POPULAR ANNUAL FINANCIAL REPORT

City of Milwaukee, Wisconsin

For the Year Ended
December 31, 2017

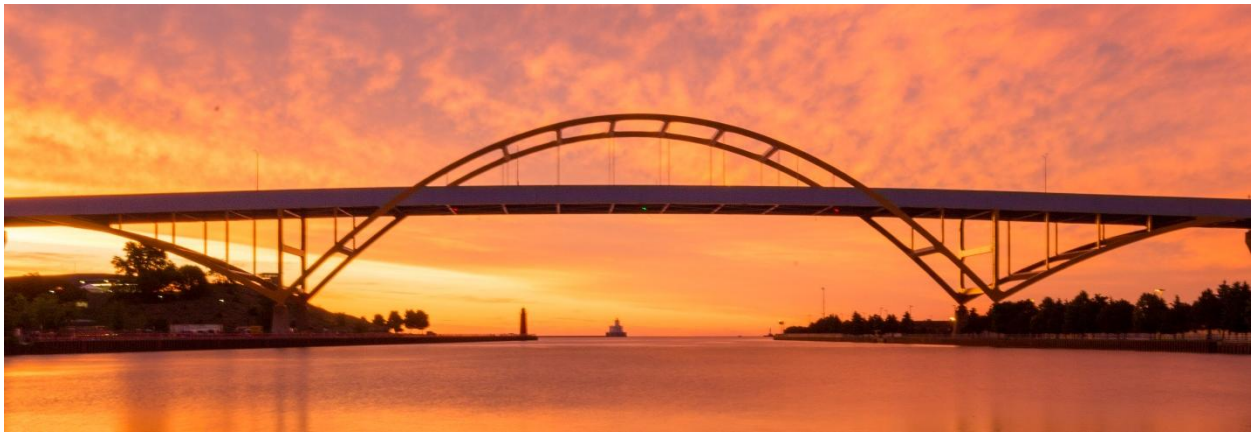
Contents

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 2017 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 2017 CAFR, which is prepared in accordance with GAAP, is located at:

https://milwaukee.gov/2017CAFR



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) Popular Annual Financial Report (PAFR) for the Year Ended December 31, 2017. 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 2017 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 2017 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

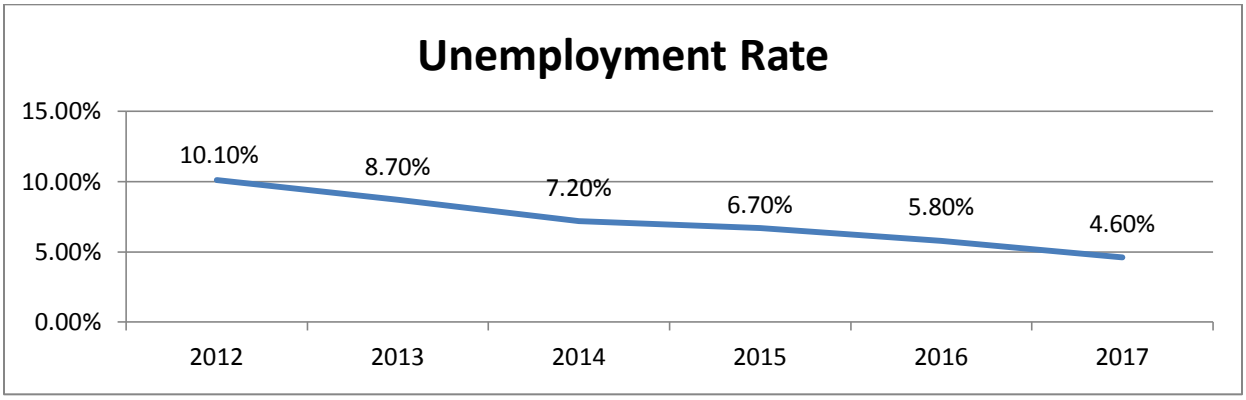
ABOUT MILWAUKEE

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 2017 Wisconsin Department of Administration estimated population of 591,076. It is also the largest city in the State, and Wisconsin's main cultural and economic center.

