

PRELIMINARY OFFICIAL STATEMENT DATED MAY 13, 2005

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:	Fitch	Moody's	Standard & Poor's
Underlying			
Insured	AAA	Aaa	AAA
(See "RATINGS" herein)			

In the opinion of Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds (the "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 Bonds.) Interest on the Bonds is not exempt from State of Wisconsin income tax or franchise tax.

CITY OF MILWAUKEE, WISCONSIN
\$38,785,000*
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2005 A5

Dated: Expected Date of Delivery

Due: As shown on the inside front cover

The General Obligation Refunding Bonds, Series 2005 A5 (the "Bonds"), will be issuable as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will be payable on each March 1 and September 1 of each year commencing September 1, 2005. Principal of, redemption premium, if any, and interest on the Bonds will be paid to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursal of such payments will be the responsibility of DTC and its participants. (See "BOOK-ENTRY ONLY SYSTEM" herein.)

The Bonds are direct general obligations of the City of Milwaukee, Wisconsin (the "City"), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount, and are issued for the purpose of refunding various outstanding obligations of the City.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation ("MBIA").



The Bonds are subject to optional redemption prior to maturity as described herein.

Maturities, Amounts, Interest Rates and Yields are set forth on the inside of this cover page.

The Bonds are offered to delivery when, as and if issued and subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Quarles & Brady LLP, Milwaukee, Wisconsin and Gonzalez, Saggio & Harlan, L.L.P., Milwaukee, Wisconsin, Bond Counsel. Certain legal matters will be passed upon for the City by its City Attorney and for the Underwriters by their counsel, Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois. It is expected that the Bonds will be delivered through the facilities of DTC on or about _____, 2005.

Loop Capital Markets, LLC Citigroup Siebert Brandford Shank & Co., LLC UBS Financial Services Inc.

_____, 2005

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption, under the securities law of any such jurisdiction.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Maturing (September 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
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Certain information contained in, or incorporated by reference in, this Official Statement has been obtained by the City of Milwaukee, Wisconsin (the “City”) from MBIA Insurance Corporation (“MBIA”), DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the underwriters named on the cover page hereof (the “Underwriters”) or the City. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the City, MBIA or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation 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 an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City’s beliefs as well as assumptions made by and information currently available to the City. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

In connection with the offering of the bonds, the underwriters may overallocate or effect transactions that stabilize or maintain the market prices of the bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The price and other terms respecting the offering and sale of the bonds may be changed from time to time by the underwriters after the bonds are released for sale, and the bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the bonds into investment accounts.

Other than with respect to information concerning MBIA contained under the caption “BOND INSURANCE” and APPENDIX D – “SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY” herein, none of the information in this Official Statement has been supplied or verified by MBIA and MBIA makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

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OFFICIAL STATEMENT

**CITY OF MILWAUKEE, WISCONSIN
\$38,785,000*
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2005 A5**

INTRODUCTION

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 \$38,785,000* General Obligation Refunding Bonds, Series 2005 A5 (the “Bonds”), issued by the City:

The following summary statement is furnished solely to provide limited introductory information regarding the 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

Issuer: City of Milwaukee, Wisconsin.
Issue: \$38,785,000* General Obligation Refunding Bonds, Series 2005 A5.
Dated Date: Estimated Date of Delivery, which is anticipated to be _____, 2005.

Amounts and Maturities:

<u>Maturing</u>	<u>Amount</u>	<u>Maturing</u>	<u>Amount</u>
<u>September 1</u>		<u>September 1</u>	

Interest Payment Dates: Each March 1 and September 1 commencing September 1, 2005. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.

Denominations: \$5,000 or integral multiples thereof.

Purpose: The Bonds are being issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the purpose of refunding various outstanding obligations of the City.

Security: Principal and interest on the Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Insurance Policy: The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy (the “Municipal Bond Insurance Policy”) issued by MBIA Insurance Corporation (the “Insurer”).

* Preliminary, subject to change.

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.

Form of Issuance: The 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 (“DTC”), which will act as security depository for the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein).

Tax Status of Interest: Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the 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. Interest on the Bonds is not exempt from State of Wisconsin income or franchise tax. (See “TAX STATUS” herein).

Redemption Feature: The Bonds are subject to optional redemption on any date on or after March 1, 2015, as provided herein. (See “REDEMPTION PROVISIONS” herein.)

Professionals:

Bond Counsel:	Hawkins Delafield & Wood LLP New York, New York
	Quarles & Brady LLP Milwaukee, Wisconsin
	Gonzalez, Saggio & Harlan, L.L.P. Milwaukee, Wisconsin
Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Escrow Agent:	Associated Trust Company, Green Bay, Wisconsin
Verification Agent:	McGladrey & Pullen LLP, Minneapolis, Minnesota

Delivery: Delivery of the Bonds will be on or about _____, 2005 (the “Expected Date of Delivery”) at the expense of the City, through the facilities of DTC.

THE BONDS

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes to refund certain outstanding obligations of the City in advance of their maturity and to pay the associated financing costs. The Common Council of the City adopted Resolution 041519 on March 16, 2005, which was amended by Resolution 041710 adopted on May 3, 2005 authorizing the issuance of the Bonds.

REFUNDING PLAN

The following table sets forth the maturity, interest rate, principal amount and redemption date and price (if applicable) for each maturity of obligations to be refunded with the proceeds of the Bonds (the "Refunded Bonds"):

<u>Prior Bond Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
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To provide for the refunding of the Refunded Bonds, a portion of the proceeds of the Bonds, together with other funds of the City, as described below under the heading "ESTIMATED SOURCES AND USES OF FUNDS," will be used to purchase certain direct obligations of the United States government (the "Defeasance Securities"). The principal of the Defeasance Securities, together with interest to be earned thereon and an initial cash balance, will be sufficient to pay (i) the interest on the Refunded Bonds when due and (ii) the principal or redemption price of the Refunded Bonds on the applicable maturity or redemption date for each maturity of the Refunded Bonds. The principal of and interest on the Refunded Bonds shall be payable from an escrow account administered for the benefit of the City and the holders of the outstanding Refunded Bonds.

Neither the maturing principal of the Defeasance Securities purchased to refund the Refunded Bonds nor the interest earned thereon will serve as security for or be available for the payment of the principal of or interest on the Bonds.

SECURITY FOR THE BONDS

The Bonds shall be general obligations of the City, and payment thereof shall be secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the Bonds.

Under and by virtue of Section 67.05(10), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on such Bonds as it falls

due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid bonds or notes are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

MATURITY AND INTEREST RATES

The Bonds are to be dated the Expected Date of Delivery and will bear interest from that date at the rates and shall mature each September 1 in the amounts and on the dates as set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be payable on September 1, 2005 and thereafter semiannually on March 1 and September 1 of each year and is calculated on the basis of 30-day months and a 360-day year.

OPTIONAL REDEMPTION PROVISIONS

The Bonds with principal maturity dates on or after September 1, 2015 will be subject to redemption prior to their maturity, at the option of the City, on any date on or after March 1, 2015 a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding Bonds are called for redemption, the Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the Bonds of any maturity are called for redemption, the particular 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 Bonds to be redeemed in whose name such Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation borrowing the City may issue. The Bonds are within these limitations. (See “DEBT STRUCTURE” herein for further details).

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of Bond proceeds.

SOURCES OF FUNDS:

Principal Amount of the Bonds.....
City Funds ¹
Net Premium
Total Source of Funds.....

USES OF FUNDS:

Escrow Deposit for Refunded Bonds
Costs of Issuance ²
Total Uses of Funds

¹ Includes amounts on deposit in the Debt Service Accounts with respect to the Refunded Bonds.

² Includes Municipal Bond Insurance Policy premium and Underwriters’ discount.

INVESTMENT POLICIES

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments; and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Group, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("SWIB") provides the Local Government Investment Pool as a subset of the State Investment Fund (the "Fund"). The Local Government Investment Pool includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The Local Government Investment Pool portion of the Fund is additionally secured as to credit risk.

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of January 31, 2005, the City had approximately 29.7% (\$148.6 million) of its and MPS's investments deposited in the Local Government Investment Pool.

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

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City of Milwaukee, Wisconsin (the “City”), is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. Milwaukee is Wisconsin’s largest city with a population of 593,920 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States.

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

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, operating under a Home Rule Charter since 1874, has a council-mayor form of government.

ELECTED OFFICIALS

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

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

CITY OFFICIALS

Elected on April 6, 2004
(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	W. Martin Morics	(1992)
City Treasurer	Wayne F. Whittow	(1976)

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COMMON COUNCIL

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Michael S. D'Amato	(1996)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	James N. Witkowiak	(2004)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Michael McGee, Jr.	(2004)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

The terms of all the above elected positions expire in April, 2008.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,401 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to directly 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 governmental units 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 baseball facility ("Miller Park") for the National League Milwaukee Brewers baseball club. Miller Park 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.

The second special purpose governmental unit is the Wisconsin Center District which oversees construction/operation of the Midwest Airlines Center, Milwaukee's major convention complex. This complex also includes the existing US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA". The Midwest Airlines Center was financed by \$185 million of revenue bonds backed by dedicated sales tax revenues from the lodging, restaurant, and vehicle rental areas. Phase one of the Midwest Airlines Center was completed during 1998. Phase two was completed in 1999. In 2001, \$30 million of Bonds were issued to renovate the Milwaukee Auditorium.

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 and the Milwaukee Admirals International Hockey League club. Milwaukee also boasts a lakefront Milwaukee Art Museum 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 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 6,933 of the City's 7,150 full-time employees are members of bargaining units represented by 19 unions. Labor agreements are in place through December 31, 2006 with 10 unions representing approximately 2,886 employees. The remainder of the unions are at various stages in the negotiation process including mediation and arbitration.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 593,920, represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding Milwaukee is 1,512,400 and represents 28% of the population of the State of Wisconsin. Over 74 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. Forty-eight percent of the Milwaukee SMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

Effective buying income in the City is approximately \$8.4 billion, 30 percent of the total effective buying income in the four county metro Milwaukee area. In Milwaukee, 26.6 percent of City households earn between \$20,000 and \$35,000 per year; 19.8 percent earn between \$35,000 and \$50,000 per year; and 23.3 percent earn over \$50,000 per year. The age distribution of the population of the City is 10.7 percent between 18 and 24 years old; 15.2 percent between 25 and 34 years old; 20.5 percent between 35 and 49 years old; and 23.3 percent are 50 years or older.

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**CITY OF MILWAUKEE
SELECTED ECONOMIC DATA**

	<u>Population</u> ⁽¹⁾	<u>Per Capita Average Income</u>	<u>Per Capita Household Income</u>	<u>Per Capita Equalized Value</u>
1999	608,150	\$13,780	\$35,830	\$27,462
2000	605,572	14,170	36,830	28,641
2001	595,508	14,147	36,339	32,667
2002	595,958	13,420	34,320	34,022
2003	595,245	13,680	35,436	36,507
2004	593,920	Not Available	Not Available	39,554

(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. 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.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2000 through December 2004.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$281,978,437	2,448
2001	388,613,133	2,752
2002	337,028,003	2,756
2003	334,954,154	2,884
2004	294,811,125	2,784

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>	
2000	\$13,501,445	113	\$21,682,808	239	\$35,184,253	352	137
2001	17,597,336	141	81,508,896	401	99,106,232	542	168
2002	18,726,773	135	53,525,650	562	72,252,423	697	172
2003	20,069,077	159	91,792,191	666	111,861,268	825	187
2004	29,896,986	194	48,346,002	553	78,242,988	747	244

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$99,967,923	88
2001	106,537,251	99
2002	87,778,047	89
2003	61,824,799	96
2004	63,485,441	89

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$43,153,279	181
2001	64,534,354	406
2002	24,122,613	159
2003	54,241,508	202
2004	34,176,914	95

Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$103,672,982	2,042
2001	118,435,296	2,079
2002	152,874,920	2,336
2003	107,026,579	2,399
2004	118,905,782	2,356

Note: Miller Park, the City's 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.

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BANK DEPOSITS

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

	1999	2000	2001	2002	2003
Bank One, Milwaukee, N.A. ⁽¹⁾⁽²⁾	\$4,262,523	\$4,397,409	\$4,398,040	—	—
M & I Marshall & Ilsley Bank	5,245,384	8,623,224	18,244,031	\$18,523,783	\$20,932,473
Wells Fargo Bank Wisconsin, N.A.	1,667,542	1,803,846	1,992,708	2,200,491	2,277,301
Bank Mutual ⁽³⁾	1,355,566	1,343,013	1,479,372	1,477,209	2,270,649
Associated Bank Milwaukee ⁽⁴⁾	1,929,558	1,918,455	5,840,463	5,648,495	—
Guaranty Bank	678,162	918,287	1,475,151	1,784,272	1,541,942
Johnson Bank	1,016,505	1,105,687	1,165,488	1,468,019	1,872,594
St. Francis Bank, FSB ⁽⁵⁾	1,547,272	1,480,471	1,431,840	140,024	1,349,686
State Financial Bank, N.A. ⁽⁶⁾	—	859,769	955,237	991,701	—
Park Bank	390,147	455,397	466,454	472,664	510,814

⁽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⁾ Title change to Bank One, National Association due to a merger with Bank One, National Association of Chicago, Illinois, effective August 2002. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 2002. Bank One, National Association became a part of JP Morgan Chase Bank as the result of a merger effective in late 2004.

⁽³⁾ Changed title to Bank Mutual as of March 2003.

⁽⁴⁾ Changed title to Associated Bank, National Association, due to merger with Associated Bank Green Bay, National Association on April 20, 2001.

⁽⁵⁾ St. Francis Bank merged into Mid America Bank, FSB, Clarendon Hills, Illinois on December 1, 2003.

⁽⁶⁾ State Financial Bank, N.A. formed by merger in 2000.

Note: Other banks that have a significant presence in the Milwaukee area include TCF National Bank and U.S. Bank. These banks are not chartered in Wisconsin and information on these banks is not available through the Wisconsin Department of Financial Institutions.

Source: Wisconsin Department of Financial Institutions, December 2003 and The American Financial Directory (Wisconsin) January-June 2004.

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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>	2004 ⁽¹⁾ <u>Employment</u>	<u>Type of Business or Service</u>
Aurora Health Care	13,275	Health Care
U.S. Government (Includes Zablocki V. A. Medical Center)	10,700	Government
Covenant Health Care	9,300	Health Care
City of Milwaukee	7,401	Government
M&I Marshall & Ilsley	7,176	Holding company banking/finance and data services
Milwaukee Public Schools	7,137	Education
Columbia-St. Mary's	5,749	Health Care
Milwaukee County	5,577	Government
University of Wisconsin-Milwaukee	4,307	Education
Medical College of Wisconsin	4,430	Medical school/academic/health care
Northwestern Mutual Life	4,039	Insurance
Rockwell Automation (formerly Allen-Bradley)	3,800	Manufacturer, electrical/electronic products
Harley-Davidson Motor Company	3,599	Manufacturer, motorcycles
Froedert Memorial Lutheran Hospital	3,400	Health Care
US Bank (formerly Firststar Corporation)	3,350	Finance, banking
WE Energies	2,791	Electric/natural gas utility
SBC Communications (Ameritech Corporation)	2,766	Communications
Johnson Controls, Inc.	2,500	Manufacturer, of electronic control systems and automobile interior modules
Children's Hospital of Wisconsin	2,500	Health care
Marquette University	2,019	Higher Education
Briggs and Stratton	2,000	Manufacturer, small engines, automotive locks and keys
Fortis	1,863	Health care
Journal Communications	1,800	Publishing, printing and broadcasting
Miller Brewing Company	1,700	Manufacturer of beer and aluminum containers
Delphi Automotive Systems (General Motors)	1,600	Manufacturer, automotive electronic engine control modules, catalytic converters, and automotive parts.

⁽¹⁾ Reflects full-time equivalent employees (FTEs).

Source: The 2005 Business Journal, 2005 Wisconsin Manufacturers and Business Service Directories and employer surveys August 2004 and February 2005.

EMPLOYMENT AND INDUSTRY

During 2004, the City's unemployment rate averaged approximately 9.3%. 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 2000 through December 2004.

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2004	9.3%	5.8%	4.9%	5.5%
2003	9.7	6.1	5.6	6.0
2002	9.6	6.0	5.5	5.8
2001	7.7	4.7	4.5	4.7
2000	6.6	3.8	3.6	4.0

Source: U.S. Bureau of Labor Statistics.

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 69 percent of the workforce. Manufacturing firms employ 17 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.

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CITY OF MILWAUKEE
ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY GROUP
2004 ⁽¹⁾

<u>NAICS Description</u>	<u>Number of Establishments</u>	<u>Average Employment</u>
Agriculture, Forestry, Fishing & Hunting	3	8
Mining	6	36
Utilities	22	1,553
Construction	778	7,608
Manufacturing	862	39,650
Wholesale Trade	912	12,090
Retail Trade	1,558	20,736
Transportation & Warehousing	413	12,566
Information	245	8,938
Finance & Insurance	776	24,853
Real Estate & Rental & Housing	537	4,486
Professional & Technical Services	1,495	17,283
Management of Companies & Enterprises	132	11,232
Administrative & Waste Services	782	24,526
Educational Services	348	32,236
Health Care & Social Services	1,658	59,092
Arts, Entertainment, & Recreation	166	6,405
Accommodation & Food Services	1,107	21,625
Other Services, Excluding Public Administration	1,995	10,558
Public Administration	41	17,302
Unclassified	2	9
Total	<u>13,838</u>	<u>332,790</u>
All Government	241	45,667
Private Sector	<u>13,597</u>	<u>287,123</u>
Total	<u>13,838</u>	<u>332,790</u>

NOTE: Due to the method of reporting in prior years, the information stated above is incompatible with the data provided in previous years. The Wisconsin Department of Workforce Development changed its method of reporting data from the old system of Standard Industry Classification (SIC) to the new North American Industry Classification System (NAICS). The impact changed the number of industries reported from four subsectors to ten subsectors. The new method and format of reporting data is also incompatible with previous data sets by industry under the former SIC structure.

⁽¹⁾ Information represents second quarter 2004.

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2004 ASSESSED VALUATIONS

US Bank (fna First Security Bank)	\$221,108,570
Northwestern Mutual Life Ins.	166,455,780
Teachers Insurance & Annuity/TIAA Realty	104,989,070
Towne Realty	85,265,870
M & I Marshall & Ilsley Bank/Metavante Corp	79,325,020
Metropolitan Associates	76,535,640
Marcus Corp/Milw City Center/Pfister	71,423,920
Miller Brewing	71,372,250
100 E. Wisconsin Ave Joint Venture	56,967,650
Great Lakes REIT/GLR Milw Center	56,455,410

Source: City of Milwaukee Assessor's Office January 2005.

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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 by the City to an amount equivalent to five percent of the equalized valuation of taxable property within the City. Section 119.49 of the Wisconsin Statutes further authorizes referendum approved bonding in an additional amount equivalent to two percent of the equalized taxable property within the City for school capital purposes. Such debt margins, as of May 1, 2005, are calculated upon the 2004 City equalized valuation for 2005 purposes of \$23,491,773,700. After issuance of the Bonds, the available five percent debt margin for City borrowing is \$ _____* or ___%* remaining for future debt issuance. The available two percent debt margin for school purpose borrowing is \$448,641,265, or 95.5% remaining for future debt issuance.

DEBT MARGIN (Includes the Bonds)

Equalized Value of Taxable Property in the City	<u>\$23,491,773,700</u>
Legal Debt Limitation for City Borrowing	
5% of Equalized Value	\$ 1,174,588,685
General Obligation Debt Outstanding subject to 5% Limit	
As of May 1, 2005	\$683,228,094
Plus: Bonds	\$ _____*
Less Refunded Bonds	\$ _____*
Less: Provision for current year maturities	<u>(\$55,903,094)</u>
Net General Obligation Debt Outstanding subject to the 5% Limit	\$ _____*
As of May 1, 2005	
Total Debt Margin for City Borrowing (in Dollars)	<u>\$ _____*</u>
(As a percentage)	%*
Legal Debt Limitation for School Purpose Borrowing	
2% of Equalized Value	\$469,835,474
General Obligation Debt Outstanding subject to 2% Limit	
As of May 1, 2005	\$21,194,209
Less: Provision for current year maturities	
Net General Obligation Debt Outstanding subject to the 5% Limit	\$21,194,209
As of May 1, 2005	
Total Debt Margin for School Purpose Borrowing (in Dollars)	\$448,641,265
(As a percentage)	95.5%

* Preliminary, subject to change.

DEBT REFUNDED

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

\$30,725,000 General Obligation Refunding Bonds, Series of 2001-A, dated July 1, 2001, for the purpose of refunding additional portions of five general obligation bond issues, with a final escrow payment in 2009, with Associated Trust Company, N.A. as escrow trustee.

\$159,985,000, General Obligation Refunding Bonds, Series of 2002-A, dated October 15, 2002, for the purpose of refunding portions of seventeen general obligation issues, with a final escrow payment in 2011, with Marshall & Ilsley Trust Company, N.A. as escrow trustee.

None of the refunded debt is reflected in the "Debt Margin" presentation above.

ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF MAY 1, 2005

Schools (5% City Borrowing)	\$116,531,378
Schools (2% School Purpose Borrowing)	21,194,209
Tax Increment Districts	113,464,415
Streets	79,259,115
Public Buildings	78,742,148
Sewers	65,006,425
Police	47,998,724
Water	32,202,813
Finance Real & Personal Property Tax Rec	26,323,406
Blight Elimination/Urban Renewal	22,301,716
Local Improvement Projects/Special Ass	21,987,987
Parking	17,244,705
Fire	14,654,014
Bridges	13,807,504
FMIS Replacement	9,366,845
Library	8,838,466
Playground/Rec Facilities	7,853,149
Harbor	4,434,500
Municipal Expenses	2,000,000
Grant & Aid Improvements City Share	501,576
Economic Development	356,451
Industrial Land Bank	192,856
Milwaukee Exposition and Conv Center	72,983
Resource Recovery	62,740
Lakefront Development	24,128
	<hr/>
Total	<u><u>\$704,422,303</u></u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

<u>Year</u>	<u>Total G.O. Debt Service Requirements Prior to Issuance of the Bonds</u>	<u>Less: Refunded Bonds Debt Service</u>	<u>Principal</u>	<u>Plus: Debt Service on the Bonds Interest</u>	<u>Total</u>	<u>Total G.O. Debt Service Requirements After Issuance of the Bonds</u>
2005	\$ 93,282,652	\$	\$	\$	\$	\$
2006	111,796,110					
2007	96,690,441					
2008	89,370,270					
2009	78,551,094					
2010	72,414,829					
2011	64,468,900					
2012	57,953,661					
2013	51,932,605					
2014	44,882,198					
2015	38,399,285					
2016	29,788,666					
2017	25,101,675					
2018	19,316,903					
2019	13,021,506					
2020	8,735,319					
2021	7,310,875					
2022	6,893,500					
2023	4,955,000					
2024	0					
TOTAL	\$914,865,489	\$	\$	\$	\$	\$

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⁽²⁾</u>	<u>Debt Service Fund Balance ⁽¹⁾</u>		<u>Debt Less Debt Service Fund Balance</u>
		<u>Allocated To Specific Issues⁽³⁾</u>	<u>Unallocated⁽⁴⁾</u>	
2000	\$605,239,921	\$9,623,007	\$20,812,993	\$574,803,921
2001	643,382,647	13,391,189	28,745,811	601,245,647
2002 ⁽⁵⁾	659,548,890	14,526,317	3,021,809	642,000,763
2003 ⁽⁵⁾	660,081,448	22,503,385	12,192,196	625,385,866
2004 ⁽⁵⁾	672,642,303	23,707,300	10,625,595	638,259,408

- (1) The allocation of the Debt Service Fund balances to specific issues is based upon the debt service due for Tax Increment 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.")
- (2) Includes amounts borrowed for Tax Increment 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.
- (3) From Provision for Future Maturities - Principal and Interest.
- (4) From Debt Service Fund Revenues.
- (5) Beginning with 2002, the portion of the Debt Service Fund needed to pay interest on certain self supporting debt has been excluded from the balance.

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TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT

Self-Sustaining General Obligation Debt⁽¹⁾

<u>Date</u>	General Obligation	Self-Sustaining General Obligation Debt ⁽¹⁾					Total Self	Net General
	Debt Less Debt <u>Service Balance</u> ⁽²⁾	TID <u>Program</u> ⁽³⁾	Parking <u>Program</u>	Special <u>Assessments</u> ⁽⁴⁾	Delinquent <u>Taxes</u> ⁽⁵⁾	Water	Sustaining <u>Debt</u>	Obligation Debt Less Self- <u>Sustaining Debt</u> ⁽⁶⁾
12/31/2000	\$584,426,928	\$66,078,454	\$26,981,616	\$26,299,555	\$21,225,000	\$52,611,050	\$193,195,675	\$391,231,253
12/31/2001	614,636,836	85,095,889	25,557,046	23,882,153	22,430,000	47,857,943	204,823,031	409,813,805
12/31/2002	656,527,080	92,727,110	22,588,922	21,291,451	22,645,000	42,488,920	201,741,403	454,785,677
12/31/2003	647,889,251	88,436,381	19,635,246	24,837,384	24,190,000	37,808,589	194,907,600	452,981,651
12/31/2004	661,966,708	98,051,013	16,612,840	22,824,289	26,260,000	32,800,701	196,548,843	465,417,865

- (1) The City defines “Self-Sustaining General Obligation Debt” to include any general obligation debt previously issued whose debt service requirements are currently met with current non-Citywide property tax revenues.
- (2) Unallocated portion only. Allocated Debt Service Fund Balance relates to “Self-Sustaining” Debt categories detailed above.
- (3) See “TAX INCREMENT DISTRICT FINANCING” herein for additional information.
- (4) 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.
- (5) Debt service on securities used to fund delinquent tax is offset completely by remitted delinquent tax payments.
- (6) General Obligation Debt less unallocated Debt Service Balance and less Self-Sustaining Debt on a per capita basis is as follows:

<u>Date</u>	<u>Debt Per Capita</u>
12/31/2000	\$646.05
12/31/2001	688.17
12/31/2002	763.12
12/31/2003	762.70
12/31/2004	783.64

**RATIO OF GENERAL OBLIGATION DEBT
TO EQUALIZED AND ASSESSED VALUES AND TO PER CAPITA
AND PER CAPITA INCOMES**

<u>Date</u>	<u>Population</u> ⁽¹⁾	<u>Net Equalized Valuation</u> ⁽²⁾	<u>Assessed Valuation</u>	<u>Net General Obligation Debt</u> ⁽³⁾	<u>Net General Obligation Debt/Equalized Valuation</u> ⁽⁴⁾	<u>Net General Obligation Debt/Assessed Valuation</u>	<u>Net General Obligation Debt Per Capita</u> ⁽⁴⁾	<u>Per Capita Income</u>	<u>Net G.O. Debt Per Capita/ Per Capita Income</u>
12/31/2000	605,572	\$17,344,251,400	\$17,582,994,597	\$574,803,921	3.31%	3.27%	\$949.19	\$14,170	6.70%
12/31/2001	595,508	19,453,830,200	17,699,784,394	601,245,647	3.09	3.40	1,009.63	14,147	7.14
12/31/2002	595,958	20,298,387,000	19,866,255,215	642,000,763	3.16	3.23	1,077.26	13,420	8.03
12/31/2003	595,245	21,730,754,000	21,009,517,241	625,385,866	2.88	2.98	1,050.64	13,680	7.68
12/31/2004	593,920	23,491,773,700	22,772,419,500	638,259,408	2.72	2.80	1,074.66	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) Sources Wisconsin Department of Revenue, Bureau of Property and Utility Tax.
- (3) See - "TRENDS OF GENERAL OBLIGATION DEBT" herein.
- (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 2000 through 2004, the following results would have occurred:

<u>Date</u>	<u>Debt Percentage Of Equalized Value</u>	<u>Direct Debt Per Capita</u>
12/31/2000	3.06%	\$877.44
12/31/2001	2.86	936.33
12/31/2002	2.94	1,002.87
12/31/2003	2.67	976.44
12/31/2004	2.52	998.71

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
MAY 1, 2005**

<u>Governmental Unit</u>	<u>Debt Outstanding As of May 1, 2005 (Net of 2005 Principal Payments)</u>	<u>Approximate Percentage Applicable</u>	<u>Milwaukee's Share of Debt As of May 1, 2005 (Net of 2005 Principal Payments)</u>
City of Milwaukee ⁽¹⁾	\$648,519,209	100.00%	\$648,519,209
Area Board of Vocational, Technical and Adult Education, District No. 9	53,065,000	37.38	19,835,697
County of Milwaukee	436,007,238	45.92	200,214,524
Milwaukee Metropolitan Sewerage District ⁽²⁾	663,013,784	46.97	311,417,574
TOTAL NET DIRECT AND OVERLAPPING DEBT	<u><u>\$1,800,605,231</u></u>		<u><u>\$1,179,987,004</u></u>

(1) Includes \$121,442,002 general obligation debt outstanding, which financed Milwaukee Public Schools improvements.

(2) Includes \$377,678,784 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 has \$254,028,524 authorized unissued general obligation debt for various corporate and capital improvement purposes, of which \$36,409,500 may be issued as Sewerage Revenue bonds. The debt can be issued at any time. The 2005 Budget also provides for up to \$300,000,000 of revenue anticipation borrowings, of which \$56,000,000 has been issued and is outstanding. The remaining balance of revenue anticipation borrowings can be issued at any time, with approximately \$175,000,000 anticipated to be sold in August for Milwaukee Public School purposes. See "FINANCIAL INFORMATION – CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

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REVENUE BONDING

The City and City agencies have issued revenue bonds directly and indirectly. Entities which have issued revenue bonds include the Redevelopment Authority and the Housing Authority. Collectively, the bond programs of the Housing and Redevelopment Authorities complement the City financed economic development projects and foster the same development objectives.

Water System Revenue Bonds, Series 1998 - On December 22, 1998, the City and the State entered into a loan agreement, with the City borrowing up to \$19,358,172 under the State of Wisconsin Safe Drinking Water Loan Program for water treatment system improvements. This loan, at a rate of 2.64%, is secured by revenues of the Milwaukee Water Works.

As of December 31, 2003, the amount of \$17,559,338 has been loaned to the City by the State. The remaining outstanding balance as of December 31, 2003 is \$14,548,378. Debt service on this issuance is anticipated through the year 2018.

Sewerage System Revenue Bonds – In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds. As of December 31, 2004, total outstanding Sewerage System Revenue Bonds was \$60,945,000 with a final maturity in 2023.

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

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

Housing Authority of the City of Milwaukee – Most of the Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority has also issued debt for “stand-alone” projects. The Housing Authority bonds and notes are not a general obligation of the City nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

Between the period 1983 and December 1, 2004 the Housing Authority issued revenue bonds of approximately \$149 million of which, approximately \$12 million are still outstanding.

Redevelopment Authority of the City of Milwaukee - The Redevelopment Authority of the City (the “Redevelopment Authority” or the “Authority”) is a public body corporate and politic formed in 1958 by action of the Common Council of the City pursuant to the §66.431, Wisconsin Statutes (“Act”).

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

Since its creation, the Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Act. In

connection with the financing of a number of such projects, the Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Authority, and do not constitute an indebtedness of the City or a charge against the City's general credit or taxing power. As of December 31, 2004, the Authority has sold 99 separate issues in the total principal amount of approximately \$935 million. As December 31, 2004 there remained approximately \$551 million outstanding.

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

As of December, 31, 2004, the Authority had outstanding: one bond issue with \$1,715,000 outstanding secured by a lease with the City; two bond issues with \$41,740,000 outstanding that have a Moral Obligation Pledge of the City; and \$291,684,122 in five bond issues for MPS, one secured by a lease, and four secured by loan agreements, with the Milwaukee Board of School Directors ("MBSD"). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City's, or MBSD's, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

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

Milwaukee Economic Development Corporation – As of December 31, 2004, the Milwaukee Economic Development Corporation funded loans for 899 small businesses and redevelopment projects utilizing \$163 million to leverage a total of \$807.3 million in investment. 603 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$19.2 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration's Section 503 and 504 loan programs in the amount of \$11.9 million as of December 31, 2004.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts ("TID"). The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such Districts through the issuance of its general obligation bonds. As of May 1, 2005, \$113,464,415 general obligation bonds for TID purposes was outstanding. Under current laws, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the tax increment district. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the moral obligation of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations.

In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2005 Assessed Tax Rate for Milwaukee Public Schools is \$8.17 per thousand dollars of assessed value, down from \$15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced, and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TIDs cash flow deficiencies with other City revenues. In connection with the change in the school aid formula, the Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TIDs (which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three-year extension). Extensions are available under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the general property tax levy.

FINANCIAL INFORMATION

BUDGETING

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits his statement of anticipated non-property tax revenues in accordance with City Charter provisions. Under the City Charter, changes to these non-property tax revenue estimates can be made only by the Comptroller. The Mayor holds hearings on departmental spending requests during July and August at the times and places the Mayor or Common Council by ordinance directs. The Mayor submits a proposed budget to the Common Council on or before September 28th of each year. This budget includes the Comptroller's anticipated non-property tax revenues. Subsequent to receipt of the budget by the Common Council, its Committee on Finance and Personnel reviews the Mayor's proposed expenditure budget. The Mayor and Common Council hold a public hearing on the entire budget no later than the 30th day of October. The Common Council subsequently adopts a property tax levy, but cannot change the Comptroller's anticipated revenues budget. The final budget must be adopted by the 14th of November. The City is under no State or local levy limit strictures with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2004-2009 Capital Improvements Plan (CIP) describes planned capital improvement projects and programs together with proposed financing. School purpose improvements are financed by the City of Milwaukee for the Milwaukee Public Schools, but are not included in the CIP.

The six-year City CIP municipal spending plan totals \$1,153 million. About \$986 million or 85 percent of planned municipal and school purpose spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 15 percent is for expansion purposes. In addition, the City has historically provided \$12 million per year towards capital improvements for the Milwaukee Public Schools (school purpose borrowing) for a six-year total CIP of \$1,225 million.

Surface transportation accounts for approximately 26% of the CIP, or about \$294 million. 26% (\$300 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. \$141 million of capital spending (12%) is planned for economic development projects. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 36 percent (\$418 million) is planned for general governmental, health & safety, grant and aid, culture and recreation purposes. All \$12 million of annual school spending is dedicated to deferred maintenance, repairs and remodeling projects, including \$2 million per year of Americans with Disabilities (ADA) accessibility projects.

The portion of the \$1,153 million six-year CIP to be financed by the property tax levy totals about \$539 million (47%). This in turn is composed of direct tax levy funding of \$104 million (9%) and tax levy supported debt financing of \$435 million (38%). Cash revenues including Federal and State grants, developer financing and other sources, total \$235 million (20%) of planned CIP spending. An additional \$78 million (7%) is to be financed by City debt to be repaid with tax increment and other revenues. The remaining \$301 million (26%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes. Of the \$12 million per year of school purpose borrowing, \$10 million is typically tax levy supported debt, and \$2 million is ADA reimbursable debt.

The Adopted 2005 Capital Improvements Budget totals \$205 million compared to a 2004 Budget of \$216 million. These amounts include the \$12 million per year of school purpose borrowing. Major categories include \$99 million of public works projects (streets, buildings, etc.), \$42 million of water and sewer projects, and \$27 million of economic development projects.

ADOPTED BUDGET - COMBINED REVENUES – 2005

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Taxes						
Property Tax – General	\$93,839,022	1,000,000	\$52,941,522	\$10,119,425		\$157,899,969
Provision for Empl Retirement Common Council Contingent Fund	40,091,374	—	—	—		40,091,374
	<u>5,000,000</u>					<u>5,000,000</u>
Total Taxes	<u>\$138,930,396</u>	<u>\$ 1,000,000</u>	<u>\$52,941,522</u>	<u>\$ 10,119,425</u>	<u>\$0</u>	<u>\$202,991,343</u>
Revenues						
Taxes	12,559,200	—	—	—	—	12,559,200
Licenses and Permits	10,230,550	—	—	—	—	10,230,550
Intergovernmental Revenues	272,544,100	81,360,664	—	—	—	353,904,764
Charges for Service	84,676,839	—	—	—	—	84,676,839
Fines and Forfeitures	5,213,000	—	—	—	—	5,213,000
Miscellaneous Revenues	25,555,695	9,500,000	—	—	15,210,000	50,265,695
Cost Recovery	10,000	—	—	—	—	10,000
Fringe benefits	16,739,500	—	—	—	—	16,739,500
Solid Waste Fund	—	—	—	—	—	—
Parking	—	—	—	—	21,363,369	21,363,369
Water Works	—	—	—	—	78,624,322	78,624,322
Sewer Maintenance Fund	—	—	—	—	31,426,441	31,426,441
Retained Earnings	—	—	—	—	33,806,229	33,806,229
Sinking Fund	—	—	69,770,143	—	—	69,770,143
Special Assessments	—	5,388,818	—	3,895,050	—	9,283,868
Capital Revenue	—	—	—	14,200,000	—	14,200,000
Total Revenues	<u>\$427,528,884</u>	<u>\$96,249,482</u>	<u>\$69,770,143</u>	<u>\$18,095,050</u>	<u>\$180,430,361</u>	<u>\$792,073,920</u>
Tax Stabilization						
Transfer from Reserves	16,621,000	—	—	—	—	16,621,000
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	66,667,446	23,906,000	90,573,446
Grand Total	<u>\$583,080,280</u>	<u>\$97,249,482</u>	<u>\$122,711,665</u>	<u>\$94,881,921</u>	<u>\$204,336,361</u>	<u>\$1,102,259,709</u>

(1) Includes employer and employee pension contributions and City employers' share of FICA.

(2) For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

ADOPTED BUDGET – COMBINED APPROPRIATIONS – 2005

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Administration, Dept of	\$7,171,555	—	—	—	—	\$7,171,555
Assessor's Office	4,139,804	—	—	—	—	4,139,804
City Attorney	6,185,158	—	—	—	—	6,185,158
City Treasurer	2,707,895	—	—	232,160	—	2,940,055
Common Council – Clerk	7,097,667	—	—	—	—	7,097,667
Municipal Court	3,120,575	—	—	—	—	3,120,575
Comptroller	6,140,809	—	—	—	—	6,140,809
Dept of City Development	3,219,144	—	—	26,650,000	—	29,869,144
Election Commission	1,090,490	—	—	—	—	1,090,490
Employee Relations, Dept of	5,188,291	—	—	—	—	5,188,291
Fire Department	88,404,023	—	—	5,060,000	—	93,464,023
Fire and Police Commission	—	—	—	—	—	—
Health Department	12,565,109	—	—	1,028,500	—	13,593,609
Library Board	20,627,107	—	—	1,700,000	—	22,327,107
Mayor's Office	1,050,410	—	—	—	—	1,050,410
Neighborhood Services	12,945,618	—	—	—	—	12,945,618
Police Department	185,962,917	—	—	2,400,000	—	188,362,917
Port of Milwaukee	3,557,378	—	—	725,000	—	4,282,378
Public Debt Commission	—	—	—	—	—	—
DPW-Administration	4,610,376	—	—	625,000	—	5,235,376
DPW-Infrastructure	21,482,735	—	—	20,962,463	—	42,445,198
DPW-Operations	71,264,031	—	—	25,173,798	—	96,437,829
Water Works	—	—	—	—	102,222,241	102,222,241
Sewer Maintenance Fund	—	—	—	—	54,529,316	54,529,316
Special Purpose Accounts	140,531,639	—	—	—	—	140,531,639
Pension Funds	64,688,277	—	—	—	—	64,688,277
Debt Service – City	—	—	107,075,114	—	—	107,075,114
Debt Service – Schools	—	—	15,636,551	—	—	15,636,551
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	10,500,000	—	—	—	10,500,000
Parking	—	—	—	—	47,584,804	47,584,804
Grant & Aid Fund	—	81,360,664	—	—	—	81,360,664
Special Capital Projects	—	—	—	10,325,000	—	10,325,000
Economic Development	—	5,388,818	—	—	—	5,388,818
Fringe Benefit Offset ⁽¹⁾	(95,670,728)	—	—	—	—	(95,670,728)
Grand Total	<u>\$583,080,280</u>	<u>\$97,249,482</u>	<u>\$122,711,665</u>	<u>\$94,881,921</u>	<u>\$204,336,361</u>	<u>\$1,102,259,709</u>

⁽¹⁾For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEARS ENDING DECEMBER 31, 1999 THROUGH 2003
(Thousands of Dollars)

<u>Revenues:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Property Taxes	\$89,250	\$98,456	\$118,804	\$114,096	\$126,749
Other Taxes	10,283	12,808	12,688	2,944	4,318
Licenses and Permits	8,996	10,154	10,485	10,814	10,883
Intergovernmental	277,884	278,434	278,969	283,068	284,565
Charges for Services	37,598	45,383	54,594	57,749	55,714
Fines and Forfeitures	17,694	18,036	4,408	5,210	6,115
Other	<u>9,032</u>	<u>14,358</u>	<u>12,408</u>	<u>8,706</u>	<u>7,814</u>
TOTAL GENERAL FUND REVENUES	<u>\$450,737</u>	<u>\$477,629</u>	<u>\$492,356</u>	<u>\$482,587</u>	<u>\$496,158</u>
Tax Stabilization Fund Withdrawals	12,820	11,250	5,500	11,000	9,300
Other Financing Sources and Equity					
Transfers (Net)	<u>8,760</u>	<u>18,647</u>	<u>24,324</u>	<u>29,681</u>	<u>32,791</u>
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>\$472,317</u>	<u>\$507,526</u>	<u>\$522,180</u>	<u>\$523,268</u>	<u>\$538,249</u>
 <u>Expenditures:</u>					
General Government	\$132,231	\$157,615	\$162,628	\$158,645	\$165,270
Public Safety	205,717	220,879	209,521	211,163	239,698
Public Works	91,817	100,696	87,453	88,094	86,335
Health	11,401	11,363	11,237	10,552	10,677
Culture and Recreation	16,627	17,584	16,948	18,791	17,165
Conservation and Development	<u>7,271</u>	<u>7,502</u>	<u>7,922</u>	<u>7,857</u>	<u>3,833</u>
TOTAL EXPENDITURES	<u>\$465,064</u>	<u>\$515,639</u>	<u>\$495,709</u>	<u>\$495,102</u>	<u>\$522,978</u>
 SOURCES OVER (UNDER)					
EXPENDITURES	\$7,253	(\$8,113)	\$26,471	\$28,166	\$15,271
Fund Balance - January 1 (excludes reserved for use during the year)	58,956	55,085	40,465	57,844	76,710
Net Residual Equity Transfers	<u>126</u>	<u>(7)</u>	<u>1,908</u>	<u>0</u>	<u>0</u>
Fund Balance - December 31	<u>\$66,335</u>	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>	<u>\$91,981</u>
 Fund Balance Components:					
Reserved for Encumbrances & Carryovers	\$28,610	\$8,886	\$22,460	\$36,585	\$33,000
Reserved for Inventory	6,454	6,014	5,678	5,801	5,190
Reserved for Mortgage Trust	281	281	281	276	276
Reserved for Environmental Remediation	291	304	303	303	303
Reserved for Next Year's Budget	11,250	5,500	11,000	9,300	16,870
Reserved for Subsequent Years' Budget	<u>19,449</u>	<u>25,980</u>	<u>29,122</u>	<u>33,745</u>	<u>36,342</u>
TOTAL FUND BALANCE	<u>\$66,335</u>	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>	<u>\$91,981</u>

YEAR 2003 GENERAL FUND RESULTS (BUDGET BASIS)

Exhibits A and E of Appendix A present the 2003 audited financial statements for the General Fund. The City General Fund balance of Tax Stabilization reserves, on a budget basis, totaled \$53,212,000 at the end of 2003, or about 9.1 percent of 2004 General Fund expenditures. This compares to \$43,045,000 (7.7% of expenditures) at December 31, 2002. Total Fund balance at December 31, 2003 is \$92.0 million compared to \$86.0 million at December 31, 2002.

