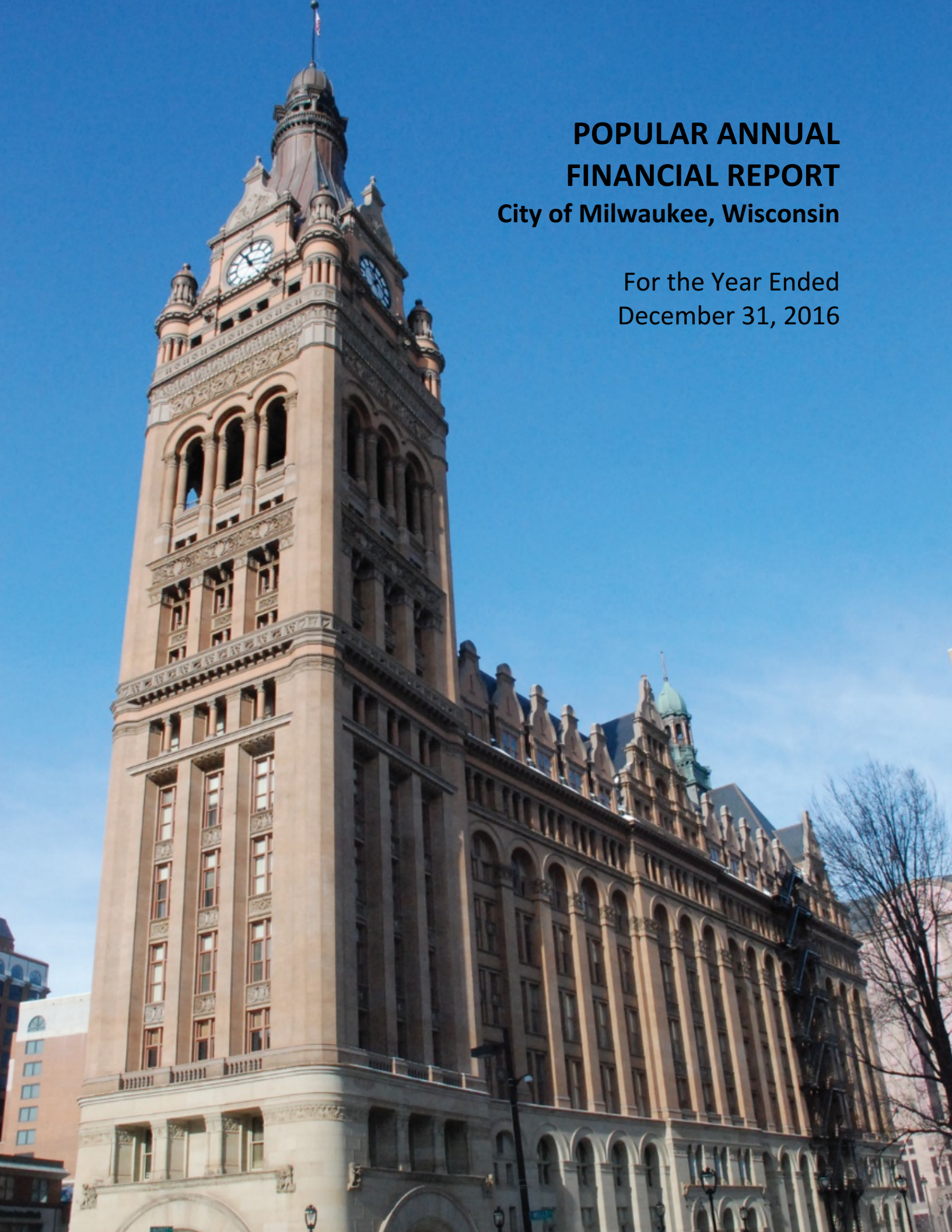


POPULAR ANNUAL FINANCIAL REPORT

City of Milwaukee, Wisconsin

For the Year Ended
December 31, 2016

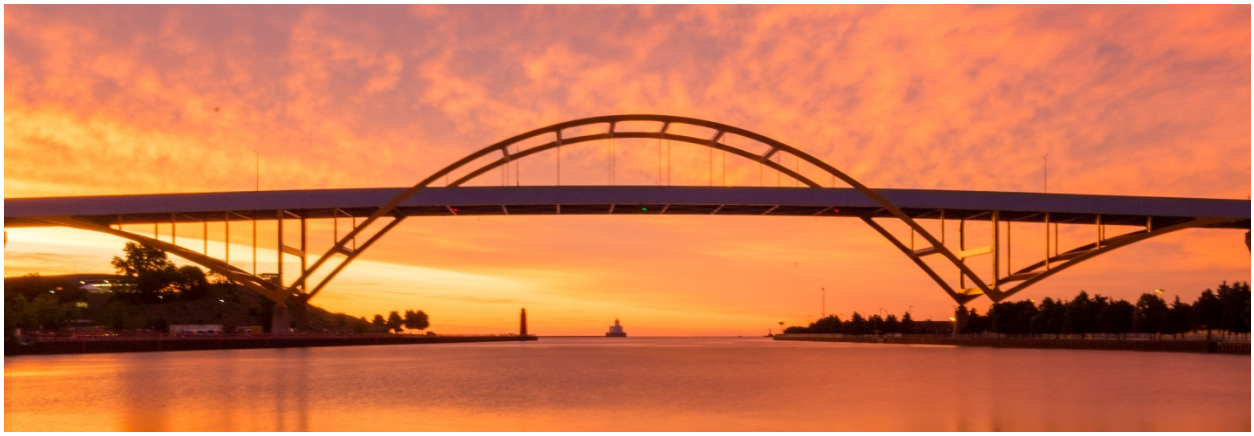
Contents

PRINCIPAL CITY OFFICIALS 3
A MESSAGE FROM THE COMPTROLLER 4
ABOUT MILWAUKEE 5
THE BUDGET AND PLANNING PROCESS 7
WHERE DOES OUR MONEY COME FROM? 8
HOW IS OUR MONEY SPENT? 9
WHAT SERVICES DOES OUR MONEY PAY FOR? 11
THE CITY'S NET POSITION 12
SUMMARY OF CAPITAL ASSETS 13
LONG TERM OBLIGATIONS 14
FUND BALANCE 15

ABOUT THIS REPORT

Although this report is largely based on the City's 2016 Comprehensive Annual Financial Report (CAFR), it is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Only the financial data for the general government is included in this report and, therefore, all of the City's discretely presented component units are excluded. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted. A copy of the City's audited 2016 CAFR which is prepared in accordance with GAAP, is located at:

http://city.milwaukee.gov/ImageLibrary/User/pmensa/2016CAFRV3printer.pdf



Certain photographs appear courtesy of Visit Milwaukee.

City of Milwaukee, Wisconsin

PRINCIPAL CITY OFFICIALS

Mayor
Tom Barrett

City Comptroller
Martin Matson

City Treasurer
Spencer Coggs

City Attorney
Grant F. Langley

Common Council

Ashanti Hamilton, President

Dist.			Dist.			Dist.		
1		Ashanti Hamilton	6		Milele A. Coggs	11		Mark A. Borkowski
2		Cavalier Johnson	7		Khalif J. Rainey	12		Jose G. Perez
3		Nik Kovac	8		Robert G. Donovan	13		Terry L. Witkowski
4		Robert J. Bauman	9		Chantia Lewis	14		Tony Zielinski
5		James A. Bohl Jr.	10		Michael J. Murphy	15		Russell W. Stamper, II

A MESSAGE FROM THE COMPTROLLER

To the Citizens of Milwaukee:

I am pleased to present to you the City of Milwaukee's (the City's) first Popular Annual Financial Report (PAFR) for the Year Ended December 31, 2016. This report is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is written in a manner that will summarize and communicate, in a user friendly manner, the City's financial condition.

In addition to providing financial information, it is important to demonstrate what makes Milwaukee a great place to live and work. Milwaukee's economy is supported by a vast network of for-profit and not-for-profit businesses. It is important for us to demonstrate the role City government is playing in supporting these activities.

Financial information within this report is derived in large part from the City's 2016 independently audited set of financial statements that are prepared in accordance with Generally Accepted Accounting Principles (GAAP). These audited statements are part of the City's 2016 Comprehensive Annual Financial Report (CAFR).

I welcome any feedback, comments, or concerns regarding the information included in this report.