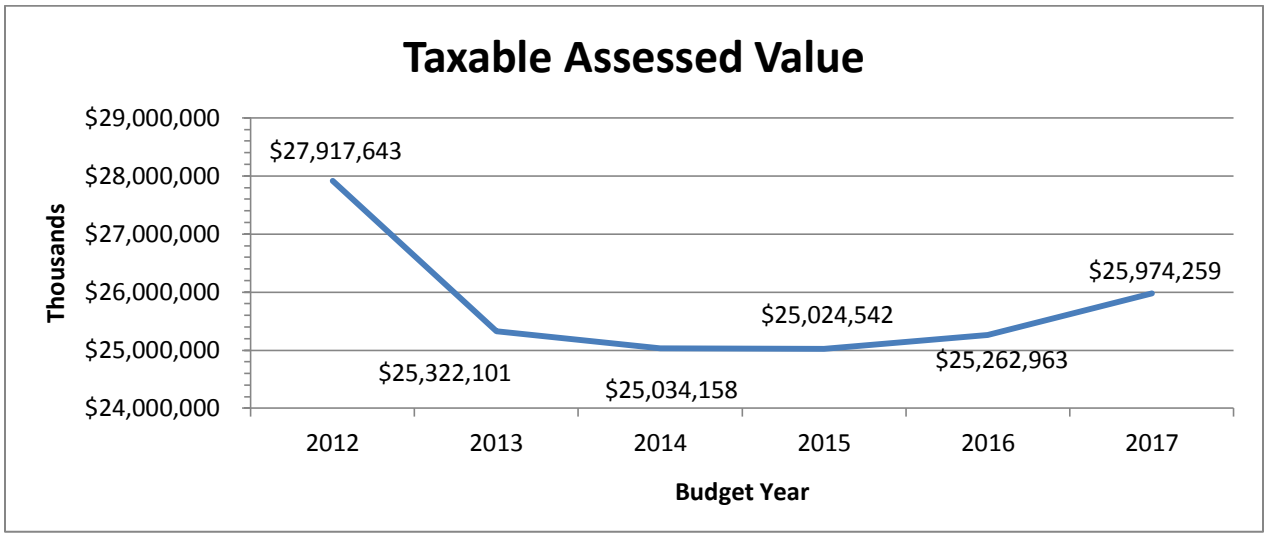
Milwaukee is the economic hub of the southeast region and the entire state of Wisconsin. It is a premiere center for advanced manufacturing, fresh water research and development, clean and green technology, health care, biomedical technology and financial services. Milwaukee's transportation system is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

Economic Highlights

Over the last six years, the City's unemployment rate has continued to decline. The 2017 unemployment rate was 4.6%.



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



Milwaukee is undergoing an amazing revitalization including a downtown building boom. Northwestern Mutual has changed the City's skyline with the construction of a 32-story, one million square foot office tower and is nearing completion of a $100 million 33-story upscale apartment tower. The office tower is the largest office structure in the state of Wisconsin.

The City progressed rapidly in 2017 on the construction of the streetcar. Construction of the new Buck's arena is almost complete. Currently a 44-story, $122 million mixed use development project with apartments and retail (the Couture) is under construction.