Overall, General Fund Revenues and Other Sources for 2003 exceeded expenditures by \$15,271,000, or 2.9 percent.

Total Revenues and Other Sources increased by \$15.0 million (2.9%) in 2003. This is mainly due to a \$12.7 million increase in property tax revenues. Other increases include: \$1.4 million in other taxes, \$1.5 million in intergovernmental revenues, \$0.9 million in fines and forfeitures, and \$3.1 million in other financing sources and net equity transfers. Decreases in revenues include: \$2.0 million in charges for service, and \$0.9 million in other revenues, and \$1.7 million in tax stabilization fund withdrawals.

Total General Fund Expenditures increased by \$27.9 million (5.6%) in 2003. The major increases were \$28.5 million (13.5%) for public safety and \$6.6 million (4.2%) in general government. The primary causes of the increase in public safety were retroactive wages due to completed labor contract negotiations and police overtime. Normal budgetary procedures include amounts for the retroactive wage settlements in reserves for encumbrances and carryovers. A new police chief has drastically reduced police overtime in 2004 to more normal levels. Expenditures declined for: public works by \$1.8 million, culture and recreation by \$1.6 million, and conservation and development by \$4.0 million.

Regarding the components of General Fund Balance, the major change was a \$7.6 million (81.4%) increase in reserved for next year's budget (tax stabilization fund withdrawal). Even though the tax stabilization fund withdrawal had a significant increase, the amount available for subsequent year's budgets continued to increase by \$2.6 million. The major decrease was \$3.6 million in reserved for encumbrances & carryovers, which is due to contract settlements in 2003, and the resulting payment of retroactive wages.

Since 1999, General Fund Revenues and Other Sources have grown at an average of about 3.3 percent annually. Intergovernmental Aids remain the major funding source for the General Fund providing almost 53 percent of total sources. This compares to 59 percent in 1999. Property taxes comprised about 24 percent of total sources in 2003 versus 19 percent in 1999.

General Fund expenditures have grown at an average 3.0 percent annually since 1999. Because of large retroactive wage settlements every 2 years (see "The City – Employee Relations") it is difficult to make year-over-year comparisons. Over the past 5 years, the two largest categories, Public Safety and General Government have grown an average of 3.9% and 5.7% per year respectively. Public Safety has grown from 44% of General Fund expenditures in 1999 to 46% in 2003. General Government has grown from 28% of General fund expenditures in 1999 to 32% in 2003.

Regarding changes in General Fund Equity, the amount reserved for subsequent years' budget has grown from \$19.4 million in 1999 to \$36.3 million in 2003.

For information regarding City debt levels and related debt factors, see "DEBT STRUCTURE".

**CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS**

	<u>Year 2000 For 2001 Purposes</u>	<u>Year 2001 For 2002 Purposes</u>	<u>Year 2002 For 2003 Purposes</u>	<u>Year 2003 For 2004 Purposes</u>	<u>Year 2004 For 2005 Purposes</u>
Real Property					
Residential	\$10,292,622,989	\$10,358,670,619	\$12,027,394,755	\$12,938,633,380	\$14,301,661,916
Industrial (Manufacturing)	741,471,600	717,830,700	765,130,300	729,858,200	733,599,500
Mercantile (Commercial)	5,612,521,788	5,716,180,475	6,176,332,500	6,493,804,441	6,903,490,064
Total Real Property	<u>\$16,646,616,377</u>	<u>\$16,792,681,794</u>	<u>\$18,968,857,555</u>	<u>\$20,162,296,021</u>	<u>\$21,938,751,480</u>
Personal Property	<u>936,378,220</u>	<u>907,102,600</u>	<u>897,397,660</u>	<u>847,221,220</u>	<u>833,668,020</u>
Total Assessed Valuations	<u><u>\$17,582,994,597</u></u>	<u><u>\$17,699,784,394</u></u>	<u><u>\$19,866,255,215</u></u>	<u><u>\$21,009,517,241</u></u>	<u><u>\$22,772,419,500</u></u>
Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee	\$17,344,251,400	\$19,453,830,200	\$20,275,936,700	\$21,730,754,000	\$23,491,773,700
Ratio of Assessed to Equalized Valuation	101.40%	91.00%	98.00%	96.68%	96.94%

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Unit of Government					
City Government ⁽¹⁾	\$10.49	\$10.87	\$10.15	\$9.73	\$9.19
Milwaukee Public Schools	9.87	10.12	9.34	8.96	9.40
Milwaukee County	5.66	6.13	5.40	5.15	4.91
Milwaukee Area Technical College	2.00	2.23	2.05	2.04	2.00
Milwaukee Metropolitan Sewerage District	<u>1.68</u>	<u>1.87</u>	<u>1.74</u>	<u>1.64</u>	<u>1.59</u>
Gross Tax Rate Per \$1,000	<u>\$29.70</u>	<u>\$31.22</u>	<u>\$28.68</u>	<u>\$27.52</u>	<u>\$27.09</u>
Less: State Tax Credit	<u>1.69</u>	<u>1.66</u>	<u>1.43</u>	<u>1.35</u>	<u>1.23</u>
Net Tax Rate	<u><u>\$28.01</u></u>	<u><u>\$29.56</u></u>	<u><u>\$27.25</u></u>	<u><u>\$26.17</u></u>	<u><u>\$25.86</u></u>

(1) Includes School Debt Service (\$0.59 in 2005).

**CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS**

City of Milwaukee
Property Tax Levies and Collections ⁽¹⁾

Collection Year	Total Tax Levy	Current Tax Collection Amount	% of Levy	Delinquent Tax Collections ⁽²⁾	Total Tax Collections Amount	% of Levy	Outstanding Delinquent Taxes
2000	\$474,230,849	\$460,458,659	97.10%	\$11,289,351	\$471,748,010	99.48%	\$24,052,217
2001	522,236,846	509,440,570	97.55	14,805,255	524,245,825	100.38	22,043,238
2002	552,490,450	538,742,161	97.51	13,926,347	552,668,508	100.03	21,865,180
2003	569,696,984	554,540,917	97.34	12,400,491	566,941,408	99.52	24,620,756
2004	578,190,855	564,236,091	97.59	14,381,083	578,617,174	100.07	23,897,799

⁽¹⁾ Includes overlapping portion from all taxing bodies.
City portion is approximately 35% of the dollar amounts shown.

⁽²⁾ Includes amounts from any prior year collected in that year.

COLLECTION PROCEDURES

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

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

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

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

The rate of current tax collections continues at this historically high level. Current collections for 2004 were approximately 97.59 percent of the total tax levied.

INSURANCE

The City has property insurance with the State of Wisconsin Local Government Property Insurance Fund. This insurance is subject to a \$25,000 deductible. The City is uninsured for liability. Under Wisconsin law, the City's exposure in tort liability is limited to \$50,000 in non-automobile cases and \$250,000 in automobile cases. The City does carry a wharfinger's liability policy on its port with coverage up to \$10 million and a deductible of \$500,000. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as may be deemed appropriate by the City.

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PENSION SYSTEM

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System ("System") of the City is established pursuant to Section 36 of the Milwaukee City Charter.

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals approximately 12,600 active and 3,600 vested, inactive members at December 31, 2003. There were approximately 10,500 retirees and beneficiaries receiving benefits as of December 31, 2003.

Funding of the System, a defined benefit plan, is derived from employee and employer contributions. Current employee contributions to the System are based on a percentage of compensation as follows:

General Municipal ⁽¹⁾	5.5%
Elected Officials	7.0%
Police	7.0%
Fire	7.0%

⁽¹⁾ Including non-certified School Board, Milwaukee Area Technical College, and all Milwaukee Metropolitan Sewerage District and Wisconsin Center employees.

The City pays the employee's share of the pension contributions as well as the employer's share of pension contributions which are actuarially determined based upon normal cost and amortization of past service liability. The actuarial cost method for determining these items was changed from the "aggregate cost method" to the "projected unit credit method" as of January 1, 1995.

For the year ended December 31, 2003, the latest year for which audited figures are available, required member contributions totaled \$31.0 million and required employer contributions totaled \$78,000. Approximately 72.3% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.201 billion with a corresponding market value of \$4.040 billion or 126% of the original cost at December 31, 2003.

The Milwaukee City Charter requires that an actuarial study of the System be performed at least once every five (5) years for the purpose of reviewing assumptions. The last actuarial study was completed by Buck Consultants covering experience from January 1, 1997 to December 31, 2001.

The latest actuarial valuation was as of January 1, 2004. The valuation reveals the System continues to remain actuarially sound.

The Governmental Accounting Standards Board (GASB) Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$3.909 billion as of January 1, 2004 and an Actuarial Accrued Liability of \$3.371 billion as of that date. This results in a Funded Ratio of 116.0%.

FIREMEN'S ANNUITY AND BENEFIT FUND

The Firemen's Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen's Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to entrants and widows, exclusive of duty disability benefits, beginning in February 1990 in consideration of a single premium payment on January 31, 1990 in the amount of \$20,419,207. The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board and the Firemen's Annuity and Benefits Fund ceased to exist. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the policy.

POLICEMEN'S ANNUITY AND BENEFIT FUND

The Policemen's Annuity and Benefit Fund is established pursuant to section 35 of the Milwaukee City Charter.

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to July 29, 1947. At January 31, 2005 there were no active members and approximately 193 retired members or survivors receiving payment.

Current funding is derived from employer contributions. There is an unfunded past service liability for the Policemen's Annuity and Benefit Fund at year-end 2003 in the amount of \$3,235,617 per the Policemen's Annuity and Benefit Fund's Annual Actuarial Statement dated June 12, 2003.

Assets of the Policemen's Annuity and Benefit Fund at December 31, 2004, totaled \$4,218,188 at cost. Market value of Policemen's Annuity and Benefit Fund assets was \$4,553,162 or 107.9 percent of cost at December 31, 2003.

In May 2005, the Board of the Policemen's Annuity and Benefit Fund approved an increase in benefits effective January 2006. The proposal has been sent to the Common Council for approval. If approved as proposed, the increase in benefits will increase the unfunded past service liability by an estimated \$600,000. The proposed also includes provisions to extend the amortization period of unfunded past service liability from 5 years to 10 years.

BOOK-ENTRY ONLY SYSTEM

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a document prepared by The Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2

million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation ("NSCC"), Fixed Income Clearing Corporation ("FICC") and Emerging Markets Clearing Corporation ("EMCC"), (NSCC, FICC and EMCC are also subsidiaries of DTCC), as well as 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 both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 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 or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payment 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, the City or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds of any series at any time by giving reasonable notice to the 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, Bond certificates are required to be printed and delivered.

The foregoing 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 UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE BONDS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE BONDS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

LITIGATION

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, Wis. Stat. § 893.80 limits the amount recoverable against a political corporation, its officers, officials or employees for acts done in their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on May 11, 2005.

U.S. Department of Justice Investigation of Firefighter Selection Procedures (Brotherhood of Firefighters v. FPC). The City has completed payment of monetary relief under the Supplemental Order of the United States District Court dated November 30, 2001, under Civil Action Case No. 74-C-480, settling allegations of discrimination in the entry level hiring examinations for firefighter. One additional priority appointment remains to be made, having been delayed by the candidate's military service. Thereafter, the City's only remaining obligations under the Supplemental Order will be to settle and adjust claims for the payment of pension expenses associated with the settlement. The pension costs are unknown, and are anticipated to exceed \$615,000.

Alexander, et al v. City of Milwaukee, et al. Starting in October 2002, seventeen white male lieutenants in the MPD filed a series of EEOC charges alleging discrimination on the basis of race and gender in their failure to be promoted to the rank of Captain of Police. The EEOC concluded its investigation without finding cause, and issued notice of rights to sue letters, on April 1, 2003. The seventeen plaintiffs filed suit in the above captioned matter on June 27, 2003. The complaint alleges a class action on behalf of all white male lieutenants of the MPD who have sought or will seek promotion from the position of lieutenant to captain, or who in the future will be denied equal employment opportunity by the MPD due to their being white males. The Complaint names the City, the Board of the FPC, and former Chief of Police Arthur Jones in his individual and official capacity. It also names each of the FPC Commissioners as of the suit's commencement, in their individual and official capacities. The Complaint alleges violations of Title VII of the Civil Rights Act of 1964, as amended as well as equal protection violations actionable under 42 U.S.C. §§ 1983 and 1981. Plaintiffs seek compensatory damages in the sum of \$300,000 each, plus unspecified sums in punitive damages, as well as other relief available such as attorneys' fees and costs. The case was tried in March, 2005, and decided against the City. The jury awarded \$2,200,000. The court must now decide the amount of economic damages and attorney's fees, which could amount to more than a million dollars. The City will file motions to reduce the amount of damages and consider pursuing an appeal of all or part of the judgment.

Estate of Justin Fields, et al. v. City of Milwaukee, et al. This case involves a fatal police shooting, which occurred on March 2, 2003. At bar time on Water Street, two Officers observed a car that failed to yield to an emergency vehicle. One Officer approached the vehicle, and its driver, Mr. Fields, exchanged words with the officer and fled the scene. A vehicular pursuit ensued, and came to a stop on North Martin Luther King Drive, after the Fields vehicle collided with another car. Believing that the car was unable to move and that its occupants might be injured, the officers approached the Fields vehicle. The vehicle then accelerated towards one of the Officers. The Officer, believing that his life and that of others were in danger, fired his weapon at the driver, Mr. Fields. Mr. Fields died at the scene. The case is in the initial stages of litigation. The City anticipate a full discovery process, dispositive motions, and ultimately, if motions fail, a trial.

Jenkins v. Bartlett, et al. This case involves a fatal police shooting, which occurred on September 19, 2002. On that date Officer Bartlett was on routine police patrol duty with his partner. While conducting a standard traffic stop, a subject fled from the scene. That subject was later identified as the decedent Larry Jenkins. Officer Bartlett pursued Mr. Jenkins on foot to the intersection of 37th Street and Glendale Avenue. When Officer Bartlett came upon the intersection he observed Mr. Jenkins entering a vehicle which was stopped at the intersection. It appeared to the officer that Mr. Jenkins was attempting to carjack the vehicle in an effort to flee from the officer. As the officer attempted to come to the assistance of the driver of the vehicle he found himself located to the front of the vehicle. He also observed Mr. Jenkins seated behind the steering wheel. The vehicle began to move forward at a high rate of speed ultimately striking Officer Bartlett and throwing him onto the hood. Officer Bartlett feared for his life and fired his service weapon at Mr. Jenkins. Mr. Jenkins died at the scene. Subsequently the estate filed suit. Discovery has been completed in this case. The defendants' summary judgment motion has been decided by the court dismissing all issues except for that involving the reasonableness of the officer's use of force. Given differing testimony from various witnesses the court determined that there were significant questions of fact which could only be resolved by a jury. Therefore, this case will be proceeding to trial. No trial date has been set as yet.

Page, et al. v. Malone, et al. This case involves a fatal police shooting which occurred on or about April 5, 2002. Michael Page, Jr. was fleeing police officers of both the City of Wauwatosa and the City of Milwaukee in his motor vehicle. The pursuit traveled through several jurisdictions ending at a location on N. 25th Street in the City of Milwaukee. Mr. Page climbed onto the roof of his vehicle. Officer Malone ordered Mr. Page to show his hands and come down from the vehicle. Mr. Page reached for his waistband area and suddenly lunged off the vehicle toward Officer Malone. Fearing Mr. Page was pulling a weapon and that the weapon would be used, Officer Malone feared for his safety as well as that of other people nearby and fired his service weapon at Mr. Page. Mr. Page died as a result. This case is in the initial stages of litigation. However, plaintiffs' counsel withdrew from the case. On April 25, 2005, the judge dismissed the case, but without prejudice. The City anticipates that the plaintiffs will refile, once they have retained a new attorney.

Pundsack, et al. v. City of Milwaukee, et al., Case No. 04-C-1207. This case involves a fatal police shooting which occurred on or about December 23, 2002. Edward Pundsack led police on a chase. An Officer involved in the pursuit emerged from his vehicle and ordered Mr. Pundsack out of his vehicle. At one point, the Officer perceived that Mr. Pundsack was driving his vehicle in reverse and that other officers were located to the rear of the Pundsack vehicle directly in its path. Believing that those fellow officers were in imminent danger of death or great bodily harm the Officer fired his service weapon at Mr. Pundsack. Mr. Pundsack died at the scene. This case is in the initial stages of litigation. The City anticipates a full discovery process, dispositive motions and ultimately, if motions fail, a trial.

Milwaukee Riverwalk Investigation USAO File No. 2003V200280. The City and the private property owners in Business Improvement District No. 15 ("BID-15"), a business improvement district, received an August 6, 2003 communication from the United States Department of Justice ("DOJ"). That communication indicated that the United States Attorney for the Eastern District of Wisconsin had opened an investigation of a complaint made to the DOJ. The complaint alleged that the owners and operators of the Milwaukee Riverwalk are in violation of the Americans with Disabilities Act and the DOJ's regulations implementing that Act. The City and BID-15 retained the services of a consultant to assist in the response to the DOJ's communication. The consultant developed a set of recommendations that would remedy the alleged ADA violations, and concluded that many, but not all, of the alleged violations had merit. The estimated cost of implementing the recommendations is \$1,224,266.

The City and BID-15 are now engaged in settlement discussions with DOJ regarding the timing and method of implementing the recommendations to remedy the alleged violations. The City anticipates that

if the City, BID-15 and DOJ reach an agreement on the remedy, the City and BID-15 would split the remedial cost in the same manner that the original costs for the Riverwalk Project were split. The City originally paid for the entire cost of the project and then recovered back 22% of those costs through special assessments against private property owners within BID-15.

BOND INSURANCE

THE MUNICIPAL BOND INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to Appendix D for a specimen of MBIA’s financial guaranty insurance policy (the “Municipal Bond Insurance Policy”).

The Municipal Bond Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of MBIA Inc., a New York Stock Exchange listed company (the “Company”) to the City as paying agent (the “Paying Agent”) or any successor paying agent of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Municipal Bond Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

The Municipal Bond Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Municipal Bond Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Municipal Bond Insurance Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts

due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading “BOND INSURANCE.” Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA INFORMATION

The following document filed by the Company with the Securities and Exchange Commission (the “SEC”) is incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of the Company’s most recent Quarterly Report on form 10-Q, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company’s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004) are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at

<http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2003, MBIA had admitted assets of \$9.9 billion (audited), total liabilities of \$6.2 billion (audited), and total capital and surplus of \$3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2004 MBIA had admitted assets of \$10.3 billion (unaudited), total liabilities of \$6.9 billion (unaudited), and total capital and surplus of \$3.3 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

FINANCIAL STRENGTH RATINGS OF MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

TAX STATUS

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 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 (ii) interest on the Bonds 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 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 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 Bonds. Bond Counsel render their opinion under existing statutes and court decisions as of the issue date, and assume 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 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 Bonds.

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the 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 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 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 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 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 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 Bonds.

Prospective owners of the 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 excluded from gross income for Federal income tax purposes. Interest on the 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.

ORIGINAL ISSUE DISCOUNT

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 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 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 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 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 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 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 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 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 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 (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). 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.

LEGISLATION

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

STATE TAX MATTERS

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

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265 (b)(3) of the Code.