Sincerely,

Martin Matson

Martin Matson
Comptroller

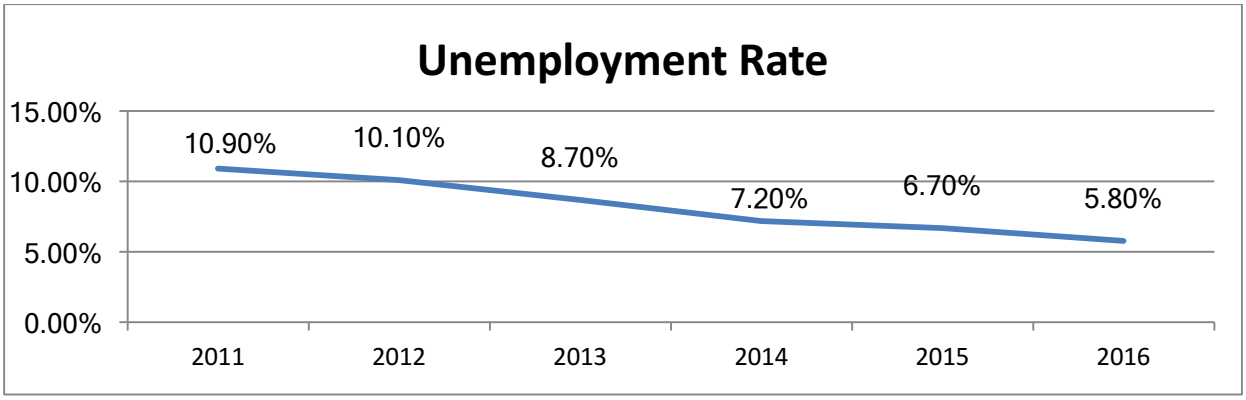
ABOUT MILWAUKEE

Geographically, Milwaukee consists of 96.9 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. It is located approximately 75 miles east of the State capital, Madison. Milwaukee is the 31st largest city in the United States with a 2016 Wisconsin Department of Administration estimated population of 594,667. It is also the largest city in the State, and Wisconsin's main cultural and economic center.

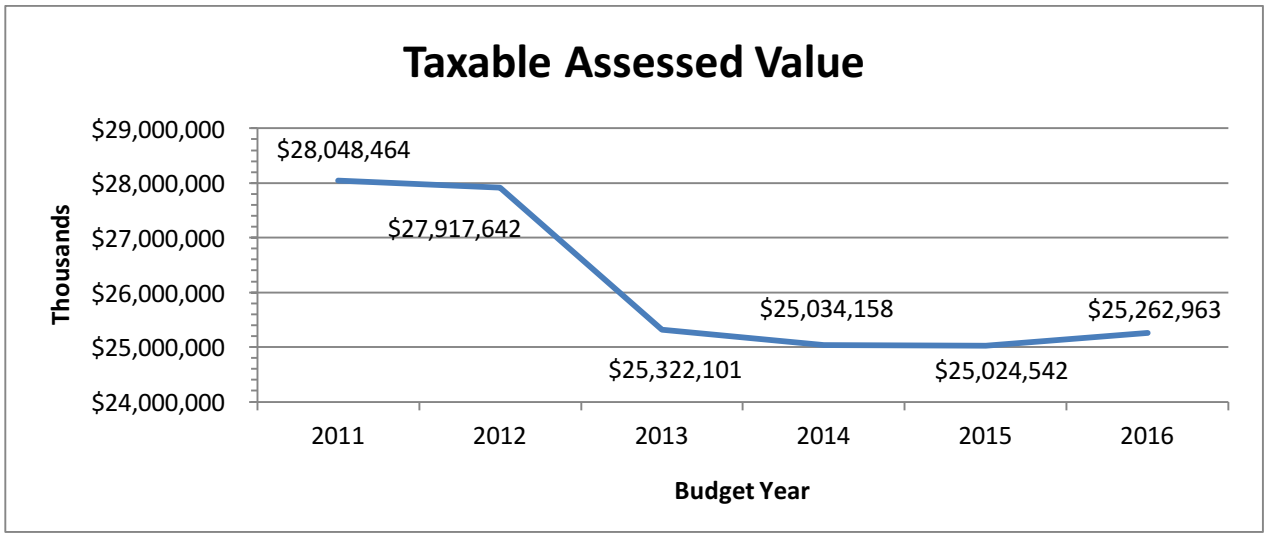
Milwaukee is the economic hub of the southeast region and the entire state of Wisconsin. It is a premier center for advanced manufacturing, fresh water research and development, clean and green technology, health care, biomedical technology and financial services. Milwaukee's transportation system is a gateway for tourism, conventions, commerce, business growth and economic development.