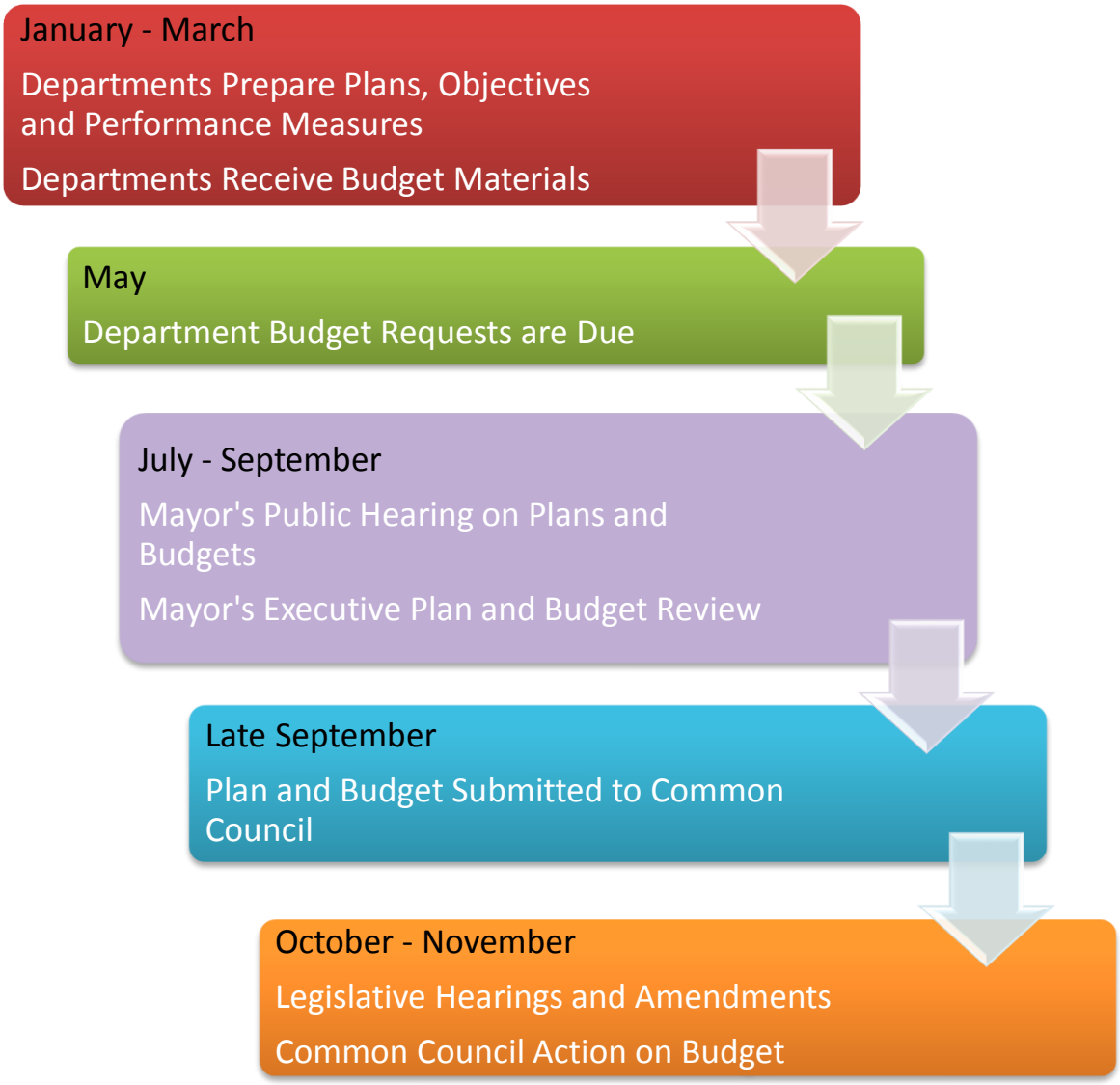
City-wide, approximately 14,000 new housing units have been constructed in the last decade. The City of Milwaukee continues its effort to market and develop land along the 30th Street Industrial Corridor known as the Century City Business Park, as a major modern employment center and economic hub. The North End, a development project that runs along the Milwaukee River on the north end of downtown, will be completed when the 89 apartment Phase V is opened in 2018.

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:

1. Provide mission-critical city services through annual budgets that limit the impact of tax levy and municipal service charges; and
2. Manage long-term obligations in a manner that stabilizes ongoing funding requirements and minimizes transfer of costs to future generations.