APPROVAL OF LEGAL MATTERS

Legal matters with regard to the authorization, issuance and sale of the Bonds are subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Quarles & Brady LLP, Milwaukee, Wisconsin and Gonzalez, Saggio & Harlan, L.L.P., Milwaukee, Wisconsin, which opinions will be substantially in the form included as APPENDIX B.

Certain legal matters will be passed upon for the City by its City Attorney and for the Underwriters by their counsel, Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, the City shall covenant pursuant to a resolution adopted by the Common Council to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Master Continuing Disclosure Certificate and Addendums, which shall be made applicable to the Bonds pursuant to Schedules to be executed and delivered by the City at the time the Bonds are delivered. Such Certificate, Addendums, and Schedules will be in substantially the form attached hereto as Appendix C. The City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

CITY FINANCIAL STATEMENTS

The basic financial statements of the City as of and for the year ended December 31, 2003 included in APPENDIX A to this Official Statement have been audited by KPMG LLP, independent auditors, as stated in their report appearing in APPENDIX A.

CERTAIN VERIFICATIONS

McGladrey & Pullen, LLP., independent certified public accountants, upon the delivery of the Bonds, will deliver a report stating that the firm, at the request of the City and the Underwriters, has verified the mathematical accuracy of certain computations based on certain assumptions relating to (i) the sufficiency of the principal and interest received from Defeasance Securities, to meet the timely payment of principal of, redemption premium, if any, and interest on the Refunded Bonds and (ii) the yields on the Bonds and the acquired obligations to be held in the escrow accounts for the Refunded Bonds, such computations with respect to such yields to be used to support the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Code. McGladrey & Pullen, LLP expresses no opinion on the attainability of any assumptions or the tax-exempt status of the Bonds.

RATINGS

The City has requested ratings on the Bonds from Fitch Ratings, Moody's Investors Service, Inc. and from Standard & Poor's Ratings Group. Fitch Ratings has assigned a rating of "___" on the Bonds. Moody's Investors Service, Inc. has assigned a rating of "___" on the Bonds. Standard & Poor's Ratings Group has assigned a rating of "___" on the Bonds.

Additionally Fitch Ratings, Moody's Investors Service, Inc. and Standard and Poor's Ratings Group have assigned their municipal bond ratings of "AAA", "Aaa" and "AAA", respectively, to the Bonds, with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by MBIA.

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 Bonds.

FINANCIAL ADVISOR

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

LEGISLATION

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Bonds or the financial condition of the City.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at a price equal to \$_____ (which represents the aggregate original principal amount of the Bonds plus original issue premium of \$_____, less an Underwriters' discount of \$_____). The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions set forth in a Bond Purchase Agreement among the Underwriters and the City. The Underwriters are obligated to purchase all of the Bonds if any of the Bonds are purchased.

REPRESENTATIONS OF THE CITY

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

ADDITIONAL INFORMATION

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

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

Comptroller
City of Milwaukee, Wisconsin

APPENDIX A

**Audited General Purpose Financial Statements of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2003**

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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 FOR THE YEAR ENDED DECEMBER 31, 2003

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INTRODUCTORY SECTION

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W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Deputy Comptroller

Michael J. Daun
Special Deputy Comptroller

Office of the Comptroller

July 29, 2004

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2003. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of American (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

This report consists of management's representation concerning the finances of the City of Milwaukee. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Milwaukee and the component units are responsible for establishing and maintaining an internal control structure designed to ensure that the assets entrusted are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An independent firm of licensed certified public accountants, KPMG LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2003, are fairly presented in conformity with GAAP.

This is the second year the City prepared the CAFR using the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the Basic financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in three sections. The **Introductory Section** includes a list of principal officials, an organizational chart, and this letter of transmittal, which highlights significant aspects of the City and particular financial issues. The **Financial Section** includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The **Statistical Section** includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2003

THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The city, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of government. The Mayor, Comptroller, Treasurer, City Attorney and 17 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a general election for these positions in April 2000. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads that are subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, has responsibilities for the establishment of City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in the report are the enterprise operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units: Milwaukee Economic Development Corporation, City of Milwaukee Housing and Redevelopment Authorities and Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. After all 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. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function (i.e. salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

LOCAL ECONOMY

Milwaukee has a diversified economy with strong service and manufacturing sectors. The City is actively promoting high-tech development and has had some success attracting high-tech industries. These industries provide relatively high wage jobs. While it is important to continue this effort, these types of firms have been reluctant to invest due to the devastation of the last recession on this industry. The same issues that face the national economy are also being felt locally. Particularly in the manufacturing industry, unemployment remains high with limited business investment. Milwaukee will continue to judiciously provide appropriate subsidies to promote business development.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2003

ECONOMIC OUTLOOK

The City of Milwaukee receives significant revenue allocations from the State. These "State Shared Revenues" include allocations for state shared taxes, local street aids, payment for municipal services and are placed in the General Fund where it is used to support a large portion of the City's day-to-day activities. For fiscal year 2003, revenues totaled \$285 million or 55% of the total general fund revenues as compared to \$283 million or 56% in 2002. In conjunction with other municipal advocates, Milwaukee made the case for preserving shared revenue, highlighting the dramatic adverse impact that eliminating the program would have on local communities. The result of this combined effort was that the state preserved full funding to the Shared Revenue Program through 2003. However, due to the State's significant budget deficit, the City is expecting major decreases in shared revenue in 2004 and future years. The anticipated amount for 2004 is expected to be \$273 million; a 4% decrease from 2003. In recent years, the City has moved towards revenue diversification as a means to address the future uncertain and most-likely decline in the funding levels for state aid. Charging user-based fees from some City services shifts payment to those directly benefiting from the service and help to reduce the dependence on the property tax. For example, garbage collection services are billed to tax exempt properties. In 2004, many fees including several permits and licenses are also being increased.

While the property tax levy for 2004 is down to \$9.73 compared to 2003's \$10.15, per \$1,000 of assessed value, the property tax levy of approximately \$199 million increased \$2 million compared to 2003's \$197 million. The actual property tax revenues reported in the General Fund was \$127 million for 2003 compared to \$114 million for 2002 (the rate for 2002 was \$10.87). The property tax revenue funding General Fund expenditures has remained relatively constant at 23% for 2003 compared to 22% for 2002.

The City of Milwaukee is one government among several in the Milwaukee area. Cooperation among all governmental entities is essential to improving service. During 2004, the City will continue to work to streamline operations across government lines and will work with Milwaukee County to explore consolidation of services such as information systems, greenhouse operations, procurement activities and both live and online auctions.

LONG-TERM FINANCIAL PLANNING

The 2004 capital budget includes \$20.6 million funding to promote economic development and job growth through the tax increment district financing. Major, ongoing projects include: 1) the redevelopment of the former Park East Freeway Corridor from I-43 to Broadway; 2) residential, retail, and riverwalk development along the Milwaukee River from the Port to North Avenue; 3) the Midtown Center development transforming the former Capitol Court Mall; and, 4) the renovation of the Shops at Grand Avenue arcade. New projects include site preparation of the recently acquired approximately 140 acre former CMD railyard parcel in the Menomonee Valley, development of the former Solvay Coke site in the Historic Third Ward, and redevelopment of the former Tower Automotive facilities on the northside of Milwaukee.

The improvement and extension of West Canal Street from North Sixth Street to the Miller Park Baseball Stadium began in 2003. Approximately \$6.8 million was allocated in 2003 as the city's match to state grant funding. In 2004, an additional \$14 million city share will be provided for major streets, bridges and sewer expansion programs. The total city cost of this multi-year project will be approximately \$19 million. This project is considered vital to the redevelopment of the Menomonee Valley. Combined with the recently completed replacement of the Sixth Street Viaduct will also serve as an alternate travel route during the planned upcoming reconstruction of the Marquette Interchange.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities which maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and commercial paper (all of which are permissible under State Statutes). The average interest earnings rate for City funds invested by the City Treasurer was approximately 1.225% in 2003 as compared to 1.73% in 2002. The City continued to use the State of Wisconsin Local Government Investment Pool as an option to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. In 2003 the average daily investable balance was \$237.6 million as compared to \$254.4 million in 2002 or a 6.6% decrease. The investable balance generates interest earnings for the City, which are used to offset the property tax levy.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2003

During 2003, the City continued its aggressive use of financing techniques and investment instruments to increase its investment return. The city's use of cash flow borrowing in anticipation of either State Shared Revenues or State Educational Aid Revenues totaled \$248 million in 2003, compared to \$235 million in 2002. The financing were accomplished through two separate offerings -- \$98 million in March 2003 for city purposes and \$150 million in September 2003 for school purposes. The timing of those offerings provided the City with an opportunity to earn additional interest on investments and still comply with the requirements of the Tax Reform Act of 1986. The second borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending the receipt of State Educational Aids.

RISK MANAGEMENT

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. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City believes it is more economical to manage its risk internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City does purchase and maintain limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required from City contractors, vendors and lessees, and permit holders.

AWARDS

The City of Milwaukee was awarded a Certificate of Commendation from the Governmental Reporting Awards Through Evaluation organization (GRATE) for achieving a high level of quality in its annual financial statements through the utilization of GAAP for the fiscal year ended December 31, 2002. This was the nineteenth consecutive year that the City received this prestigious award.

We believe that our current Comprehensive Annual Financial Report continues to meet the GRATE Organization's requirements and we will submit this document to GRATE for award consideration.

ACKNOWLEDGEMENTS

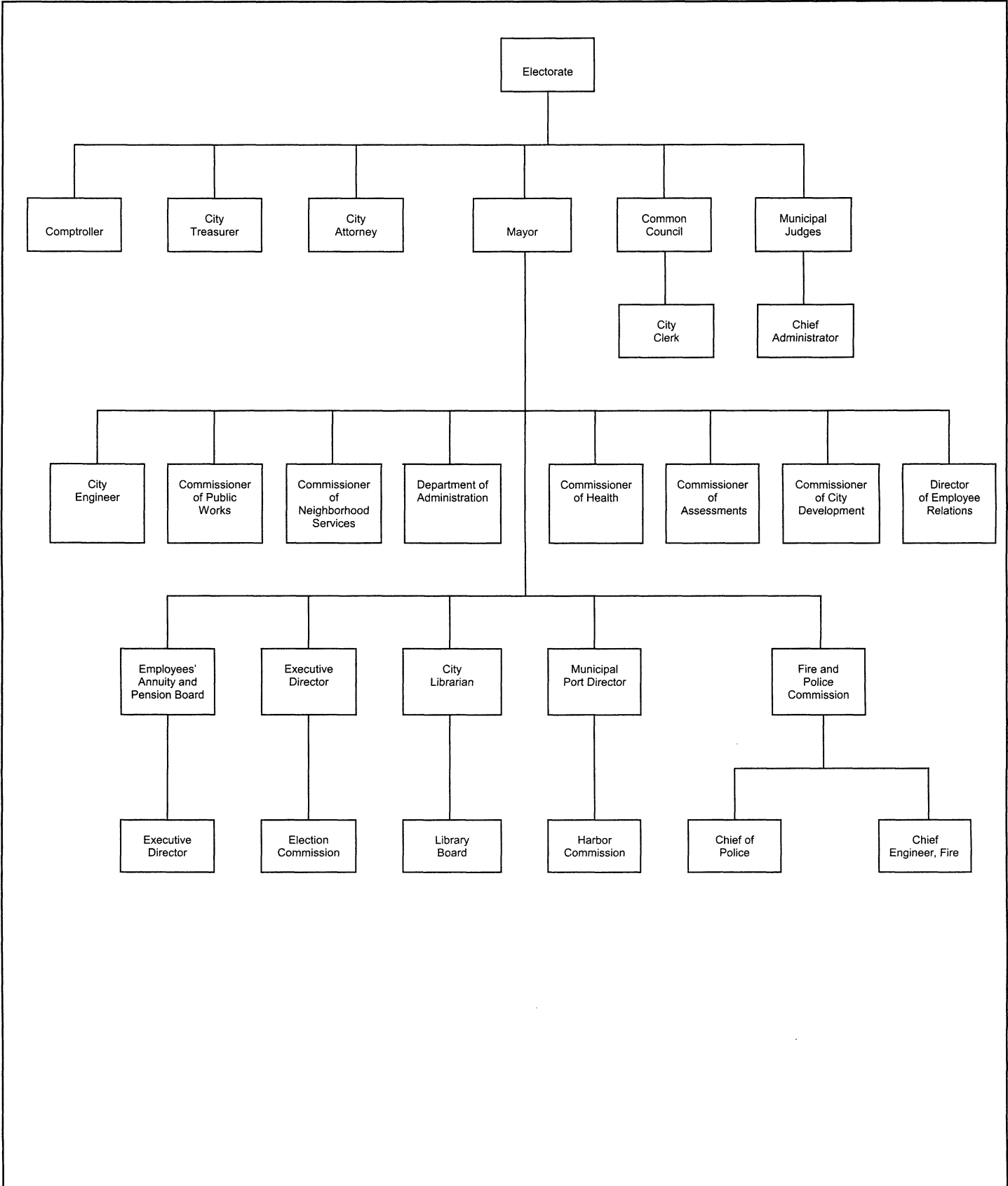
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment and effort of each member of the General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this Comprehensive Annual Financial Report. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Very truly yours,



W. MARTIN MORICS
Comptroller

City of Milwaukee
ORGANIZATION CHART
 DECEMBER 31, 2003



CITY OF MILWAUKEE
 NAMES OF PRINCIPAL OFFICIALS
 DECEMBER 31, 2003

ELECTED

Mayor	John O. Norquist
Comptroller	W. Martin Morics
City Treasurer	Wayne F. Whittow
City Attorney	Grant F. Langley
Municipal Judge	Derek C. Mosley
Municipal Judge	James A. Gramling, Jr.
Municipal Judge	David Halbrooks

COMMON COUNCIL

President Marvin E. Pratt

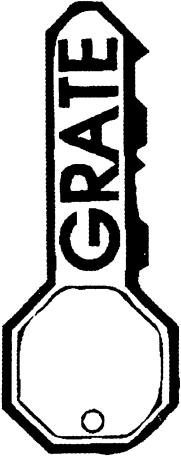
Aldermanic District

First	Marvin E. Pratt
Second	Joseph L. Davis, Sr.
Third	Michael S. D'Amato
Fourth	Vacant
Fifth	James A. Bohl, Jr.
Sixth	Marlene E. Johnson-Odom
Seventh	Fredrick G. Gordon
Eighth	Robert G. Donovan
Ninth	Donald F. Richards
Tenth	Willie C. Wade
Eleventh	Joseph A. Dudzik
Twelfth	Angel Sanchez
Thirteenth	Terry L. Witkowski
Fourteenth	Suzanne M. Breier
Fifteenth	Thomas G. Nardelli
Sixteenth	Michael J. Murphy
Seventeenth	Willie L. Hines, Jr.

Alderman

FINANCE RELATED (Non-Elected)

Administration Director	Michael J. Soika
Budget & Management Director	Joseph J. Czarnecki
City Purchasing Director	Cheryl L. Oliva
Commissioner of Assessments	Mary P. Reavey
Chief Information Officer	Randolf A. Gschwind



GOVERNMENTAL
REPORTING
AWARDS
THROUGH
EVALUATION

The Key to Better Local Government Financial Reporting

CERTIFICATE OF COMMENDATION

GRATE
hereby awards this
Certificate of Commendation to

City of Milwaukee


for achieving a high level of quality in its
annual financial statements through the utilization of
Generally Accepted Accounting Principles (GAAP),
and accepting its responsibility for
credibility in its financial statements.

For the year ended

December 31, 2002



President, GRATE Board of Directors



Marquette University
(Technical Services)

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F I N A N C I A L
S E C T I O N

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5337

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 17 to 31; and Exhibit E-1, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



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

KPMG LLP

July 29, 2004

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

The Management Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Milwaukee, Wisconsin for the fiscal year ended December 31, 2003. Please read this in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. This discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included. Dollars are reported in thousands.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2003 by \$1,029 million (net assets). \$426 million in governmental activities and \$603 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$99 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred.
- The city's net assets of \$1,029 million compared to the previous year of \$1,008, increased by 2%.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$939 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$105 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted (\$15) million.
- The City's governmental funds reported total ending fund balance of \$214.2 million this year. This compares to the prior year ending fund balance of \$235.2 million showing a decrease of \$21 million during the current year; a 8.9% decrease.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$90 million or 16.5% of total General Fund expenditures including transfers and 16.4% of total General fund revenues including transfers.
- Total liabilities of the city increased by \$65 million to \$1,311 million during the fiscal year.
- General obligation bonds and notes payable increased by \$.5 million during the current fiscal year. The key factor in this increase was the issuance of \$81.901 million in general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools. Other factors contributing to this increase were scheduled retirement of general debt. The City issued \$17.335 million in refunding bonds during the year to take advantage of favorable interest rates in the current market, retire outstanding and higher interest rate debt to lower the overall debt service payments for the future.
- The City's revenues from local tax sources, licenses and permits, charges for services and miscellaneous sources were greater than budget estimates during the fiscal year 2003 by \$7.6 million. Total revenue sources from licenses and permits, intergovernmental, charges for services, fines and forfeits, and other revenue type sources remained constant compared to the prior year. Investment earnings dropped sharply (27.8%) relative to fiscal year 2002 due to continued low interest rates. Major increases in property tax collections and payments in lieu of taxes contributed to overall increase in total General Fund revenue for 2003. In mid year 2003, these revenue factors were evaluated together with projections of anticipated cuts in state funding. Measures were taken to decrease spending. City management reduced general fund operating expenses by approximately \$2 million from budgeted levels in order to improve the City's position at the end of the fiscal year, and to provide an improved Reserved for Tax Stabilization fund balance available for the fiscal year 2004 and subsequent years' budgets.
- During the year, the City had expenses of \$577.6 million more than program revenues, general revenues and transfers of \$572.5 million resulting in a decrease of net assets of \$5 million for Governmental Activities. This does not include budgeted use of prior year surplus.
- The general fund reported a positive fund balance for the year of \$90 million compared to \$86 million in 2002; a 4.6% increase.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

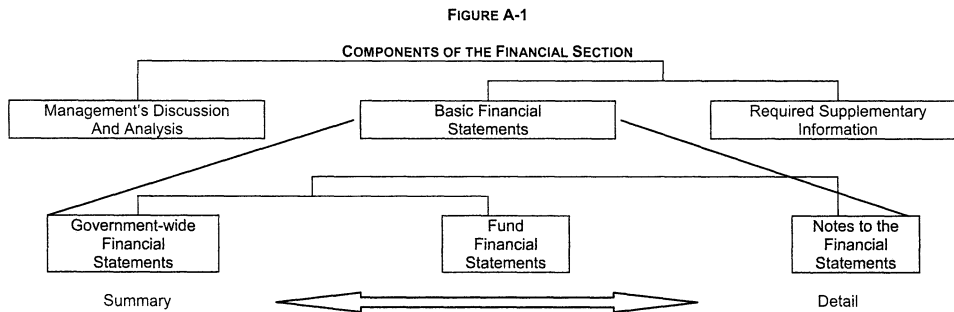
- The operating expenditures of the General Fund were \$7.1 million less than budgeted. \$2.4 million is savings from the public works departments primarily due to reduced snow plowing operations from a very mild winter. \$2.0 million came from various departments in a management directive to reduce spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the city government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
 - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the city is solely a trustee or agent for the benefit of others to whom the resources belong.



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

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

FIGURE A-2
 MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position.

- Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.
- Other non-financial factors, such as changes in the property tax base and the condition of the roads are needed to assess the overall health of the City.

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

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- *Component units*—The City includes four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the city as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

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

	Governmental Activities		Business-type		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Current and other assets	\$ 729,751	\$ 741,397	\$ 77,571	\$ 123,888	\$ 807,322	\$ 865,285
Capital assets	827,714	840,366	619,641	634,178	1,447,355	1,474,544
Total assets	\$ 1,557,465	\$ 1,581,763	\$ 697,212	\$ 758,066	\$ 2,254,677	\$ 2,339,829
Long-term liabilities outstanding	\$ 669,241	\$ 682,382	\$ 114,797	\$ 142,960	\$ 784,038	\$ 825,342
Other liabilities	457,339	473,619	4,693	11,855	462,032	485,474
Total liabilities	\$ 1,126,580	\$ 1,156,001	\$ 119,490	\$ 154,815	\$ 1,246,070	\$ 1,310,816
Net assets:						
Invested in Capital assets, net of related debt	\$ 392,967	\$ 420,357	\$ 506,502	\$ 518,861	\$ 899,469	\$ 939,218
Restricted	135,888	104,600	3,715	-	139,603	104,600
Unrestricted	(97,970)	(99,195)	67,505	84,390	(30,465)	(14,805)
Total net assets	\$ 430,885	\$ 425,762	\$ 577,722	\$ 603,251	\$ 1,008,607	\$ 1,029,013

Net assets of the city's governmental activities decreased 1.2% to \$425.7 million for 2003. These net assets are restricted as to use of \$104.6 or are invested in capital assets of \$420.4 (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net assets deficit (\$99.2) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims and to pay for unused employee vacation and sick days. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 4.4% to \$603.3 million in 2003. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Changes in net assets. The City's total revenues totaled \$704.8 million in the governmental activities. Of revenues, 30% comes from property and other taxes and 54% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services represents only 8% with the remaining 8% coming from licenses, permits, finds and forfeits and miscellaneous other sources.