Economic Highlights

Over the last five years, the City's unemployment rate has continued to decline. The most recent unemployment rate, measured in 2016 was 5.8%.



After a long period of decreases, property values have begun to increase.



A building boom is currently underway in downtown Milwaukee. Northwestern Mutual Life has constructed a 32 story office tower with over a million square feet of office space. It is the largest office structure in the state of Wisconsin. Additionally, Northwestern Mutual is building a 33 story upscale apartment tower at an estimated cost of $100 million.

The City began the construction phase of the downtown segment of a planned streetcar line. Construction of a new Buck's arena, with a projected cost of $534 million, is underway. Over the next two years, an underutilized bus terminal located on the lakefront will be demolished and replaced with a 44-story, $122 million mixed use development project with apartments and retail (the Couture).

City-wide, approximately 14,000 new housing units have been constructed in the last twelve years. The City of Milwaukee continues its effort to market and develop land along the 30th Street Industrial Corridor known as the Century City Business Park, as a major modern employment center and economic hub. The North End, a development project that runs along the Milwaukee River on the north end of downtown, is nearing completion.

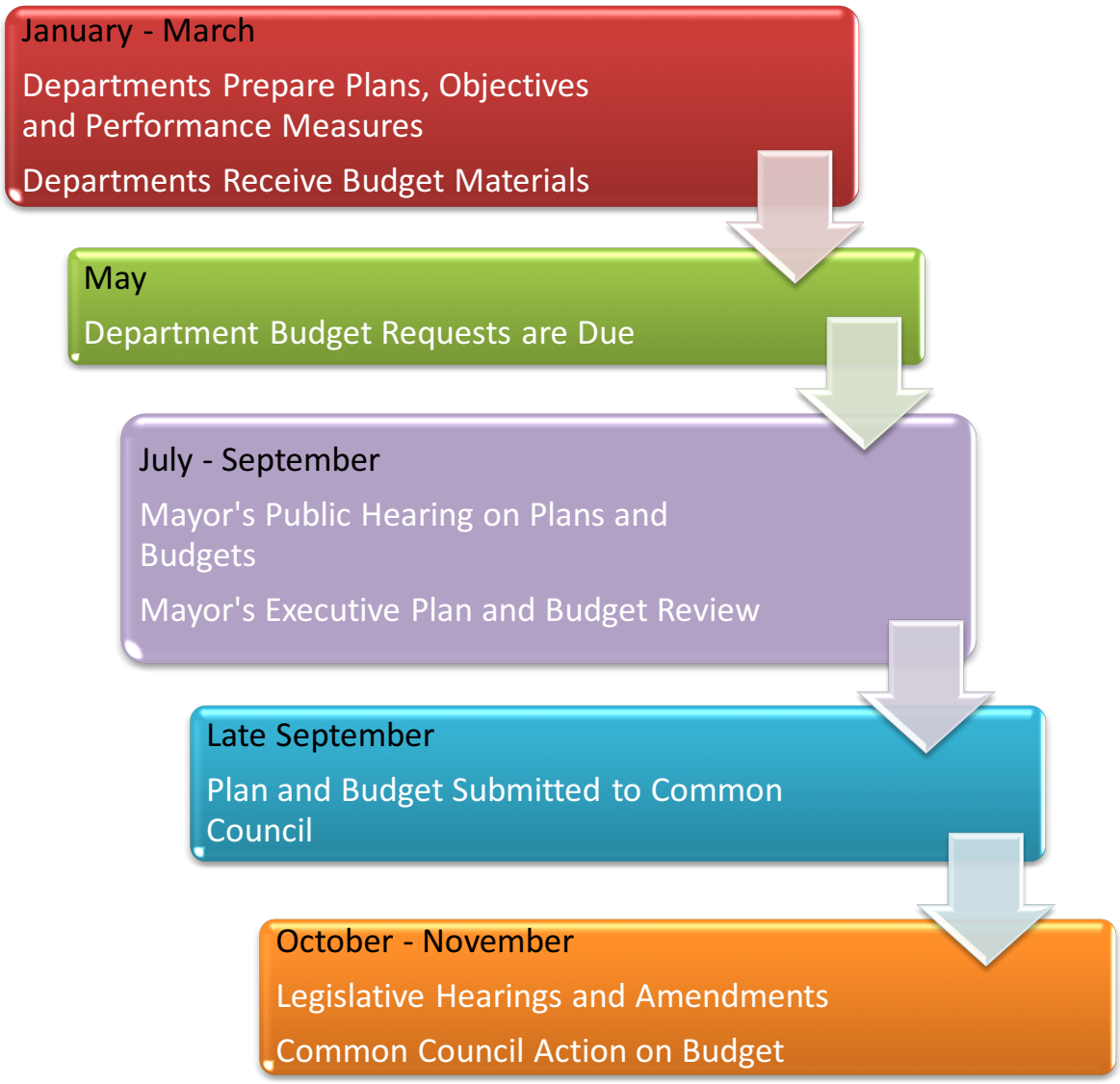
THE BUDGET AND PLANNING PROCESS

Effective financial planning begins with objectives and identifies factors that pose challenges and opportunities to structural budget balance. The two primary financial objectives are:

Provide mission-critical city services through annual budgets that limit the impact of tax levy and municipal service charges.

Manage long-term obligations in a manner that stabilizes ongoing funding requirements and minimizes transfer of costs to future generations.

Budget Calendar



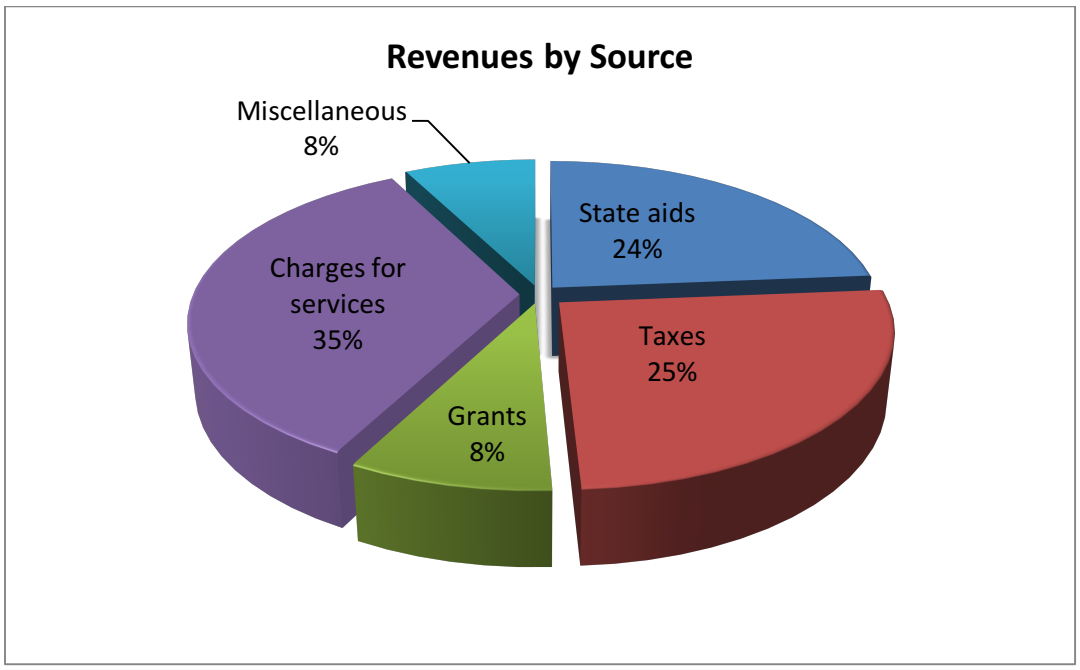
WHERE DOES OUR MONEY COME FROM?

Like all governments, the City must raise funds to pay for the services that it provides to its citizens and businesses. These sources of funds, referred to as revenue, are raised through taxes, charges for services, State aids and grants.

Revenues by Source – Government & Business-type Funds

Category	2016 Amount
Charges for services.....	$388,385
Taxes.....	286,513
State aids.....	265,191
Miscellaneous.....	85,345
Grants.....	94,422
Total revenues.....	$1,119,856

The pie chart below shows the City's revenues by source for 2016.



HOW IS OUR MONEY SPENT?

The City uses its revenues to provide a wide array of services. Public safety is, by far, the largest cost, comprising 42% of total governmental activities expense and 35% of total governmental and business-type expenditures.