Budget Calendar



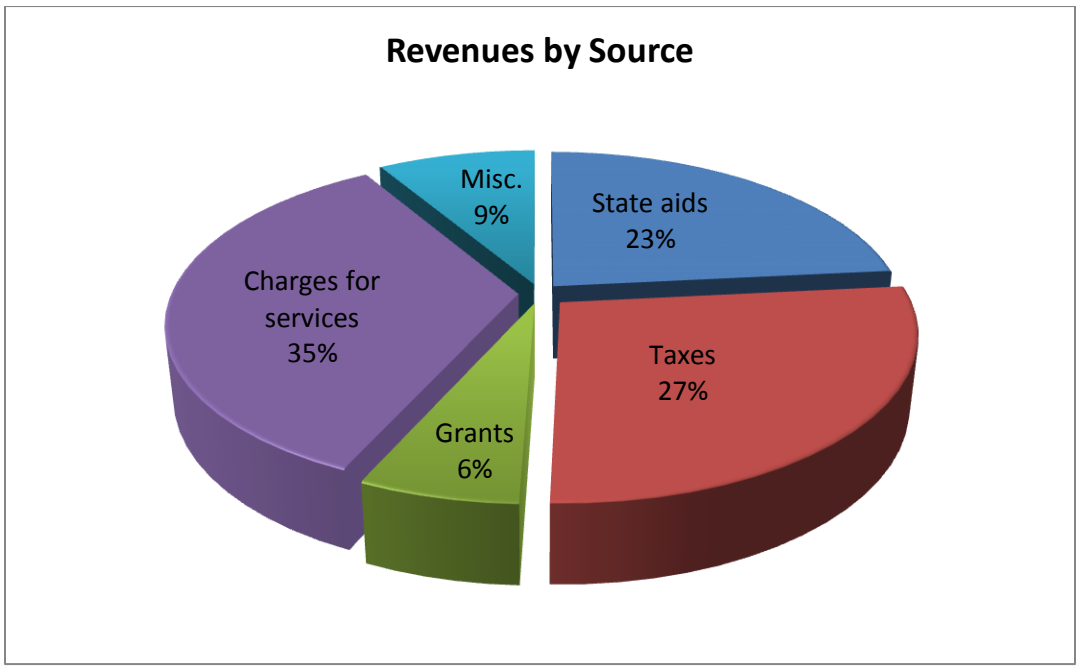
WHERE DOES OUR MONEY COME FROM?

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	2017 Amount
Charges for services.....	$392,705
Taxes.....	307,828
State aids.....	265,700
Miscellaneous.....	97,968
Grants.....	70,634
Total revenues.....	$1,134,835

The pie chart below shows the City's revenues by source for 2017.



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 56% of total governmental activities.

Expenses by Category – Government & Business-type Funds

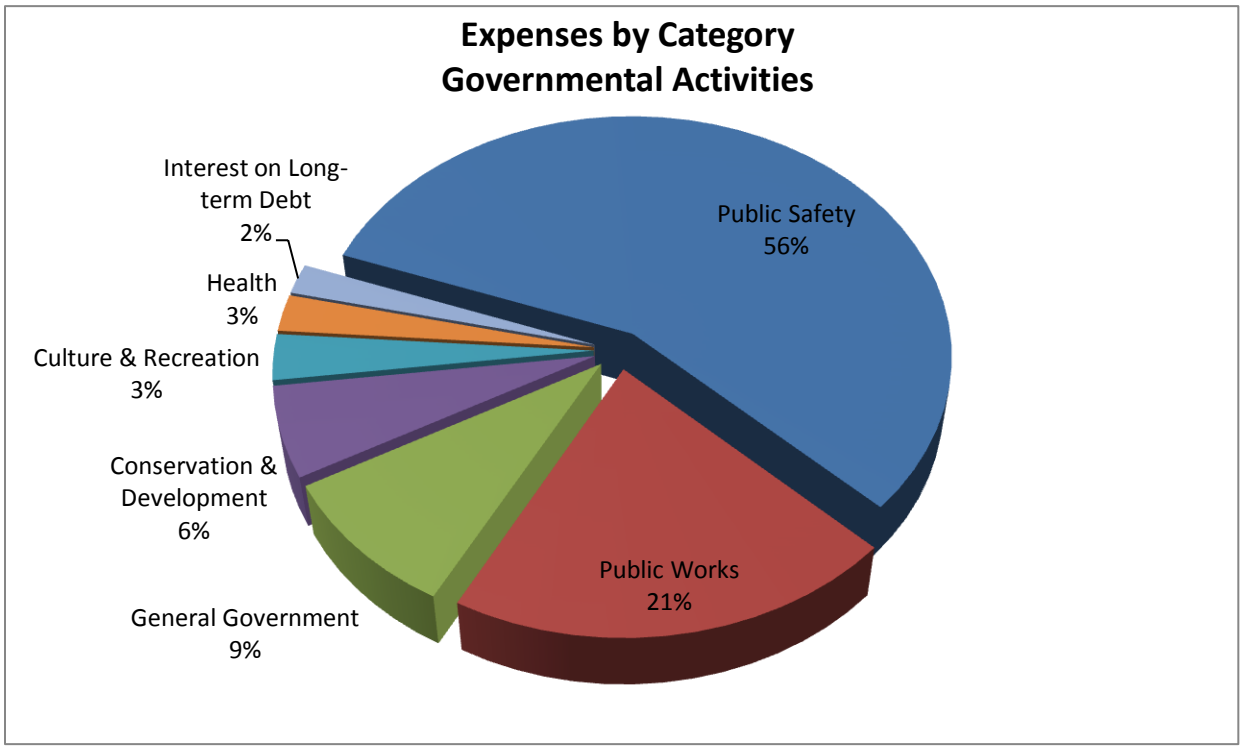
(in thousands)