The City's expenses cover a range of services, with about 35% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its revenues for governmental activities by a 3% margin while business-type activities had 24% more revenues than expenses. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

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

Table 2
Changes in of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Revenues:						
Program revenues:						
Charges for services	\$ 57,749	\$ 55,714	\$ 173,458	\$ 180,435	\$ 231,207	\$ 236,149
Operating grants and contributions	89,217	94,646	-	-	89,217	94,646
Capital grants and contributions	-	-	1,108	2,053	1,108	2,053
General revenues:						
Property taxes and other taxes	207,944	213,014	-	-	207,944	213,014
State aids for General Fund	283,068	284,565	-	-	283,068	284,565
Miscellaneous	57,999	56,815	686	482	58,685	57,297
Total revenues	\$ 695,977	\$ 704,754	\$ 175,252	\$ 182,970	\$ 871,229	\$ 887,724
Expenses						
General government	\$ 159,681	\$ 166,270	\$ -	\$ -	\$ 159,681	\$ 166,270
Public safety	229,167	257,207	-	-	229,167	257,207
Public Works	132,198	137,693	-	-	132,198	137,693
Health	22,125	24,679	-	-	22,125	24,679
Culture and recreation	22,924	19,520	-	-	22,924	19,520
Conservation and development	50,828	64,197	-	-	50,828	64,197
Capital contribution to						
Milwaukee Public Schools	18,725	8,904	-	-	18,725	8,904
Contributions	20,378	22,499	-	-	20,378	22,499
Interest on long-term debt	29,908	26,981	-	-	29,908	26,981
Water	-	-	52,821	56,554	52,821	56,554
Sewer Maintenance	-	-	24,214	26,440	24,214	26,440
Parking	-	-	21,893	21,438	21,893	21,438
Port of Milwaukee	-	-	3,177	3,275	3,177	3,275
Metropolitan Sewerage District User Charges.	-	-	30,747	31,661	30,747	31,661
Total expenses	\$ 685,934	\$ 727,950	\$ 132,852	\$ 139,368	\$ 818,786	\$ 867,318
Increase in net assets before transfers	10,043	(23,196)	42,400	43,602	52,443	20,406
Transfers	11,151	18,073	(11,151)	(18,073)	-	-
Increase in net assets	\$ 21,194	\$ (5,123)	\$ 31,249	\$ 25,529	\$ 52,443	\$ 20,406
Net assets – Beginning, as Restated	409,691	430,885	546,473	577,722	956,164	1,008,607
Net assets – Ending	\$ 430,885	\$ 425,762	\$ 577,722	\$ 603,251	\$ 1,008,607	\$ 1,029,013

Governmental Activities

Revenues for the city's governmental activities were \$704.8 million, while total expenses were \$727.9 million.

**CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Chart 1
2003 Expenses and Program Revenues - Governmental Activities**

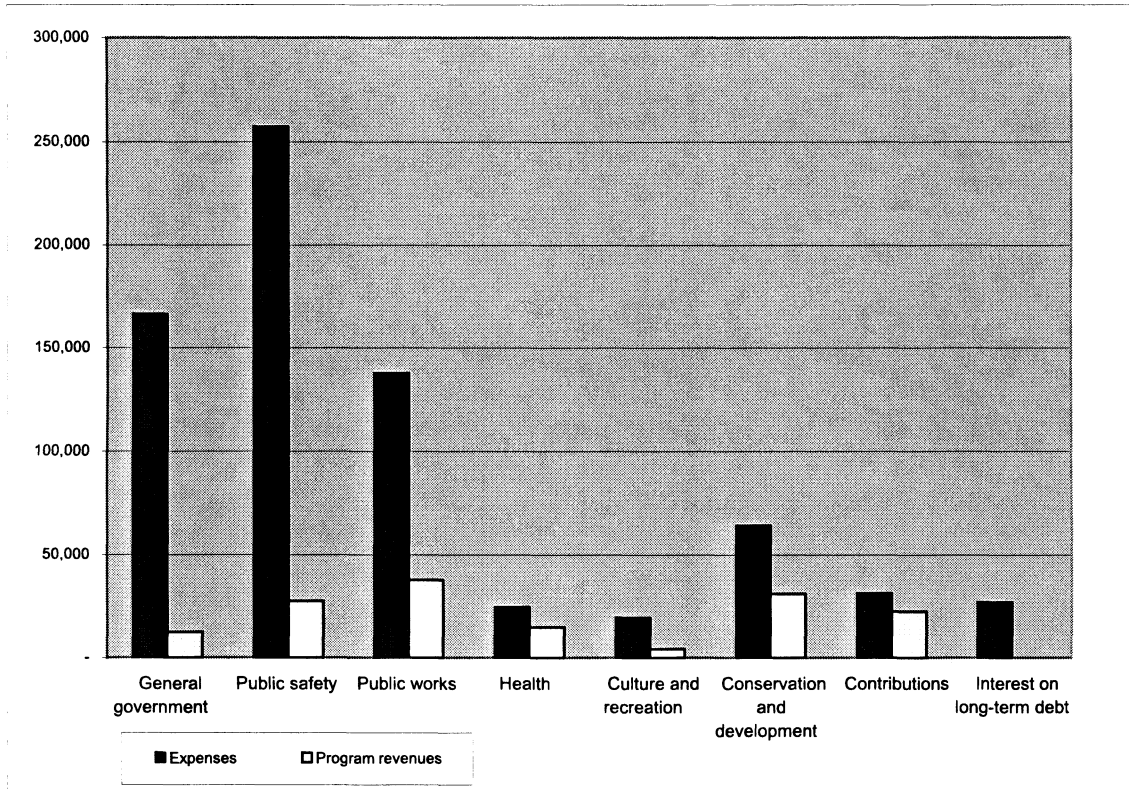


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee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

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Table 3
Governmental Activities
(Thousand of Dollars)

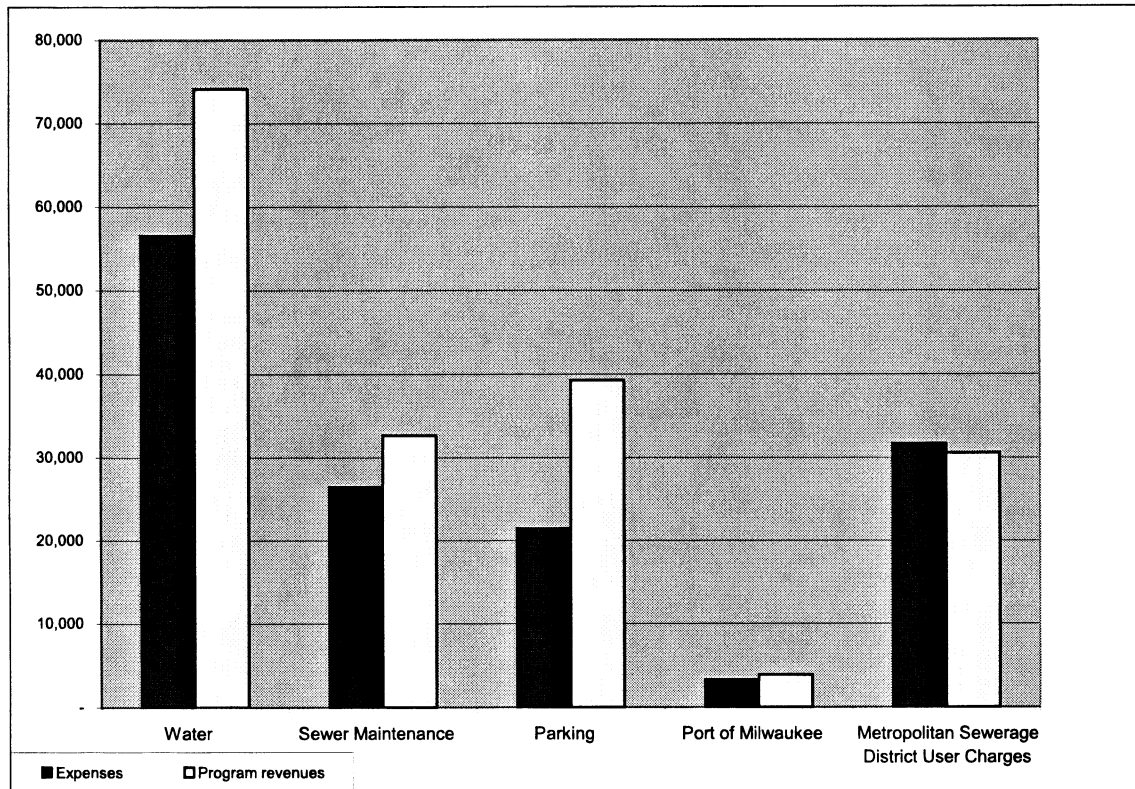
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2002	2003	2002	2003
General government	\$ 159,681	\$ 166,270	\$ 143,359	\$ 153,815
Public safety	229,167	257,207	204,833	229,741
Public works	132,198	137,693	96,626	99,862
Health	22,125	24,679	9,580	9,770
Culture and recreation	22,924	19,520	18,514	15,288
Conservation and development	50,828	64,197	18,152	33,229
Contributions	39,103	31,403	17,996	8,904
Interest on long-term debt	29,908	26,981	29,908	26,981
Total Governmental Activities	<u>\$ 685,934</u>	<u>\$ 727,950</u>	<u>\$ 538,968</u>	<u>\$ 577,590</u>

Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$54 million and operating income of \$19.8 million. The Sewer maintenance had operating expenses of \$18.5 million after generating expenses of \$14.1 million. The City parking facilities operating expenses during 2003 were \$20.4 million with a net operating revenue of \$17.2 million.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Chart 2
2003 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed the year, its governmental funds (as presented in the balance sheet on Exhibits A-1) reported a combined fund balance of \$214.2 million, a decrease of \$21 million or 9% over last year. A major contributor for this decrease is due to the decrease in the issuance of debt for capital purposes. Total debt issued for capital projects totaled \$66 million in 2003 compared to \$89 million in 2002. As a result, the capital projects associated with the Tax Incremental Districts incurred a fund deficit of \$14.7 million at year-end. The fund balance deficit of \$11.5 million for special assessment capital projects remained constant compared to \$12.4 million in 2004. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years.

All the General Fund Reserves increased 4.6% to \$90 million from \$86 million in 2002. Of this amount, \$16.9 will finance the 2004 budget, with \$34.3 will be available for 2005 and subsequent years' budgets.

**CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Revenues for governmental functions overall totaled \$706.1 million in the fiscal year ended December 31, 2003, which represents an increase of approximately 2.5% from the fiscal year ended December 31, 2002. Expenditures for governmental funds totaled \$833.1 million, an increase of 6%. In the aggregate, expenditures exceeded revenues by \$127 million, or approximately 18%. Other financing sources lessen the gap, but did not close it; leaving the total net change in fund balances with a decrease of \$21 million for the year. In comparison for the year 2002, the total net change in fund balances resulted in a positive \$22.7 million increase. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$4 million. Key factors contributing to this increase include a 3% increase in revenues, with a 5.8% increase in expenditures. An overall increase in other financing sources of 3.1%, including \$2 million in debt proceeds for financing significant refund payments due to reassessments of paid property taxes and for transfers from enterprise funds, resulted in the modest increase in fund balance of 4.6% over the prior year.

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

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

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2002	2003	% Change	Expenditures:	2002	2003	% Change
Property taxes	\$ 114,096	\$ 126,749	11.09%	General Government.....	\$ 179,023	\$ 187,047	4.48%
Other taxes	2,944	4,318	46.67%	Public Safety.....	211,163	240,261	13.78%
Licenses and permits	10,814	10,883	0.64%	Public Works.....	88,094	86,335	-2.00%
Intergovernmental	283,068	284,565	0.53%	Health.....	10,552	10,677	1.18%
Charges for services	57,749	55,714	-3.52%	Culture and recreation	18,791	17,165	-8.65%
				Conservation and development	7,857	3,833	-51.22%
Fines and forfeits	5,210	6,115	17.37%		-	-	
Contributions received	21,107	22,499	6.59%	Total Expenditures	\$ 515,480	\$ 545,318	5.79%
Other	8,706	7,814	-10.25%				
Total Revenues	\$ 503,694	\$ 518,657	2.97%	Other Financing Uses			
Other Financing Sources				Transfers out	\$ 3	\$ 77	2466.67%
Debt proceeds	\$ -	\$ 2,000	100.00%	Total Expenditures and other Financing Uses	\$ 515,483	\$ 545,395	5.80%
Capital lease	-	563	100.00%				
Transfers in	28,955	28,146	-2.79%				
Total Revenues and Other Financing Sources .	\$ 532,649	\$ 549,366	3.14%				
Excess of Revenues over Expenditures	\$ (11,786)	\$ (26,661)	126.21%				
Net Change in over Expenditures	\$ 17,166	\$ 3,971	-76.87%				

The General Obligation Debt Service Fund decreased its fund balance from \$40.5 million to \$35.4 million primarily due to a 12% decrease in revenues related to property taxes and other taxes. The Public Debt Amortization Fund showed a slight increase of 4.2% from \$73.5 million to \$76.6 million at year-end. While Other Revenues, consisting of interest on investments,

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

declined significantly from \$7.7 million in 2002 to only \$2.9 million in 2003, a significant transfer from other funds aided in the increase in the final year end fund balance for the fund.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction, repair of major capital facilities other than those financed by proprietary funds. At year end 2003 shows a deficit fund balance of \$2.5 million. The key factor contributing to this deficit is due primarily to the decrease in proceeds from debt issuances. In 2003, total debt proceeds amounted to \$66 million as compared to \$88.9 million in 2002, a 25.7% decrease. While revenues increased 21% from \$21.8 million to \$26.3 million, expenditures also increased from \$93.5 million to \$107.8 million or 15.3%. Major decreases in borrowing purposes included the completion of the new police station resulting in lower needs for debt financing as well as a significant decrease in the funding for tax incremental district infrastructures.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds was \$84.4. This was an increase from \$67.5 million at December 31, 2002 or 25%. This increase consists of \$4.8 million in the Water Works, \$6 million in the Sewer Maintenance, \$6.7 million in the Parking and a decrease of \$.6 million in the nonmajor enterprise funds.

Total enterprise funds revenues increased 3% from 2002 - \$172.9 million to \$178.5 million in 2003; total expenditures also increased to \$127.5 in 2003 from \$122.9 in 2002 or 3.7%.

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted two resolutions which increased the appropriations of the general fund due to greater than anticipated revenues. These increased budgets permitted departments to spend additional appropriations due to the increase in revenues related to the purpose being expended. \$1.275 million was received from third party workers' compensation claims, with one large insurance settlement received during 2003, \$.3 million was reimbursed to the Election Commission from the County of Milwaukee for the additional expenses incurred for administering and funding unanticipated recall elections during the year.

The original budget includes the adopted budget plus the encumbrances carried over from 2002 less the encumbrances carried over to 2004. The Final budget includes the original budget as defined plus appropriations authorized for carryover from 2002 by Common Council less those appropriations authorized for carryover to 2004. In addition certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section, Exhibit E-1, the General Fund original budget for expenditures was \$515.2 million with the final budget at \$530 million. This is an increase over the fiscal year 2002 with original budget at \$509.9 million and final budget at \$505.2 million. The resulted increase was 1% and 4.9% for the original and final budgets, respectively.

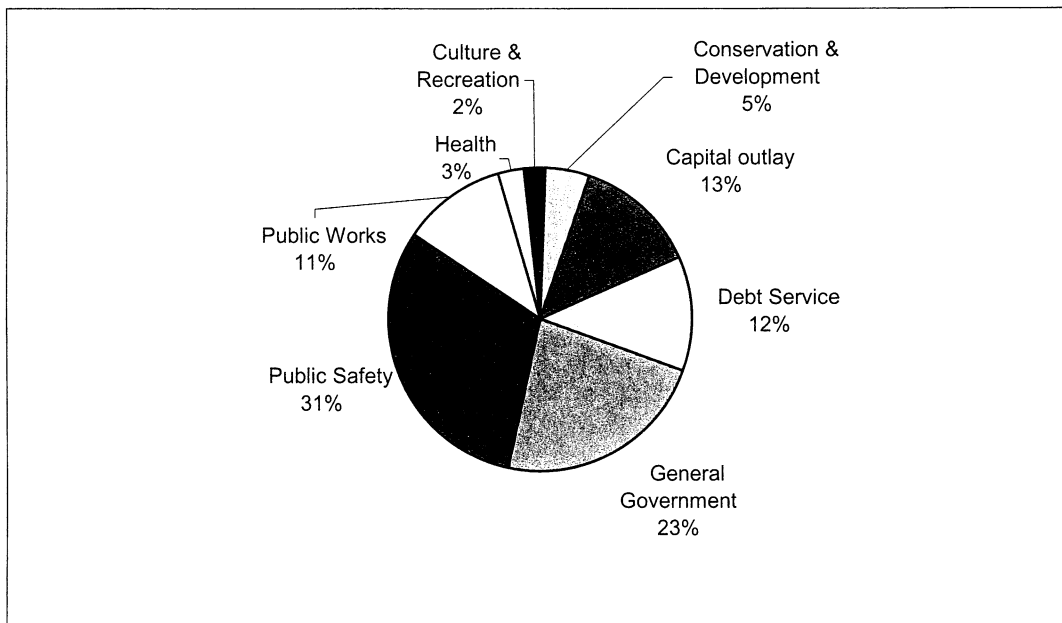
For the fiscal year ended December 31, 2003, the General Fund had a positive variance of \$7.6 million in revenues over estimated revenues and a positive variance of \$7.1 million in unexpended budget. Total revenue sources from licenses and permits, intergovernmental, charges for services, fines and forfeits, and other revenue type sources remained constant compared to the prior year. Investment earnings dropped sharply (27.8%) relative to fiscal year 2002 due to continued low interest rates. Major increases in property tax collections and payments in lieu of taxes contributed to overall increase in total General Fund revenue for 2003. In mid year 2003, these revenue factors were evaluated together with projections of anticipated cuts in state funding. Measures were taken to decrease spending. City management reduced general fund operating expenses by approximately \$2 million from budgeted levels in order to improve the City's position at the end of the fiscal year. And, as a result, it provided an improved Reserved for Tax Stabilization fund balance available for the fiscal year 2004 and subsequent years' budgets. The operating expenditures of the General Fund were \$7.1 million less than budgeted. \$2.4 million is savings from public works departments primarily due to reduced snow plowing operations from a very mild winter. \$2.0 million came from various departments in a management directive to reduce spending. \$1.1 million of fringe benefit cost offsets and minor savings from all other General Fund departments were derived in the aggregate for \$1.6 million.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

Due to wage settlements and a management decision to incur significant police overtime, the Police Department's budget was overdrawn approximately \$2 million by year end. This appropriation short-fall will be funded by short-term promissory notes to be issued in Spring of 2004. These debt proceeds are reflected as other financing sources for budgetary purposes, but, for accounting purposes are not.

The City's General Fund's beginning fund balance of \$86.0 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$9.3 million. For budgetary purposes, this withdrawal is reflected as other financing sources, whereas for accounting purposes it is reflected as part of the fund balance.

Chart 3
2003 City Spending by Function - Governmental Funds



Proprietary Funds

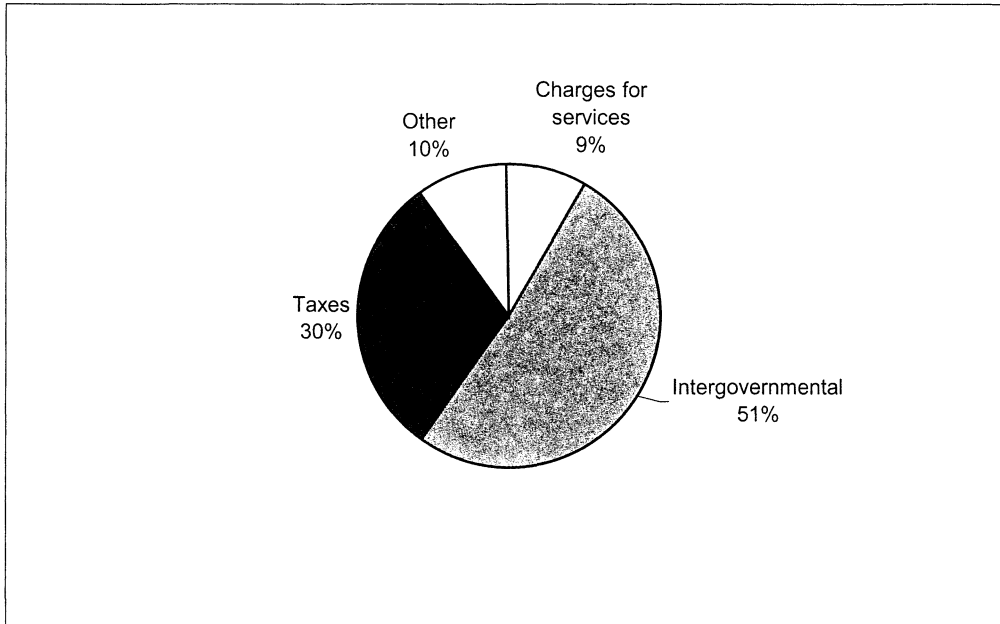
The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown discretely on the fund statements.