Expenditures by Category – Government & Business-type Funds

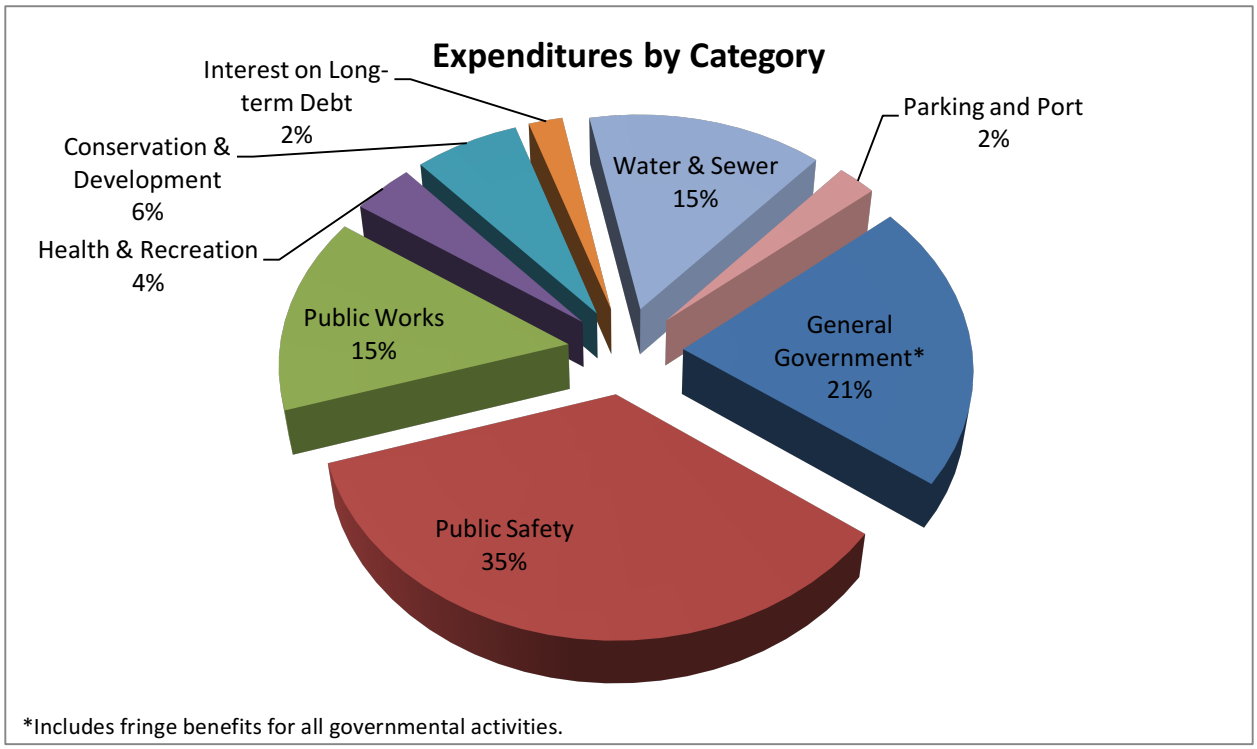
(in thousands)

Category	2016 Amount	Percentage of Category	Percentage of Total
Governmental Activities			
Public safety	$423,903	42.3%	35.1%
General government*	255,177	25.5%	21.1%
Public works	174,470	17.4%	14.5%
Conservation & Development	77,670	7.7%	6.4%
Culture & recreation	24,375	2.4%	2.0%
Interest on Long-term Debt	25,109	2.5%	2.1%
Health	21,594	2.2%	1.8%
Total governmental	1,002,298	100.0%	
Business-type Activities			
Water	73,620	36.1%	6.1%
Sewer Maintenance	53,002	26.0%	4.4%
MMSD User Charges	48,271	23.6%	4.0%
Parking	25,005	12.2%	2.1%
Port of Milwaukee	4,306	2.1%	0.4%
Total business-type	204,204	100.0%	
Total expenditures	$1,206,502		100.0%

* Includes fringe benefits for all governmental activities.

The expenditures shown in the table above include future liabilities not funded with current revenues. See the Comprehensive Annual Financial Report for details.

The pie chart below shows the City's expenditures during 2016.



WHAT SERVICES DOES OUR MONEY PAY FOR?