Category	2017 Amount*	Percentage of Total
Governmental Activities		
Public safety	$623,725	56.4%
Public works	230,761	20.9%
General Government	100,976	9.1%
Conservation & Development	66,659	6.0%
Culture & recreation	33,754	3.1%
Health	27,021	2.5%
Interest on Long-term Debt	22,097	2.0%
Total governmental	1,104,993	100.0%
Business-type Activities		
Water	70,219	33.4%
Sewer Maintenance	59,823	28.5%
MMSD User Charges	49,853	23.8%
Parking	25,287	12.1%
Port of Milwaukee	4,570	2.2%
Total business-type	209,752	100.0%
Total expenditures	$1,314,745	

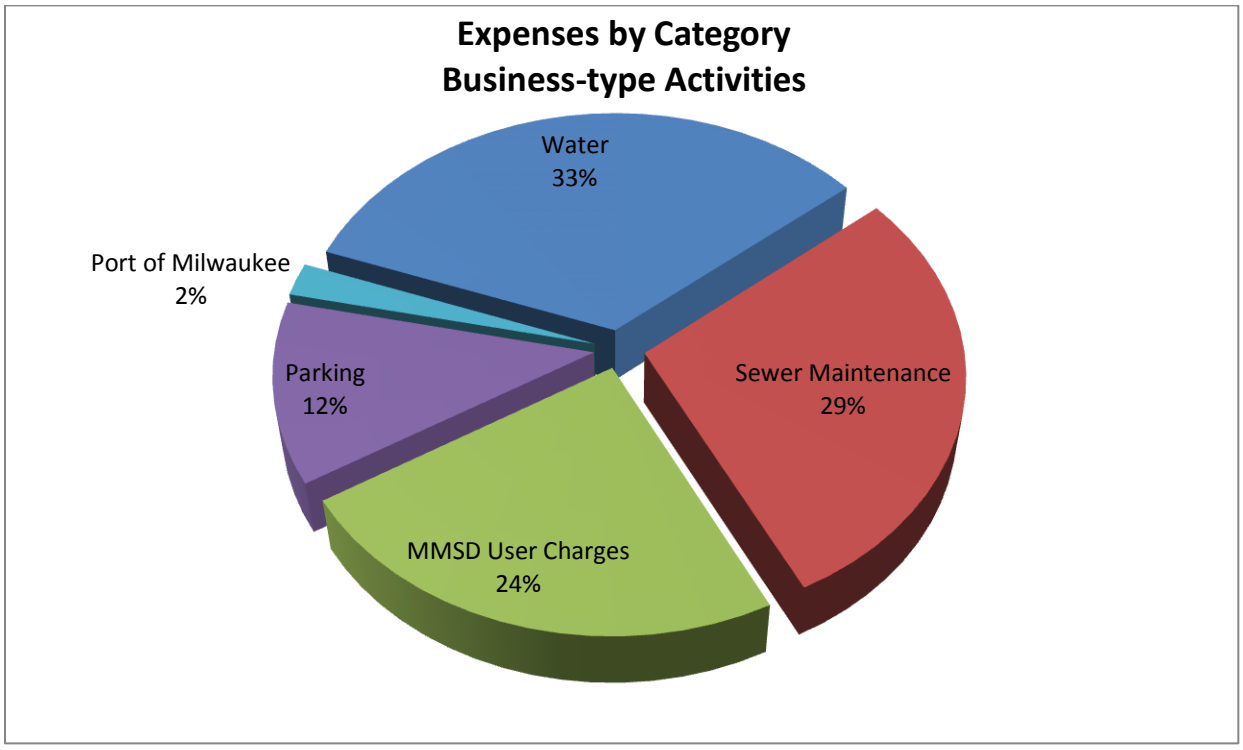
* Unlike the CAFR, fringe benefits have been allocated amongst all governmental activities.