Unrestricted net assets for the Water Works were \$51.3 million, \$14 million for the Sewer Maintenance Fund and \$17.7 million for the Parking Fund.

The total growth in net assets for proprietary funds was \$25.5 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

Chart 4
2003 Revenues by Source - Governmental Funds



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2003, the City had \$1,475 million invested in a broad range of capital assets, including police and fire equipment, buildings, parking facilities, roads, bridges and water and sewer lines. See table 5 below.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

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

	Governmental Activities		Business-type		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Capital assets not being depreciated:						
Land	\$ 162,342	\$ 163,536	\$ 19,280	\$ 18,794	\$ 181,622	\$ 182,330
Construction in progress	65,964	69,556	29,334	37,219	95,298	106,775
Capital assets being depreciated:.....						
Buildings	117,725	123,160	81,164	81,137	198,889	204,297
Infrastructure	1,221,772	1,244,214	533,407	552,259	1,755,179	1,796,473
Improvements other than buildings	8,199	8,720	23,010	24,484	31,209	33,204
Machinery and equipment	97,384	112,704	195,411	199,476	292,795	312,180
Furniture and furnishings	-	-	53	74	53	74
Nonutility property	-	-	540	540	540	540
Accumulated depreciation	(845,672)	(881,524)	(262,558)	(279,805)	(1,108,230)	(1,161,329)
Total	\$ 827,714	\$ 840,366	\$ 619,641	\$ 634,178	\$ 1,447,355	\$ 1,474,544

Debt

At year-end, the City had \$660.1 million in general obligation bonds and notes, .5 million in capital lease payable, and \$76.5 million in revenue bonds outstanding as itemized in Table 6.

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

	Governmental Activities		Business-type		Total Primary Government	
	2002	2003	2002	2003	2002	2003
General obligation bonds (backed by the City)	\$ 591,155	\$ 598,275	\$ 68,394	\$ 61,807	\$ 659,549	\$ 660,082
Capital lease payable	-	523	-	-	-	523
Revenue bonds (backed by specific fee revenues)	-	-	44,426	76,528	44,426	76,528
Total	\$ 591,155	\$ 598,798	\$ 112,820	\$ 138,335	\$ 703,975	\$ 737,133

New debt (excluding refunding bonds) issued for general obligation bonds and notes was \$81.9 million. In addition, to improve cash flow and to take advantage of lower interest rates, the city management refinanced general obligation debt by issuing \$17.335 million of refunding bonds. By refinancing the debt, the City will save \$.9 million in principal and interest over the next 12 years.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's August 2003 general obligation bonds issue.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

The city's general obligation debt per capita, excluding enterprise fund debt, was \$931.07 at the end of 2003, a 2.3% increase from the prior year. As of December 31, 2003, the City's outstanding net general obligation debt was 2.55% of the City's equalized property value. The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 57% of this limit. For the thirteenth year, the City issued general obligation notes to purchase a portion of General Fund delinquent taxes in the amount of \$13.8 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2004 adopted budget for the General Fund is \$567 million an increase of less 2% over the 2003 budget of \$557 million. The original budget includes the adopted budget plus the encumbrances carried over from 2003 less the encumbrances carried over to 2005. Property taxes levied in 2003 for 2004 city purposes decreased 42 cents per thousand dollars of assessed valuation to a rate of \$9.73. There were no increases in the major fees or parking meter rates. The tax stabilization reserve remained at 5% of general operating expenditures even with the major loss of some shared revenues from the State of \$9.7 million. The City has managed to freeze the levy with some responsible cost reductions. Through negotiations with unions incentives were created for employees to choose lower cost health plans instead of the expensive fee-for-service plans. Between 1988 and 2003, 750 positions were cut from the city's government. The 2004 budget includes cuts of an additional 351 positions. After these cuts are implemented, the city workforce will be 11% smaller than in 1988. Citizens may notice some changes in how city services are delivered.

The City's population is beginning to show a minor but continual decline since 1999. The following table depicts this change over the last five years and represents a 2% decrease from 1999 to 2003.

1999	608,150
2000	605,572
2001	595,508
2002	595,958
2003	595,245

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
 December 31, 2003
 (Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 242,548	\$ 64,608	\$ 307,156	\$ 66,127
Investments	64,540	15,000	79,540	1,844
Receivables (net):				
Taxes	156,322	238	156,560	-
Accounts	18,345	26,183	44,528	2,065
Unbilled accounts	1,110	14,315	15,425	-
Special assessments	13,711	-	13,711	-
Notes and loans	47,282	-	47,282	70,493
Accrued interest	423	52	475	507
Due from component units	22,522	-	22,522	-
Due from primary government	-	-	-	1,381
Due from other governmental agencies	166,677	-	166,677	13,767
Inventory of materials and supplies	5,417	2,585	8,002	-
Inventory of property for resale	26	-	26	16,024
Prepaid items	737	10	747	2,865
Deferred charges	1,737	721	2,458	163
Other assets	-	176	176	2
Total non-capital assets	\$ 741,397	\$ 123,888	\$ 865,285	\$ 175,238
Capital assets:				
Capital assets not being depreciated:				
Land	163,536	18,794	182,330	55,991
Construction in progress	69,556	37,219	106,775	20,202
Capital assets being depreciated:				
Buildings	123,160	81,137	204,297	327,336
Infrastructure	1,244,214	552,259	1,796,473	-
Improvements other than buildings	8,720	24,484	33,204	204
Machinery and equipment	112,704	199,476	312,180	3,542
Furniture and furnishings	-	74	74	-
Nonutility property	-	540	540	-
Accumulated depreciation	(881,524)	(279,805)	(1,161,329)	(165,299)
Total Capital Assets	\$ 840,366	\$ 634,178	\$ 1,474,544	\$ 241,976
Total Assets	\$ 1,581,763	\$ 758,066	\$ 2,339,829	\$ 417,214

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
 December 31, 2003
 (Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 36,271	\$ 12,185	\$ 48,456	\$ 12,785
Accrued expenses	21,325	2,460	23,785	2,382
Internal balances	3,347	(3,347)	-	-
Due to component units	1,381	-	1,381	-
Due to other governmental agencies	6,180	-	6,180	3,322
Deferred revenue	247,438	557	247,995	11,402
Revenue anticipation notes payable	150,000	-	150,000	-
Other payables	-	-	-	-
Accrued interest payable	7,677	-	7,677	-
Other liabilities	-	-	-	8,592
Due to primary government:				
Due within one year	-	-	-	4,157
Due in more than one year	-	-	-	18,365
Long-term obligations:				
Due within on year	79,590	11,144	90,734	1,364
Due in more than one year	<u>602,792</u>	<u>131,816</u>	<u>734,608</u>	<u>50,793</u>
 Total Liabilities	 <u>\$ 1,156,001</u>	 <u>\$ 154,815</u>	 <u>\$ 1,310,816</u>	 <u>\$ 113,162</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 420,357	\$ 518,861	\$ 939,218	\$ 201,068
Restricted for:				
Debt Service	104,324	-	104,324	-
Other purposes	276	-	276	43,124
Unrestricted	<u>(99,195)</u>	<u>84,390</u>	<u>(14,805)</u>	<u>59,860</u>
 Total Net Assets	 <u>\$ 425,762</u>	 <u>\$ 603,251</u>	 <u>\$ 1,029,013</u>	 <u>\$ 304,052</u>

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

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 166,270	\$ 10,822	\$ 1,633	\$ -
Public safety	257,207	8,348	19,118	-
Public works	137,693	32,777	5,054	-
Health	24,679	890	14,019	-
Culture and recreation	19,520	2,366	1,866	-
Conservation and development	64,197	511	30,457	-
Capital contribution to Milwaukee Public				
Schools	8,904	-	-	-
Contributions	22,499	-	22,499	-
Interest on long-term debt	26,981	-	-	-
Total Governmental Activities	<u>\$ 727,950</u>	<u>\$ 55,714</u>	<u>\$ 94,646</u>	<u>\$ -</u>
Business-type Activities:				
Water	\$ 56,554	\$ 74,136	\$ -	\$ 2,053
Sewer Maintenance	26,440	32,657	-	-
Parking	21,438	39,279	-	-
Port of Milwaukee	3,275	3,840	-	-
Metropolitan Sewerage District				
User Charges	31,661	30,523	-	-
Total Business-type Activities	<u>\$ 139,368</u>	<u>\$ 180,435</u>	<u>\$ -</u>	<u>\$ 2,053</u>
Total Primary Government	<u>\$ 867,318</u>	<u>\$ 236,149</u>	<u>\$ 94,646</u>	<u>\$ 2,053</u>
Component units:				
Housing Authority	\$ 79,039	\$ 17,264	\$ 42,844	\$ 10,916
Redevelopment Authority	11,052	2,112	3,710	-
Milwaukee Economic Development Authority	3,871	1,820	537	-
Neighborhood Improvement Development Corporation	9,190	1,837	5,404	-
Total Component Units	<u>\$ 103,152</u>	<u>\$ 23,033</u>	<u>\$ 52,495</u>	<u>\$ 10,916</u>
General revenues:				
Property taxes and other taxes				
State aids for General Fund				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning as Restated				
Net Assets - Ending				

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

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (153,815)		\$ (153,815)	
(229,741)		(229,741)	
(99,862)		(99,862)	
(9,770)		(9,770)	-
(15,288)		(15,288)	
(33,229)		(33,229)	
(8,904)		(8,904)	
-		-	
<u>(26,981)</u>		<u>(26,981)</u>	
<u>\$ (577,590)</u>		<u>\$ (577,590)</u>	
\$ -	\$ 19,635	\$ 19,635	
-	6,217	6,217	
-	17,841	17,841	
-	565	565	
-			
-	<u>(1,138)</u>	<u>(1,138)</u>	
<u>\$ -</u>	<u>\$ 43,120</u>	<u>\$ 43,120</u>	
<u>\$ (577,590)</u>	<u>\$ 43,120</u>	<u>\$ (534,470)</u>	
			\$ (8,015)
			(5,230)
			(1,514)
			<u>(1,949)</u>
			<u>\$ (16,708)</u>
\$ 213,014	\$ -	\$ 213,014	\$ -
284,565	-	284,565	-
-	-	-	-
56,815	482	57,297	2,307
18,073	<u>(18,073)</u>	<u>-</u>	<u>-</u>
<u>\$ 572,467</u>	<u>\$ (17,591)</u>	<u>\$ 554,876</u>	<u>\$ 2,307</u>
\$ (5,123)	\$ 25,529	\$ 20,406	\$ (14,401)
<u>430,885</u>	<u>577,722</u>	<u>1,008,607</u>	<u>318,453</u>
<u>\$ 425,762</u>	<u>\$ 603,251</u>	<u>\$ 1,029,013</u>	<u>\$ 304,052</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 114,921
Investments	276
Receivables (net):	
Taxes	100,593
Accounts	13,469
Unbilled accounts	1,110
Special assessments	-
Notes and loans	390
Accrued interest	305
Due from other funds	21,471
Due from component units	4,423
Due from other governmental agencies	354
Advances to other funds	12,536
Inventory of materials and supplies	5,164
Inventory of property for resale	26
Prepaid items	737
Total Assets	<u>\$ 275,775</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 24,085
Accrued expenses	21,325
Due to other funds	589
Due to component units	-
Due to other governmental agencies	7
Deferred revenue	139,788
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>\$ 185,794</u>
Fund Balances:	
Reserved for debt service	\$ -
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	33,000
Reserved for inventory	5,190
Reserved for mortgage trust	276
Reserved for environmental remediation	303
Reserved for tax stabilization - 2004	16,870
Reserved for tax stabilization - 2005 and subsequent years' budgets and advances to other funds	34,342
Unreserved:	
Special assessment (deficit)	-
Total Fund Balances	<u>\$ 89,981</u>
Total Liabilities and Fund Balances	<u>\$ 275,775</u>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 70,978	\$ 12,326	\$ 29,450	\$ 14,873	\$ 242,548
-	64,264	-	-	64,540
40,399	-	7,180	8,150	156,322
-	-	2,480	2,396	18,345
-	-	-	-	1,110
-	-	13,711	-	13,711
40,027	-	-	6,865	47,282
71	46	-	1	423
-	-	-	-	21,471
18,099	-	-	-	22,522
150,000	-	5,263	11,060	166,677
-	-	-	-	12,536
-	-	253	-	5,417
-	-	-	-	26
-	-	-	-	737
\$ 319,574	\$ 76,636	\$ 58,337	\$ 43,345	\$ 773,667
\$ -	\$ -	\$ 4,761	\$ 7,425	\$ 36,271
-	-	-	-	21,325
8,140	-	11,468	4,621	24,818
-	-	-	1,381	1,381
-	-	5,333	840	6,180
126,069	-	26,763	14,315	306,935
150,000	-	-	-	150,000
-	-	12,536	-	12,536
\$ 284,209	\$ -	\$ 60,861	\$ 28,582	\$ 559,446
\$ 35,365	\$ 76,636	\$ -	\$ 8,695	\$ 120,696
-	-	-	6,064	6,064
-	-	-	4	4
-	-	8,691	-	41,691
-	-	253	-	5,443
-	-	-	-	276
-	-	-	-	303
-	-	-	-	16,870
-	-	-	-	34,342
-	-	(11,468)	-	(11,468)
\$ 35,365	\$ 76,636	\$ (2,524)	\$ 14,763	\$ 214,221
\$ 319,574	\$ 76,636	\$ 58,337	\$ 43,345	\$ 773,667

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 214,221

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	163,536	
Buildings, net of \$59,714 accumulated depreciation		63,446	
Infrastructure, net of \$740,193 accumulated depreciation		504,021	
Improvements Other than buildings, net of \$6,541 accumulated depreciation		2,179	
Machinery and equipment, net of \$75,076 accumulated depreciation		37,628	
Construction in progress		<u>69,556</u>	
			840,366

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 1,737

Some revenues are deferred in the funds because they are not available to pay current period's expenditures.

Taxes to be collected after year end	\$	6,847	
Special assessments to be collected after year end		12,623	
Notes and loans receivable to repay long-term bonds and notes		<u>40,027</u>	
			59,497

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Also, during the year, the City refunded some of its existing debt with a current refunding. The payment of the refunded bonds consisted of the proceeds of the new debt \$16,562 plus a premium of \$1,265 less issuance costs of \$92 to retire \$17,647 of old debt. The premium and issuance costs will be amortized as an adjustment to interest expense over the life of the new bonds.

Accrued interest payable	\$	(7,677)	
Bonds and Notes Payable		(598,275)	
Deferred amount on refunding		9,902	
Unamortized premiums		(21,912)	
Compensated absences		(37,770)	
Claims and judgments		(33,804)	
Capitalized lease		<u>(523)</u>	
			(690,059)

Total net assets of governmental activities (Exhibit 1) \$ 425,762

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

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 126,749
Other taxes	4,318
Special assessments	-
Licenses and permits	10,883
Intergovernmental	284,565
Charges for services	55,714
Fines and forfeits	6,115
Contributions received	22,499
Other	7,814
Total Revenues	<u>\$ 518,657</u>
Expenditures:	
Current:	
General government	\$ 187,047
Public safety	240,261
Public works	86,335
Health	10,677
Culture and recreation	17,165
Conservation and development	3,833
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>\$ 545,318</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ (26,661)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	\$ 2,000
Refunding bonds issued	-
Payment of refunded bonds	-
Issuance premium	-
Capital lease	563
Transfers in	28,146
Transfers out	(77)
Total Other Financing Sources and Uses	<u>\$ 30,632</u>
Net Change in Fund Balances	\$ 3,971
Fund Balances - Beginning	<u>86,010</u>
Fund Balances - Ending	<u>\$ 89,981</u>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 54,762	\$ -	\$ 11,414	\$ 4,574	\$ 197,499
10,664	1,354	-	-	16,336
-	-	4,482	-	4,482
-	-	-	-	10,883
775	-	5,143	72,295	362,778
5,764	-	-	-	61,478
-	-	-	-	6,115
-	-	-	-	22,499
2,084	2,957	5,290	5,895	24,040
<u>\$ 74,049</u>	<u>\$ 4,311</u>	<u>\$ 26,329</u>	<u>\$ 82,764</u>	<u>\$ 706,110</u>
\$ -	\$ 3	\$ -	\$ 2,739	\$ 189,789
-	-	-	19,118	259,379
-	-	-	5,071	91,406
-	-	-	14,019	24,696
-	-	-	1,866	19,031
-	-	-	34,686	38,519
-	-	107,829	-	107,829
67,111	6,585	-	-	73,696
28,250	-	-	-	28,250
542	-	-	-	542
<u>\$ 95,903</u>	<u>\$ 6,588</u>	<u>\$ 107,829</u>	<u>\$ 77,499</u>	<u>\$ 833,137</u>
<u>\$ (21,854)</u>	<u>\$ (2,277)</u>	<u>\$ (81,500)</u>	<u>\$ 5,265</u>	<u>\$ (127,027)</u>
\$ -	\$ -	\$ 66,046	\$ 13,855	\$ 81,901
16,563	-	-	-	16,563
(17,648)	-	-	-	(17,648)
6,589	-	-	-	6,589
-	-	-	-	563
16,042	6,080	50	-	50,318
(4,793)	(700)	(8,733)	(17,942)	(32,245)
<u>\$ 16,753</u>	<u>\$ 5,380</u>	<u>\$ 57,363</u>	<u>\$ (4,087)</u>	<u>\$ 106,041</u>
\$ (5,101)	\$ 3,103	\$ (24,137)	\$ 1,178	\$ (20,986)
40,466	73,533	21,613	13,585	235,207
<u>\$ 35,365</u>	<u>\$ 76,636</u>	<u>\$ (2,524)</u>	<u>\$ 14,763</u>	<u>\$ 214,221</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ (20,986)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$56,173) exceeded depreciation expense (\$42,386) in the current period less loss on disposals (\$1,135) 12,652

Notes and loans receivable to repay long-term bonds and notes 16,578

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.

Taxes accrued in prior years	\$ (821)	
Special assessments deferred revenue beginning of the year \$12,023 less deferred at end of the year \$12,623	600	
		(221)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
Bonds and notes issued	\$ (81,901)	
Refunding bonds issued	(16,563)	
Issuance premiums	(6,589)	
Capital leases issued	(563)	
Repayments:		
Payment of refunding bonds	17,648	
Principal retirement	73,696	
Bond issuance costs	758	
Capital lease current payment	40	
Amortization:		
Issuance costs	(269)	
Premiums	3,453	
Deferred amount on refunding	(1,690)	
		(11,980)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.