Knowing the total cost of an activity doesn't provide any insight on how those dollars are used. The table below identifies some of the services the City provided during 2016.

Government and Business-type Services	
Government Activities	2016
Public Safety	
Courtroom cases	84,464
Police dispatches	284,893
Traffic citations	46,969
Fire medical emergency assists	78,484
Fires extinguished	2,198
Building inspection complaints	36,548
Building inspection orders	43,499
Public Works	
Miles of street paved	35.4
Tons of asphalt patching	18,857
Tons of refuse collected	273,315
Health	
Food inspections	10,087
Immunizations	8,360
Conservation & Development	
New housing units	2,081
Business-type Activities	
Millions of gallons of water sold	29,440
Port metric tonnage handled	2,441,072

THE CITY'S NET POSITION

The Government-wide Balance Sheet, known as the Statement of Net Position, presents information on the City's assets and liabilities, with the difference between the two reported as net position. Increases and decreases in net position serve as an indicator of the City's financial position and of the results of the City's operations.

Changes in Net Positon – Governmental & Business-type Funds

(in thousands)

	2015	2016
Our Assets - What We Have		
Noncapital Assets: consists mainly of cash and amounts owed to the City.....	$ 1,092,212	$ 1,117,740
Capital Assets: consists of buildings, equipment, vehicles, infrastructure, improvements, and Construction in Progress.....	2,142,380	2,251,188
Total Assets of the City.....	3,234,592	3,368,928
Deferred Outflows of Resources: represents a consumption of resources that applies to future periods		
Loss on refunding.....	359	221
Deferred outflows for pensions.....	170,003	391,528
Our Liabilities - What We Owe		
Liabilities: consists of amounts that the City expects to pay		
Long-term liabilities.....	1,856,939	2,218,784
Other liabilities (ie: accounts & notes payable, accrued expenses).....	272,373	311,094
Total Liabilities of the City.....	2,129,312	2,529,878
Deferred Inflows of Resources: represents an acquisition of resources that applies to future periods		
Gain on refunding.....	1,146	1,479
Deferred inflows for pensions.....	173	24,047
Subsequent years property taxes.....	290,253	307,849
Net Position		
Net investment in capital assets: cost of capital assets less depreciation.....	1,444,850	1,501,001
Restricted: amounts that are restricted for specific purposes.....	210,290	178,152
Unrestricted (Deficit): amounts available for any decided-upon purpose.....	(671,070)	(781,729)
Total Net Position.....	$ 984,070	$ 897,424

SUMMARY OF CAPITAL ASSETS

The City's investment in capital assets as of December 31, 2016 was $2.2 billion, an increase of $109 million or 5% over 2015. The investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furnishings, and construction in progress.

Capital Assets – Governmental & Business-type Funds

(in thousands)

Category	2015	2016
Land	$184,764	$184,508
Construction-in-Progress	121,308	156,485
Buildings	409,818	418,928
Infrastucture	2,704,424	2,815,307
Improvements other than buildings	20,170	20,359
Machinery & equipment	480,528	492,700
Nonuntility property	3,654	3,917
Accumulated depreciation	(1,782,286)	(1,841,016)
Total Capital Assets	$2,142,380	$2,251,188

LONG TERM OBLIGATIONS

At year end, governmental activities had long-term obligations of $1.8 billion. Of this amount $116 million is due within one year. The long-term obligations include: debt, other post-employment benefits, net pension liability, claims & judgements, and compensated absences.