The expenses shown in the table above include future liabilities not funded with current revenues. See the CAFR for details.

The pie charts below shows the City's Governmental Activities Expenses during 2017.



The pie charts below shows the City's Business-type Activities Expenses during 2017.



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 2017.

Government and Business-type Services	
Government Activities	2017
Public Safety	
Courtroom cases	74,120
Police dispatches	249,855
Traffic citations	71,655
Fire medical emergency assists	76,793
Fires extinguished	2,017
Building inspection complaints	36,938
Building inspection orders	25,949
Public Works	
Miles of street paved	34.0
Tons of asphalt patching	22,257
Tons of refuse/recycling collected	281,924
Health	
Food inspections	8,208
Immunizations	8,271
Conservation & Development	
New housing units	1,265
Business-type Activities	
Millions of gallons of water sold	28,761
Port metric tonnage handled	2,573,475

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 Position – Governmental & Business-type Funds

(in thousands)

	2017	2016
Our Assets - What We Have		
Noncapital Assets: consists mainly of cash and amounts owed to the City.....	$ 1,086,644	$ 1,117,740
Capital Assets: consists of buildings, equipment, vehicles, infrastructure, improvements, and Construction in Progress.....	2,359,777	2,251,188
Total Assets of the City.....	3,446,421	3,368,928
Deferred Outflows of Resources: represents a consumption of resources that applies to future periods		
Loss on refunding.....	112	221
Deferred outflows for pensions.....	230,849	391,528
Our Liabilities - What We Owe		
Liabilities: consists of amounts that the City expects to pay		
Long-term liabilities.....	2,281,695	2,218,784
Other liabilities (i.e., accounts & notes payable, accrued expenses).....	338,101	311,094
Total Liabilities of the City.....	2,619,796	2,529,878
Deferred Inflows of Resources: represents an acquisition of resources that applies to future periods		
Gain on refunding.....	904	1,479
Deferred inflows for pensions.....	23,706	24,047
Subsequent year's property taxes.....	315,462	307,849
Net Position		
Net investment in capital assets: cost of capital assets less depreciation.....	1,570,583	1,501,001
Restricted: amounts that are restricted for specific purposes.....	163,801	178,152
Unrestricted (Deficit): amounts available for any decided-upon purpose.....	(1,016,870)	(781,729)
Total Net Position.....	$ 717,514	$ 897,424

SUMMARY OF CAPITAL ASSETS

The City's investment in capital assets as of December 31, 2017 was $2.3 billion, an increase of $109 million or 5% over 2016. 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	2017	2016
Land	$183,056	$184,508
Construction-in-Progress	162,786	156,485
Buildings	420,790	418,928
Infrastucture	2,953,813	2,815,307
Improvements other than buildings	23,145	20,359
Machinery & equipment	514,621	492,700
Nonutility property	3,917	3,917
Accumulated depreciation	(1,902,351)	(1,841,016)
Total Capital Assets	$2,359,777	$2,251,188

LONG TERM OBLIGATIONS

At year-end, governmental activities had long-term obligations of $1.9 billion. Of this amount, $166 million is due within one year. The long-term obligations include debt, other post-employment benefits, net pension liability, claims & judgements, and compensated absences.