Compensated absences	\$ (911)	
Claims and judgments	239	
Accrued interest on bonds and notes	(494)	
		(1,166)

Changes in net assets of governmental activities (Exhibit 2) **\$ (5,123)**

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

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 11,931	\$ 5,052	\$ 19,399	\$ 1,897	\$ 38,279
Investments	15,000	-	-	-	15,000
Receivables (net):					
Taxes	-	-	-	238	238
Accounts	10,779	7,894	-	7,510	26,183
Unbilled accounts	9,882	2,485	-	1,948	14,315
Accrued interest	32	20	-	-	52
Due from other funds	7,456	852	-	712	9,020
Inventory of materials and supplies	2,585	-	-	-	2,585
Prepaid items	10	-	-	-	10
Deferred charges	-	721	-	-	721
Other assets	176	-	-	-	176
Total Current Assets	<u>\$ 57,851</u>	<u>\$ 17,024</u>	<u>\$ 19,399</u>	<u>\$ 12,305</u>	<u>\$ 106,579</u>
Noncurrent assets:					
Restricted cash and cash equivalents	\$ -	\$ 26,329	\$ -	\$ -	\$ 26,329
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,946	8,280	18,794
Construction in progress	16,440	20,580	161	38	37,219
Capital assets being depreciated:					
Buildings	22,362	-	49,076	9,699	81,137
Infrastructure	266,638	285,621	-	-	552,259
Improvements other than buildings	-	-	5,657	18,827	24,484
Machinery and equipment	192,359	1,467	785	4,865	199,476
Furniture and furnishings	-	22	-	52	74
Nonutility property	540	-	-	-	540
Accumulated depreciation	<u>(147,875)</u>	<u>(88,514)</u>	<u>(21,204)</u>	<u>(22,212)</u>	<u>(279,805)</u>
Total Noncurrent Assets	<u>\$ 352,032</u>	<u>\$ 245,505</u>	<u>\$ 43,421</u>	<u>\$ 19,549</u>	<u>\$ 660,507</u>
Total Assets	<u>\$ 409,883</u>	<u>\$ 262,529</u>	<u>\$ 62,820</u>	<u>\$ 31,854</u>	<u>\$ 767,086</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 2,306	\$ 2,491	\$ 828	\$ 6,560	\$ 12,185
Accrued expenses	1,519	493	330	118	2,460
Compensated absences	921	-	-	-	921
Due to other funds	1,732	-	-	3,941	5,673
Deferred revenue	-	-	111	446	557
General obligation debt payable - current	5,008	-	3,622	339	8,969
Revenue bonds payable - current	803	-	-	-	803
Total Current Liabilities	<u>\$ 12,289</u>	<u>\$ 2,984</u>	<u>\$ 4,891</u>	<u>\$ 11,404</u>	<u>\$ 31,568</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	\$ -	\$ 1,035	\$ -	\$ -	\$ 1,035
Accrued interest payable	-	237	-	-	237
Total Current Liabilities Payable from Restricted Assets	<u>\$ -</u>	<u>\$ 1,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,272</u>
Noncurrent Liabilities:					
General obligation debt	\$ 33,177	\$ -	\$ 16,101	\$ 4,054	\$ 53,332
Revenue bonds payable	13,745	63,918	-	-	77,663
Total Noncurrent Liabilities	<u>\$ 46,922</u>	<u>\$ 63,918</u>	<u>\$ 16,101</u>	<u>\$ 4,054</u>	<u>\$ 130,995</u>
Total Liabilities	<u>\$ 59,211</u>	<u>\$ 68,174</u>	<u>\$ 20,992</u>	<u>\$ 15,458</u>	<u>\$ 163,835</u>
Net Assets:					
Invested in capital assets, net of related debt	\$ 299,299	\$ 180,315	\$ 24,084	\$ 15,163	\$ 518,861
Unrestricted	<u>51,373</u>	<u>14,040</u>	<u>17,744</u>	<u>1,233</u>	<u>84,390</u>
Total Net Assets	<u>\$ 350,672</u>	<u>\$ 194,355</u>	<u>\$ 41,828</u>	<u>\$ 16,396</u>	<u>\$ 603,251</u>

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

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 60,342	\$ -	\$ -	\$ -	\$ 60,342
Statutory sewer user fee	-	-	-	28,578	28,578
Sewer maintenance fee	-	32,592	-	-	32,592
Rent	-	-	6,937	3,839	10,776
Fire protection service	5,847	-	-	-	5,847
Parking meters	-	-	4,130	-	4,130
Parking permits	-	-	2,631	-	2,631
Vehicle towing	-	-	3,802	-	3,802
Parking forfeitures	-	-	20,149	-	20,149
Other	7,625	65	-	1,945	9,635
Total Operating Revenues	\$ 73,814	\$ 32,657	\$ 37,649	\$ 34,362	\$ 178,482
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ...	\$ -	\$ -	\$ -	\$ 26,475	\$ 26,475
Employee services	-	6,413	5,735	1,396	13,544
Administrative and general	4,484	-	-	40	4,524
Depreciation	11,929	3,809	2,221	717	18,676
Transmission and distribution	19,723	-	-	3,422	23,145
Services, supplies and materials	-	8,309	12,458	936	21,703
Water treatment	9,907	-	-	-	9,907
Water pumping	5,764	-	-	-	5,764
Billing and collection	2,194	-	-	1,613	3,807
Total Operating Expenses	\$ 54,001	\$ 18,531	\$ 20,414	\$ 34,599	\$ 127,545
Operating Income (Loss)	\$ 19,813	\$ 14,126	\$ 17,235	\$ (237)	\$ 50,937
Nonoperating Revenues (Expenses):					
Investment income	\$ 347	\$ 135	\$ -	\$ -	\$ 482
Interest expense	(2,553)	(1,944)	(1,024)	(158)	(5,679)
Gain (loss) on disposal of fixed assets	-	(1,755)	479	1	(1,275)
Other	322	(4,210)	1,151	-	(2,737)
Total Nonoperating Revenues (Expenses)	\$ (1,884)	\$ (7,774)	\$ 606	\$ (157)	\$ (9,209)
Income (Loss) before Contributions and Transfers..	\$ 17,929	\$ 6,352	\$ 17,841	\$ (394)	\$ 41,728
Capital contributions	\$ 2,053	\$ -	\$ -	\$ (179)	\$ 1,874
Transfers in	-	-	-	1,249	1,249
Transfers out	(7,724)	-	(9,903)	(1,695)	(19,322)
Change in Net Assets	\$ 12,258	\$ 6,352	\$ 7,938	\$ (1,019)	\$ 25,529
Total Net Assets - Beginning	338,414	188,003	33,890	17,415	577,722
Total Net Assets - Ending	\$ 350,672	\$ 194,355	\$ 41,828	\$ 16,396	\$ 603,251

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

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 73,968	\$ 31,656	\$ 37,657	\$ 34,197	\$ 177,478
Cash receipts from other funds	3,656	-	-	-	3,656
Other operating cash receipts	-	65	-	-	65
Payments to suppliers	(16,070)	(7,408)	(12,404)	(31,922)	(67,804)
Payments to employees	(20,970)	(6,640)	(5,853)	(1,418)	(34,881)
Payments to other funds	(4,150)	-	-	1,016	(3,134)
Other payments	-	-	1	-	1
 Net Cash Provided by Operating Activities	 <u>\$ 36,434</u>	 <u>\$ 17,673</u>	 <u>\$ 19,401</u>	 <u>\$ 1,873</u>	 <u>\$ 75,381</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to other funds	\$ (7,724)	\$ -	\$ (9,903)	\$ (1,667)	\$ (19,294)
Other nonoperating expense	-	(4,086)	-	-	(4,086)
 Net Cash Used for Noncapital Financing Activities	 <u>\$ (7,724)</u>	 <u>\$ (4,086)</u>	 <u>\$ (9,903)</u>	 <u>\$ (1,667)</u>	 <u>\$ (23,380)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	\$ 2,053	\$ -	\$ -	\$ 472	\$ 2,525
Proceeds from sale of bonds and notes	-	-	1,472	1,477	2,949
Proceeds from sale of revenue bonds	-	36,306	-	-	36,306
Bond issuance costs	-	(435)	-	-	(435)
Acquisition of property, plant and equipment	(13,999)	(19,566)	(649)	(1,302)	(35,516)
Retirement of bonds, notes and revenue bonds	(5,462)	(1,000)	(4,426)	(430)	(11,318)
Interest paid	(2,363)	(1,936)	(1,001)	(156)	(5,456)
Transfers from other funds	-	-	-	700	700
Transfers to other funds	-	-	-	156	156
Repairs and restorations	-	-	-	(179)	(179)
Other	-	-	2,163	-	2,163
 Net Cash Provided by (Used for) Capital and Related Financing Activities	 <u>\$ (19,771)</u>	 <u>\$ 13,369</u>	 <u>\$ (2,441)</u>	 <u>\$ 738</u>	 <u>\$ (8,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	\$ 350	\$ 122	\$ -	\$ -	\$ 472
Purchase of investments	(15,000)	-	-	-	(15,000)
 Net Cash Provided by (Used for) Investing Activities	 <u>\$ (14,650)</u>	 <u>\$ 122</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (14,528)</u>
 Net Increase (Decrease in Cash and Cash Equivalents	 <u>\$ (5,711)</u>	 <u>\$ 27,078</u>	 <u>\$ 7,057</u>	 <u>\$ 944</u>	 <u>\$ 29,368</u>
Cash and Cash Equivalents - Beginning	<u>17,642</u>	<u>4,303</u>	<u>12,342</u>	<u>953</u>	<u>35,240</u>
 Cash and Cash Equivalents - Ending	 <u>\$ 11,931</u>	 <u>\$ 31,381</u>	 <u>\$ 19,399</u>	 <u>\$ 1,897</u>	 <u>\$ 64,608</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash	\$ 11,931	\$ 5,052	\$ 19,399	\$ 1,897	\$ 38,279
Restricted Cash	<u>-</u>	<u>26,329</u>	<u>-</u>	<u>-</u>	<u>26,329</u>
	<u>\$ 11,931</u>	<u>\$ 31,381</u>	<u>\$ 19,399</u>	<u>\$ 1,897</u>	<u>\$ 64,608</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 19,813	\$ 14,126	\$ 17,235	\$ (237)	\$ 50,937
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	11,929	3,809	2,221	717	18,676
Changes in assets and liabilities:					
Receivables	(334)	(575)	-	(210)	(1,119)
Due from other funds	-	(360)	-	(164)	(524)
Inventories	(322)	-	-	-	(322)
Prepaid items	(10)	-	-	-	(10)
Deferred charges	14	-	1	-	15
Other assets	122	-	-	-	122
Accounts payable	1,511	901	54	563	3,029
Accrued liabilities	(253)	(229)	(118)	(22)	(622)
Due to other funds	3,642	-	-	1,180	4,822
Deferred revenue	<u>322</u>	<u>-</u>	<u>8</u>	<u>46</u>	<u>376</u>
Net Cash Provided by Operating Activities	<u>\$ 36,434</u>	<u>\$ 17,672</u>	<u>\$ 19,401</u>	<u>\$ 1,873</u>	<u>\$ 75,380</u>

Non-cash Activities:

During the year, the city disposed of parking assets of \$484 Thousand net book value.

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$2.053 million.

During the year, the Sewer Maintenance Fund donated or disposed of fixed assets with a net value of \$2,075.

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

CITY OF MILWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 117	\$ 1,983	\$ 244,787
Investments	-	5,058	-
Receivables (net):			
Taxes	-	-	-
Notes and loans	-	-	-
Restricted Assets:			
Investments	<u>417,930</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 418,047</u>	<u>\$ 7,041</u>	<u>\$ 244,787</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ -	\$ 14	\$ 1,617
Due to other governmental agencies	<u>-</u>	<u>-</u>	<u>243,170</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 244,787</u>
Net Assets			
Employees' pension benefits and other purposes	<u>\$ 418,047</u>	<u>\$ 7,027</u>	

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

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 29,992	\$ -
Employer	288	-
Private donations	-	1,286
Total Contributions	<u>\$ 30,280</u>	<u>\$ 1,286</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest	<u>\$ 68,654</u>	<u>\$ 153</u>
Total Additions	<u>\$ 98,934</u>	<u>\$ 1,439</u>
Deductions		
Benefits	\$ 21,333	\$ -
Fees remitted from Trust	-	1,224
Other	-	1,260
Administrative expenses	159	-
Total Deductions	<u>\$ 21,492</u>	<u>\$ 2,484</u>
Change in Net Assets	<u>\$ 77,442</u>	<u>\$ (1,045)</u>
Net Assets - Beginning	<u>340,605</u>	<u>8,072</u>
Net Assets - Ending	<u>\$ 418,047</u>	<u>\$ 7,027</u>

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

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
 DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 21,024	\$ 26,430	\$ 15,488	\$ 3,185	\$ 66,127
Investments	558	-	986	300	1,844
Receivables (net):					
Accounts	367	1,417	73	208	2,065
Notes and loans	7,888	18,823	31,205	12,577	70,493
Accrued interest	-	166	184	157	507
Due from primary government	-	-	-	1,381	1,381
Due from other governmental agencies	10,445	-	3,322	-	13,767
Inventory of property for resale	-	13,165	1,035	1,824	16,024
Prepaid items	2,865	-	-	-	2,865
Deferred charges	9	154	-	-	163
Other assets	-	-	-	2	2
Total Noncapital Assets	<u>\$ 43,156</u>	<u>\$ 60,155</u>	<u>\$ 52,293</u>	<u>\$ 19,634</u>	<u>\$ 175,238</u>
Capital assets:					
Capital assets not being depreciated:					
Land	\$ 47,088	\$ 9,107	\$ -	\$ -	\$ 56,195
Construction in progress	20,202	-	-	-	20,202
Capital assets being depreciated:					
Buildings	310,726	16,610	-	-	327,336
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	3,463	-	61	18	3,542
Accumulated depreciation	<u>(165,246)</u>	<u>-</u>	<u>(45)</u>	<u>(8)</u>	<u>(165,299)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 216,233</u>	<u>\$ 25,717</u>	<u>\$ 16</u>	<u>\$ 10</u>	<u>\$ 241,976</u>
Total Assets	<u>\$ 259,389</u>	<u>\$ 85,872</u>	<u>\$ 52,309</u>	<u>\$ 19,644</u>	<u>\$ 417,214</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 6,317	\$ 5,993	\$ 200	\$ 275	\$ 12,785
Accrued expenses	2,314	68	-	-	2,382
Due to other governmental agencies	-	3,322	-	-	3,322
Deferred revenue	5	10,996	-	401	11,402
Bonds and notes payable - current	-	-	-	-	-
Revenue bonds payable - current	-	-	-	-	-
Other liabilities	1,094	5,465	222	1,811	8,592
Total Current Liabilities	\$ 9,730	\$ 25,844	\$ 422	\$ 2,487	\$ 38,483
Due to primary government:					
Due within one year	\$ 1,494	\$ -	\$ 709	\$ 1,954	\$ 4,157
Due in more than one year	-	15,962	2,403	-	18,365
Total Due to Primary Government	\$ 1,494	\$ 15,962	\$ 3,112	\$ 1,954	\$ 22,522
Long-term obligations:					
Due within one year	\$ 829	\$ 530	\$ -	\$ -	\$ 1,359
Due in more than one year	23,819	26,979	-	-	50,798
Total Noncurrent Liabilities	\$ 24,648	\$ 27,509	\$ -	\$ -	\$ 52,157
Total Liabilities	\$ 35,872	\$ 69,315	\$ 3,534	\$ 4,441	\$ 113,162
NET ASSETS:					
Invested in capital assets, net of related debt ...	\$ 194,286	\$ 6,757	\$ 15	\$ 10	\$ 201,068
Restricted	24,216	-	5,078	13,830	43,124
Unrestricted	5,015	9,800	43,682	1,363	59,860
Total Net Assets	\$ 223,517	\$ 16,557	\$ 48,775	\$ 15,203	\$ 304,052

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

CITY OF MILWAUKEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit D-2

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Housing Authority				
Low income housing	\$ 79,039	\$ 17,264	\$ 42,844	\$ 10,916
Redevelopment Authority				
Prevention and elimination of blight	11,052	2,112	3,710	-
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	3,871	1,820	537	-
Neighborhood Improvement Development Corp.				
Housing improvements	9,190	1,837	5,404	-
Total Component Units	\$103,152	\$ 23,033	\$ 52,495	\$ 10,916

General revenues:

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning, as Restated.....

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ (8,015)	\$ -	\$ -	\$ -	\$ (8,015)
-	(5,230)	-	-	(5,230)
-	-	(1,514)	-	(1,514)
-	-	-	(1,949)	(1,949)
<u>\$ (8,015)</u>	<u>\$ (5,230)</u>	<u>\$ (1,514)</u>	<u>\$ (1,949)</u>	<u>\$ (16,708)</u>
<u>913</u>	<u>640</u>	<u>657</u>	<u>97</u>	<u>2,307</u>
<u>\$ 913</u>	<u>\$ 640</u>	<u>\$ 657</u>	<u>\$ 97</u>	<u>\$ 2,307</u>
\$ (7,102)	\$ (4,590)	\$ (857)	\$ (1,852)	\$ (14,401)
<u>230,619</u>	<u>21,147</u>	<u>49,632</u>	<u>17,055</u>	<u>318,453</u>
<u>\$223,517</u>	<u>\$ 16,557</u>	<u>\$ 48,775</u>	<u>\$ 15,203</u>	<u>\$304,052</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

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

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the 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 special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE
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B. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire, landscape and construct parking lots and structures.

CITY OF MILWAUKEE
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Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for the City's deferred compensation plan, employee flexible spending and group life insurance.

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

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

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2003 that will be collected in 2004 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

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

D. Cash and Cash Equivalents

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short-term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date.

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

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

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

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

G. Unbilled Services

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

H. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays

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

I. Notes and Loan Receivables

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

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

J. Inventories

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

K. Prepaid Items

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

L. Capital Assets

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

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

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

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

M. Pension Contributions

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

N. Compensated Absences

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

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

O. Claims and Judgments

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

P. Bond Premiums, Discounts, and Issuance Costs

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

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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Q. Advance Refundings of Debt

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

R. Fund Balances

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

S. Net Assets

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

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

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

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

T. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

U. Use of Estimates

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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V. New Accounting Pronouncements

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement will revise the deposit and investment risks disclosed in the notes to the financial statements. The City will implement Statement No. 40 beginning with the year ending December 31, 2005.

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement will establish uniform financial reporting standards for other post employment benefits. The City will implement Statement No. 43 beginning with the year ending December 31, 2006.

W. Accounting Change

During the year ended December 31, 2003, the Housing Authority of the City of Milwaukee changed the reporting entity for its component unit. Previously, the component unit represented the financial information for Carver Park, LLC which reported the equity of the limited partners as a liability. During the current year, the authority changed the reporting entity for the component unit to present the financial information of the partnership, and accordingly, restated the 2002 financial statements. The impact of this change is that the equity of the limited partners is now included as equity. This change in accounting resulted in a decrease in other liabilities and increase in net assets by \$9,675,105 as of December 31, 2002.

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, 2003, the reported amount of the City's deposits and cash on hand for governmental and business-type activities was \$284,853,000 and the related bank balance was \$276,511,000. Of the total bank balances, which are maintained by the City Treasurer, \$2,500,000 is entirely insured and \$153,242,000 is collateralized by securities held in the pledging banks' trust departments in the City's name. The remaining balance of \$120,769,000 is neither insured nor collateralized, nor was this amount significantly exceeded during the year.

At December 31, 2003, the reported amount of the City's deposits and cash on hand for component units was \$21,824,000 and the related bank balance was \$21,172,000. Of the components units deposits, \$2,496,000 is entirely insured and the remaining balance of \$18,676,000 is neither insured or collateralized.

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 \$3,544,645 placed in trust for Housing Authority debt retirement, \$11,384,740 for Redevelopment Authority debt retirement, and \$147,625 for Disadvantaged Business Enterprise programs.

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Governmental and business-type activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
U.S. Treasury Obligations	\$ -	\$ 38,157	\$ -	\$ 38,157	\$ 38,157
U.S. Agency Securities	-	10,034	-	10,034	10,034
Capital Appreciation Bonds	-	21,527	-	21,527	21,527
Municipal Bonds and Notes	-	-	4,579	4,579	4,579
	<u>\$ -</u>	<u>\$ 69,718</u>	<u>\$ -</u>	<u>\$ 74,297</u>	<u>\$ 74,297</u>
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				26,605	26,605
Local Government Pooled - Investment Fund				941	941
Total Cash Equivalents and Investments				<u>\$ 101,843</u>	<u>\$ 101,843</u>
Fiduciary activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
U.S. Treasury Obligations	<u>\$ -</u>	<u>\$ 5,058</u>	<u>\$ -</u>	\$ 5,058	\$ 5,058
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				148	148
Local Government Pooled - Investment Fund				246,739	246,739
Deferred Compensation Investments				417,930	417,930
Total Cash Equivalents and Investments				<u>\$ 669,875</u>	<u>\$ 669,875</u>
Component Units:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
Other securities	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 104</u>	\$ 204	\$ 204
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				14,929	14,929
Local Government Pooled - Investment Fund				30,688	30,688
U.S. Government Money Market				153	153
Investments in partnerships				173	173
Total Cash Equivalents and Investments				<u>\$ 46,147</u>	<u>\$ 46,147</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.