Long term Obligations – Governmental & Business-type Funds

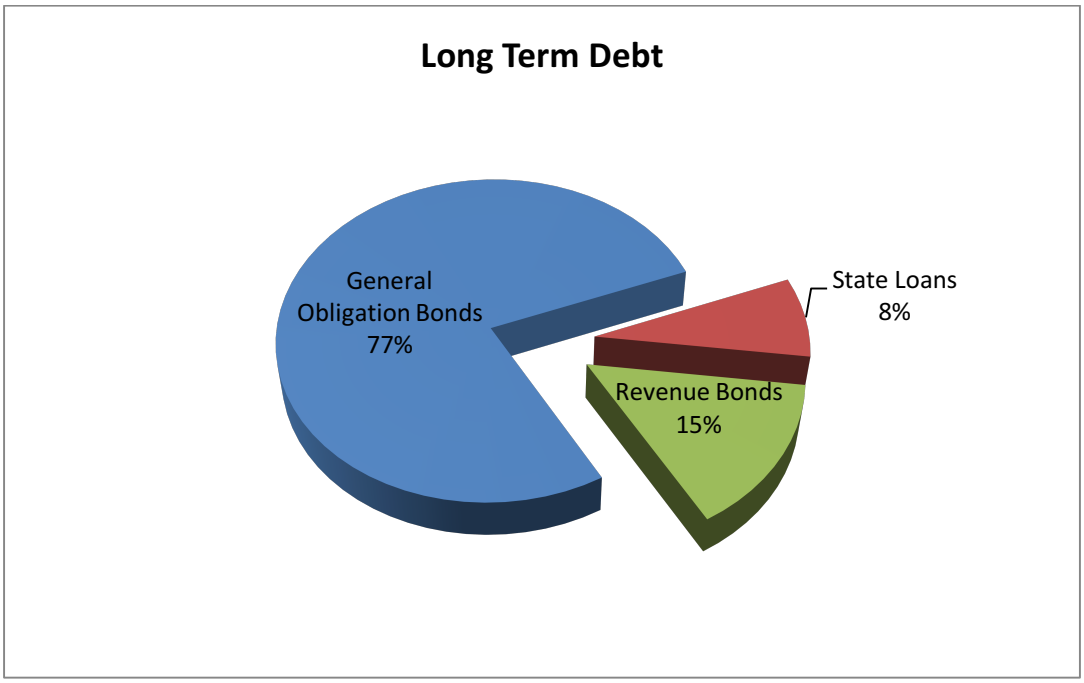
(in thousands)

	As of December 31, 2016	Amount Due Within One Year
Governmental Activities:		
General obligation bonds	$ 949,001	$ 113,174
Unamortized premiums	56,379	-
Extendable Municipal Commercial Paper (EMCP)*	-	-
Compensated absences	47,945	702
Other post-employment benefits	411,273	-
Pension liability	336,333	-
Claims & judgements	32,696	1,651
Total Governmental Activities	$ 1,833,627	$ 115,527
Business-type Activities		
General obligation bonds	$ 52,139	$ 3,126
Unamortized premiums	375	
Extendable Municipal Commercial Paper (EMCP)*	-	-
State loans	101,612	6,065
Revenue bonds	190,086	9,716
Unamortized premiums	14,325	
Compensated absences	1,553	1,553
Other post-employment benefits	11,986	-
Pension liability	13,081	-
Total Business-type Activities	$ 385,157	$ 20,460

* The EMCP program was terminated in 2016.

The City had total debt outstanding of $1.3 billion as of December 31, 2016. Of this amount, $1.0 billion is backed by the full faith and unlimited taxing power of the City.

The pie chart below shows the composition of the City's debt as of December 31, 2016.



FUND BALANCE

The following are descriptions of the City's fund balance classifications:

Non Spendable Fund Balance – This includes amounts that cannot be spent because they are (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of these would be inventory and prepaid assets.

Restricted Fund Balance – This includes amounts that are restricted to specific purposes stipulated by (a) external creditors, grantors, contributors, or State and Federal laws and regulations or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This includes amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the City's highest level of decision making authority which is the Common Council. Once adopted by resolution, a resolution can only be revised or removed by adoption of a new resolution.

Assigned Fund Balance – This includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made directly by formal action of the Common Council.

Unassigned Fund Balance – This amount is the residual classification for the general fund. This classification represents fund balance that has not been assigned to others and that has not been restricted, committed, or assigned to specific purposes within the general fund. The City refers to this portion of fund balance as the Tax Stabilization Fund.

The City's General Fund, fund balance was $108 million as of December 31, 2016, a decrease of $19 million or 18% compared to prior year.

Fund Balance – General Fund

(in thousands)

Category	2015	2016
Non Spendable	$17,094	$16,127
Resricted	-	-
Committed	2,035	2,266
Assigned	46,404	38,802
Unassigned	61,715	50,737
Total Fund Balance	$127,248	$107,932

This summary of financial data is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the City's finances and to demonstrate the City's accountability for the taxes and other funding received. If you have questions about this report or need additional financial information, please contact:

City of Milwaukee Comptroller's Office
200 East Wells Street
Milwaukee, WI 53202
414-286-3321