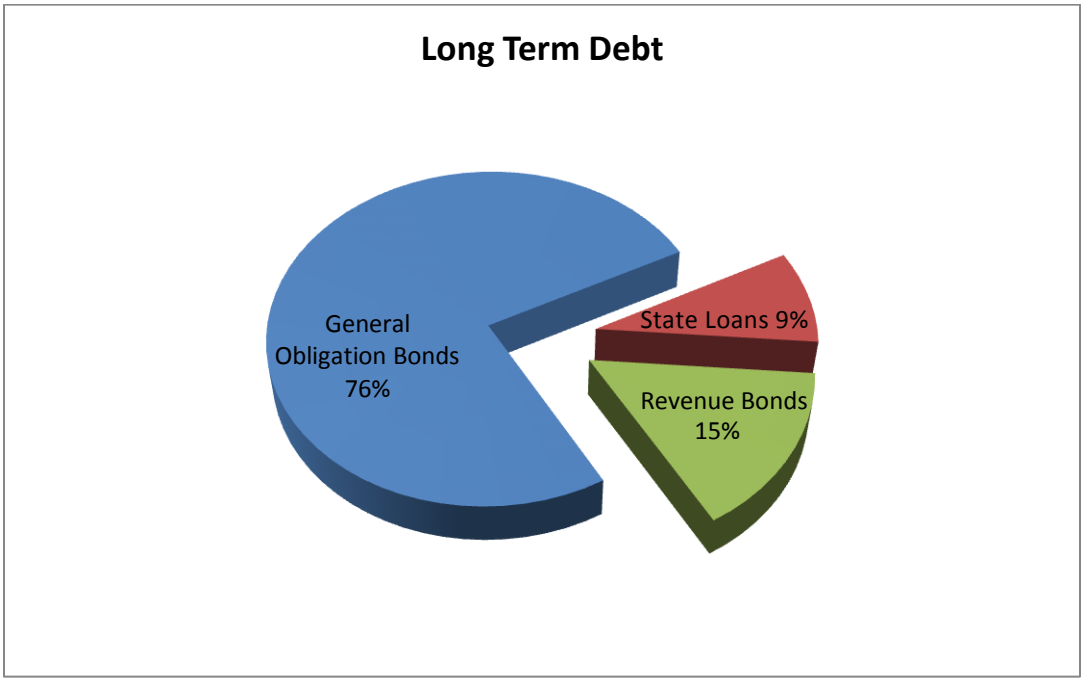
Long term Obligations – Governmental & Business-type Funds

(in thousands)

	As of December 31, 2017	Amount Due Within One Year
Governmental Activities:		
General obligation bonds	$ 942,330	$ 163,276
Unamortized premiums	64,140	-
Compensated absences	48,395	1,333
Other post-employment benefits	459,369	-
Pension liability	339,551	-
Claims & judgements	32,222	1,397
Total Governmental Activities	$ 1,886,007	$ 166,006
Business-type Activities		
General obligation bonds	$ 38,875	$ 2,880
Unamortized premiums	341	-
State loans	114,308	7,038
Revenue bonds	200,156	10,981
Unamortized premiums	12,796	-
Compensated absences	1,793	1,793
Other post-employment benefits	13,940	-
Pension liability	13,479	-
Total Business-type Activities	$ 395,688	$ 22,692

The City had total debt outstanding of $1.3 billion as of December 31, 2017. Of this amount, $981.2 million 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, 2017.



FUND BALANCE

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

Nonspendable 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 $97 million as of December 31, 2017, a decrease of $10 million or 10% compared to prior year.

Fund Balance – General Fund

(in thousands)

Category	2017	2016
Nonspendable	$18,401	$16,127
Restricted	-	-
Committed	3,444	2,266
Assigned	37,281	38,802
Unassigned	38,350	50,737
Total Fund Balance	$97,476	$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