CITY OF MILWAUKEE
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At December 31, 2003, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
1998 and prior	\$ 1,332	\$ 2,195	\$ 3,527
1999	254	443	697
2000	443	764	1,207
2001	1,439	2,511	3,950
2002	<u>5,366</u>	<u>9,790</u>	<u>15,156</u>
 Total delinquent property taxes receivable	 <u>\$ 8,834</u>	 <u>\$ 15,703</u>	 <u>\$ 24,537</u>
 Property taxes receivable on foreclosed property			 14,159
 Less: Allowance for uncollectible taxes			 <u>(14,386)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 24,310</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance 01-01-03	Additions	Deletions	Balance 12-31-03
Governmental activities	<i>(Thousands of Dollars)</i>			
<i>Capital assets not being depreciated:</i>				
Land	\$ 162,342	\$ 1,194	\$ -	\$ 163,536
Construction in progress	<u>65,964</u>	<u>14,093</u>	<u>10,501</u>	<u>69,556</u>
Total capital assets not being depreciated	<u>228,306</u>	<u>15,287</u>	<u>10,501</u>	<u>233,092</u>
<i>Capital assets being depreciated:</i>				
Buildings	117,725	6,366	931	123,160
Infrastructure.....	1,221,772	23,626	1,184	1,244,214
Improvements other than buildings	8,199	675	154	8,720
Machinery and equipment	<u>97,384</u>	<u>20,720</u>	<u>5,400</u>	<u>112,704</u>
Total capital assets being depreciated	<u>1,445,080</u>	<u>51,387</u>	<u>7,669</u>	<u>1,488,798</u>
Less accumulated depreciation for:				
Buildings	57,171	2,543	-	59,714
Infrastructure	710,098	31,278	1,183	740,193
Improvements other than buildings	6,336	239	34	6,541
Machinery and equipment	<u>72,067</u>	<u>8,326</u>	<u>5,317</u>	<u>75,076</u>
Total accumulated depreciation	<u>845,672</u>	<u>42,386</u>	<u>6,534</u>	<u>881,524</u>
Total capital assets being depreciated, net	<u>599,408</u>	<u>9,001</u>	<u>1,135</u>	<u>607,274</u>
Government activity capital assets, net	<u>\$ 827,714</u>	<u>\$ 24,288</u>	<u>\$ 11,636</u>	<u>\$ 840,366</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 181
Public safety				4,550
Public works				37,287
Health				48
Culture and recreation				317
Conservation and development				<u>3</u>
Total				<u>\$ 42,386</u>

CITY OF MILWAUKEE
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Business-type activities	Balance 01-01-03	Additions	Deletions	Balance 12-31-03
		<i>(Thousands of Dollars)</i>		
Waterworks				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,585	\$ -	\$ 17	\$ 1,568
Construction in progress	<u>12,210</u>	<u>14,117</u>	<u>9,887</u>	<u>16,440</u>
Total capital assets not being depreciated	<u>13,795</u>	<u>14,117</u>	<u>9,904</u>	<u>18,008</u>
<i>Capital assets being depreciated:</i>				
Buildings	22,430	-	68	22,362
Infrastructure	261,643	5,542	547	266,638
Machinery and equipment	188,696	4,345	682	192,359
Nonutility property	<u>540</u>	<u>-</u>	<u>-</u>	<u>540</u>
Total capital assets being depreciated	<u>473,309</u>	<u>9,887</u>	<u>1,297</u>	<u>481,899</u>
Less accumulated depreciation for:				
Buildings	12,250	703	68	12,885
Infrastructure	64,193	3,121	541	66,773
Machinery and equipment	60,577	8,418	903	68,092
Nonutility property	<u>123</u>	<u>2</u>	<u>-</u>	<u>125</u>
Total accumulated depreciation	<u>137,143</u>	<u>12,244</u>	<u>1,512</u>	<u>147,875</u>
Total capital assets being depreciated, net	<u>336,166</u>	<u>(2,357)</u>	<u>(215)</u>	<u>334,024</u>
Waterworks capital assets, net	<u>\$ 349,961</u>	<u>\$ 11,760</u>	<u>\$ 9,689</u>	<u>\$ 352,032</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 17,124	\$ 16,219	\$ 12,763	\$ 20,580
Total capital assets not being depreciated	<u>17,124</u>	<u>16,219</u>	<u>12,763</u>	<u>20,580</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	271,764	14,107	250	285,621
Machinery and equipment	1,288	179	-	1,467
Furniture and furnishings	<u>22</u>	<u>-</u>	<u>-</u>	<u>22</u>
Total capital assets being depreciated	<u>273,074</u>	<u>14,286</u>	<u>250</u>	<u>287,110</u>
Less accumulated depreciation for:				
Infrastructure	84,420	3,644	195	87,869
Machinery and equipment	472	162	-	634
Furniture and furnishings	<u>8</u>	<u>3</u>	<u>-</u>	<u>11</u>
Total accumulated depreciation	<u>84,900</u>	<u>3,809</u>	<u>195</u>	<u>88,514</u>
Total capital assets being depreciated, net	<u>188,174</u>	<u>10,477</u>	<u>55</u>	<u>198,596</u>
Sewer maintenance capital assets, net	<u>\$ 205,298</u>	<u>\$ 26,696</u>	<u>\$ 12,818</u>	<u>\$ 219,176</u>

CITY OF MILWAUKEE
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	Balance 01-01-03	Additions	Deletions	Balance 12-31-03
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,415	\$ -	\$ 469	\$ 8,946
Construction in progress	<u>-</u>	<u>161</u>	<u>-</u>	<u>161</u>
Total capital assets not being depreciated	<u>9,415</u>	<u>161</u>	<u>469</u>	<u>9,107</u>
<i>Capital assets being depreciated:</i>				
Buildings	49,035	41	-	49,076
Improvements other than buildings	5,439	225	7	5,657
Machinery and equipment	<u>592</u>	<u>222</u>	<u>29</u>	<u>785</u>
Total capital assets being depreciated	<u>55,066</u>	<u>488</u>	<u>36</u>	<u>55,518</u>
Less accumulated depreciation for:				
Buildings	16,555	1,889	-	18,444
Improvements other than buildings	2,310	236	7	2,539
Machinery and equipment	<u>137</u>	<u>96</u>	<u>12</u>	<u>221</u>
Total accumulated depreciation	<u>19,002</u>	<u>2,221</u>	<u>19</u>	<u>21,204</u>
Total capital assets being depreciated, net	<u>36,064</u>	<u>(1,733)</u>	<u>17</u>	<u>34,314</u>
Parking capital assets, net	<u>\$ 45,479</u>	<u>\$ (1,572)</u>	<u>\$ 486</u>	<u>\$ 43,421</u>
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,280	\$ -	\$ -	\$ 8,280
Construction in progress	<u>-</u>	<u>38</u>	<u>-</u>	<u>38</u>
Total capital assets not being depreciated	<u>8,280</u>	<u>38</u>	<u>-</u>	<u>8,318</u>
<i>Capital assets being depreciated:</i>				
Buildings	9,699	-	-	9,699
Improvements other than buildings	17,571	1,256	-	18,827
Machinery and equipment	4,835	47	17	4,865
Furniture and Furnishings	<u>31</u>	<u>21</u>	<u>-</u>	<u>52</u>
Total capital assets being depreciated	<u>32,136</u>	<u>1,324</u>	<u>17</u>	<u>33,443</u>
Less accumulated depreciation for:				
Buildings	6,078	147	-	6,225
Improvements other than buildings	12,188	382	-	12,570
Machinery and equipment	3,217	185	18	3,384
Furniture and furnishings	<u>30</u>	<u>3</u>	<u>-</u>	<u>33</u>
Total accumulated depreciation	<u>21,513</u>	<u>717</u>	<u>18</u>	<u>22,212</u>
Total capital assets being depreciated, net	<u>10,623</u>	<u>607</u>	<u>(1)</u>	<u>11,231</u>
Other business-type activities, net	<u>\$ 18,903</u>	<u>\$ 645</u>	<u>\$ (1)</u>	<u>\$ 19,549</u>
Business-type activity capital assets, net	<u>\$ 619,641</u>	<u>\$ 37,529</u>	<u>\$ 22,992</u>	<u>\$ 634,178</u>

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	Balance 01-01-03	Additions	Deletions	Balance 12-31-03
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 48,707	\$ 7,437	\$ 153	\$ 55,991
Construction in Progress	<u>58,704</u>	<u>18,919</u>	<u>57,421</u>	<u>20,202</u>
Total capital assets not being depreciated	<u>107,411</u>	<u>26,356</u>	<u>57,574</u>	<u>76,193</u>
<i>Capital assets being depreciated:</i>				
Buildings	282,859	51,410	6,933	327,336
Improvements other than buildings	204	-	-	204
Machinery and equipment	<u>3,503</u>	<u>136</u>	<u>97</u>	<u>3,542</u>
Total capital assets being depreciated	<u>286,566</u>	<u>51,546</u>	<u>7,030</u>	<u>331,082</u>
Less accumulated depreciation for:				
Buildings	149,069	16,094	3,112	162,051
Improvements other than buildings	30	17	-	47
Machinery and equipment	<u>2,931</u>	<u>329</u>	<u>59</u>	<u>3,201</u>
Total accumulated depreciation	<u>152,030</u>	<u>16,440</u>	<u>3,171</u>	<u>165,299</u>
Total capital assets being depreciated, net .	<u>134,536</u>	<u>35,106</u>	<u>3,859</u>	<u>165,783</u>
Component units capital assets, net	<u>\$ 241,947</u>	<u>\$ 61,462</u>	<u>\$ 61,433</u>	<u>\$ 241,976</u>

5. DEFERRED REVENUE

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

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes	\$ 133,542	\$ 67,943	\$ 12,076	\$ -	\$ 213,561
Delinquent property taxes	4,761	-	-	2,086	6,847
Unearned revenue	1,485	-	5,153	5,364	12,002
Long-term receivables	-	58,126	-	6,865	64,991
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>9,534</u>	<u>-</u>	<u>9,534</u>
Total	<u>\$ 139,788</u>	<u>\$ 126,069</u>	<u>\$ 26,763</u>	<u>\$ 14,315</u>	<u>\$ 306,935</u>

6. SHORT-TERM DEBT

During 2003, the City issued \$98,000,000 of Revenue Anticipation Notes (RANs) The RANs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November 2003.

CITY OF MILWAUKEE
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As of December 31, 2002, the City had outstanding \$133,000,000 of short-term RANs on behalf of Milwaukee Public Schools. In 2003, the City repaid the outstanding balance and issued \$150,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 6% & 2% and will mature on June 30, 2004. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2003 were as follows:

	Balance 01-01-03	New Issues	Repayments	Balance 12-31-03	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 483,703	\$ 72,982	\$ 78,751	\$ 477,934	\$ 57,821
Milwaukee Public Schools	107,452	25,482	12,593	120,341	10,796
Deferred amount on refundings	(11,592)	-	(1,690)	(9,902)	-
Unamortized premiums	18,776	6,589	3,453	21,912	-
Capital lease payable	-	563	40	523	174
Compensated absences	36,859	2,198	1,287	37,770	3,167
Claims and judgments	34,043	19,996	20,235	33,804	7,632
Total governmental activities	<u>\$ 669,241</u>	<u>\$ 127,810</u>	<u>\$ 114,669</u>	<u>\$ 682,382</u>	<u>\$ 79,590</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 42,489	\$ -	\$ 4,680	\$ 37,809	\$ 5,008
Deferred amount on refundings	(1,717)	-	(326)	(1,391)	-
Unamortized premiums	1,995	-	228	1,767	-
Revenue bonds	15,331	-	783	14,548	803
Compensated absences	943	10	32	921	921
Total Water Works	<u>\$ 59,041</u>	<u>\$ 10</u>	<u>\$ 5,397</u>	<u>\$ 53,654</u>	<u>\$ 6,732</u>
Sewer Maintenance					
Revenue bonds	\$ 29,095	\$ 33,885	\$ 1,000	\$ 61,980	\$ 1,035
Unamortized premiums	715	2,421	163	2,973	-
Total sewer maintenance	<u>\$ 29,810</u>	<u>\$ 36,306</u>	<u>\$ 1,163</u>	<u>\$ 64,953</u>	<u>\$ 1,035</u>
Parking					
General obligation bonds and notes	\$ 22,589	\$ 1,472	\$ 4,426	\$ 19,635	\$ 3,622
Deferred amount on refundings	(464)	(8)	(84)	(388)	-
Unamortized premiums	482	54	60	476	-
Total parking	<u>\$ 22,607</u>	<u>\$ 1,518</u>	<u>\$ 4,402</u>	<u>\$ 19,723</u>	<u>\$ 3,622</u>
Other Enterprise Funds					
General obligation bonds and notes	\$ 3,316	\$ 1,477	\$ 430	\$ 4,363	\$ 339
Deferred amount on refundings	(94)	(1)	(16)	(79)	-
Unamortized premiums	117	5	13	109	-
Total Other Enterprise	<u>\$ 3,339</u>	<u>\$ 1,481</u>	<u>\$ 427</u>	<u>\$ 4,393</u>	<u>\$ 339</u>
Total business-type activities	<u>\$ 114,797</u>	<u>\$ 39,315</u>	<u>\$ 11,389</u>	<u>\$ 142,723</u>	<u>\$ 11,728</u>

CITY OF MILWAUKEE
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Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the special purpose damages and claims account in the general fund.

	Balance 01-01-03	New Issues	Repayments	Balance 12-31-03	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Component Units					
Revenue bonds	\$ 44,590	\$ -	\$ 2,273	\$ 42,317	\$ 925
Deferred amount on refundings	-	-	-	-	-
Unamortized premiums	-	-	-	-	-
Unamortized discounts	(140)	-	(4)	(136)	-
Notes payable	8,913	-	37	8,876	39
Advance from other organizations	1,500	-	400	1,100	400
Total component units	<u>\$ 54,863</u>	<u>\$ -</u>	<u>\$ 2,706</u>	<u>\$ 52,157</u>	<u>\$ 1,364</u>

Certain prior year balances for the component units have been adjusted to correspond with the proper classification reflected in the Combined Balance Sheet.

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2003, general obligation bonds totaling \$83,468,000 was issued to refund general obligation bonds and to finance capital improvements.

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

Through 2003, \$78,653,528 has been borrowed and outstanding for thirty-eight tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$108,692,155. Tax increments received through 2003 total \$88,424,432. 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 \$120,341,000 of Milwaukee Public School long-term debt outstanding at December 31, 2003 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, 2003, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$635,097,584. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During the year ended December 31, 2003, the City issued \$33,885,000 of sewerage revenue bonds for financing the costs of improvements to the City's sewerage system. These bonds mature June 1 of each year beginning 2005 until 2033. Interest is payable on June 1 and December 1.

The component units issue revenue bonds to provide funds for capital construction and mortgage-backed securities. As such, they are not backed by the general credit or taxing powers of the City.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cashflow for the school district and purchases of delinquent taxes. During the year ended December 31, 2003, installment loans totaling \$17,945,000 were issued to provide the school district cashflow, finance building projects and purchase 2002's delinquent taxes.

E. Capital Leases Payable

The City has entered into a lease agreement as lessee for financing the acquisition of automated defibrillators/EKG monitors. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts in the amount of \$563,000 as of December 31, 2003.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2003 was as follows:

	Governmental Activities
<i>(Thousands of Dollars)</i>	
Year ending:	
2004	\$ 174
2005	175
2006	<u>174</u>
 Total minimum lease payments	 \$ <u>523</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

F. Debt Service Requirements

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>					
Governmental activities					
2004	\$ 68,617	\$ 27,514	\$ -	\$ -	\$ 96,131
2005	65,848	24,648	-	-	90,496
2006	58,145	21,568	-	-	79,713
2007	54,688	18,740	-	-	73,428
2008	52,812	16,387	-	-	69,199
2009-2013	196,669	50,501	-	-	247,170
2014-2018	91,897	17,652	-	-	109,549
2019-2023	9,599	15,426	-	-	25,025
Total	<u>\$ 598,275</u>	<u>\$ 192,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,711</u>
Business-type activities					
Water Works					
2004	\$ 5,008	\$ 1,859	\$ 803	\$ 373	\$ 8,043
2005	4,852	1,612	824	352	7,640
2006	4,692	1,358	846	330	7,226
2007	3,362	1,120	868	307	5,657
2008	2,845	960	891	284	4,980
2009-2013	12,039	3,094	4,822	1,050	21,005
2014-2018	4,987	450	5,494	370	11,301
2019-2023	24	1	-	-	25
Total	<u>\$ 37,809</u>	<u>\$ 10,454</u>	<u>\$ 14,548</u>	<u>\$ 3,066</u>	<u>\$ 65,877</u>
Business-type activities					
Sewer Maintenance					
2004	\$ -	\$ -	\$ 1,035	\$ 2,827	\$ 3,862
2005	-	-	2,390	2,762	5,152
2006	-	-	2,480	2,667	5,147
2007	-	-	2,570	2,575	5,145
2008	-	-	2,650	2,487	5,137
2009-2013	-	-	14,745	10,691	25,436
2014-2018	-	-	18,175	6,748	24,923
2019-2023	-	-	17,935	1,903	19,838
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,980</u>	<u>\$ 32,660</u>	<u>\$ 94,640</u>
Parking					
2004	\$ 3,622	\$ 885	\$ -	\$ -	\$ 4,507
2005	3,727	741	-	-	4,468
2006	1,968	586	-	-	2,554
2007	1,941	490	-	-	2,431
2008	1,987	396	-	-	2,383
2009-2013	4,833	1,024	-	-	5,857
2014-2018	1,555	156	-	-	1,711
2019-2023	2	-	-	-	2
Total	<u>\$ 19,635</u>	<u>\$ 4,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,913</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
Other Enterprise					
2004	\$ 339	\$ 210	\$ -	\$ -	\$ 549
2005	469	197	-	-	666
2006	440	175	-	-	615
2007	407	152	-	-	559
2008	406	135	-	-	541
2009-2013	1,741	385	-	-	2,126
2014-2018	561	47	-	-	608
2019-2023	<u>\$ 4,363</u>	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,664</u>
Component Units					
2004	\$ 39	\$ 370	\$ 925	\$ 1,103	\$ 2,437
2005	43	367	965	1,064	2,439
2006	46	363	995	1,021	2,425
2007	50	359	1,040	975	2,424
2008	54	355	465	932	1,806
2009-2013	344	1,751	2,715	4,206	9,016
2014-2018	1,510	1,538	3,675	3,260	9,983
2019-2023	427	1,318	6,137	2,062	9,944
2024-2028	37	1,258	25,400	482	27,177
2029-2033	47	1,247	-	-	1,294
2034-2038	61	1,233	-	-	1,294
2039-2043	4,867	729	-	-	5,596
2044-2048	1,312	27	-	-	1,339
2049-2052	39	3	-	-	42
Total	<u>\$ 8,876</u>	<u>\$ 10,918</u>	<u>\$ 42,317</u>	<u>\$ 15,105</u>	<u>\$ 77,216</u>

G. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2003, the City's legal debt margin was \$1,521,153,000. Of this amount, \$434,615,000 was for school purposes and \$461,821,000 was for City purposes.

H. Refundings

During October 2003, the City issued general obligation refunding bonds, Series B6 was in the par amount of \$17,335,000 and carries interest rates between 2.5 and 5.5% for the purpose of current and advance refunding \$17,335,000 of existing general obligation bonds. This refunding will reduce the future debt service payments by \$879,000 and result in an economic gain of \$1,157,000.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2003, \$160,205,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

I. Conduit Debt

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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, 2003 is approximately \$79,525,000, \$55,395,000, and \$560,085,137 for the City, HACM, and RACM, respectively.

8. 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, 2003, 2002, 2001, and 2000 were \$22,015,000, \$20,233,000, \$20,288,000, and \$20,693,000, respectively, equal to the required contributions on behalf of the plan members for each year.

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.

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 4,947 employees are eligible to receive these benefits. For 2003, the City paid approximately \$21,995,000 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

For 2003, the groups rate for life insurance for the City population as a whole was approximately fifty-three 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 \$1,042,489 out of a total \$3,781,094 for group life insurance for 2003 is attributable to approximately 4,981 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 2003, approximately \$9,657,000 was paid for sick leave from all funds. At December 31, 2003 accumulated sick leave earned but not taken totaled approximately \$108,305,000 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 2003 terminal leave payments totaled \$1,569,000 to employees retiring during the year. As of December 31, 2003, the City has accrued approximately \$22,455,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$37,770,000, with the remainder accrued vacation leave of \$15,315,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$51,212,000 at December 31, 2003, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$12,536,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$12,536,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Deficit Fund Equity

The Capital Projects Fund has a deficit fund balance of \$2,524,000. The deficit is the result of construction in advance of collecting assessments from property owners and issuing of long-term debt for other construction contracts.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2003, were as follows:

		Due From				
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
		<i>(Thousands of Dollars)</i>				
Due To	General Fund	\$ -	\$ 589	\$ -	\$ -	\$ 589
	General Obligation Debt	1,273	6,867	-	-	8,140
	Capital Projects	11,468	-	-	-	11,468
	Nonmajor Governmental Funds	4,621	-	-	-	4,621
	Water Works	168	-	852	712	1,732
	Nonmajor Proprietary Funds ..	3,941	-	-	-	3,941
Totals		<u>\$ 21,471</u>	<u>\$ 7,456</u>	<u>\$ 852</u>	<u>\$ 712</u>	<u>\$ 30,491</u>

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

The General Fund has advanced \$12,536,000 to the Capital Projects Fund to provide funding for special projects prior to assessing property owners.

Interfund transfers for the year ended December 31, 2003 were as follows:

		Transfers In					
		General Fund	General Obligation Debt Service	Public Debt Amortization	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Total
		<i>(Thousands of Dollars)</i>					
Transfers Out	General Fund	\$ -	\$ -	\$ -	\$ 50	\$ 27	\$ 77
	General Obligation Debt	4,271	-	-	-	522	4,793
	Public Debt Amortization.....	-	-	-	-	700	700
	Capital Projects Funds	-	2,653	6,080	-	-	8,733
	Nonmajor Governmental Funds.	4,997	12,945	-	-	-	17,942
	Water Works	7,724	-	-	-	-	7,724
	Parking	9,459	444	-	-	-	9,903
	Nonmajor Proprietary Funds ...	1,695	-	-	-	-	1,695
Totals		<u>\$ 28,146</u>	<u>\$ 16,042</u>	<u>\$ 6,080</u>	<u>\$ 50</u>	<u>\$ 1,249</u>	<u>\$ 51,567</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them. (2) move receipts restricted to debt service from the funds collecting the receipts to the debt

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2003, consist of the following:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	\$ 15,962
Due from MEDC for tax incremental district loans	3,112
Due from HACM for payment in lieu of taxes and reimbursable expenditures	1,494
Due from NIDC for reimbursements for expenditures	<u>1,954</u>
Total	<u>\$ 22,522</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to NIDC for reimbursements for programmatic expenditures passed through the City	<u>\$ 1,381</u>

12. OPERATING LEASES

The City leases various properties under operating lease agreements expiring at various dates through 2007 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount
<i>(Thousands of Dollars)</i>	
2004	\$ 2,189
2005	2,355
2006	2,012
2007	2,021
2008-2012	1,752
2013-2017	7,600
2018-2022	8,095
	<u>3,918</u>
Total	<u>\$ 29,942</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

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

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

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

The liabilities recorded as long-term debt in the government-wide statements are as follows:

General liability claims	\$ 21,815,000
Workers' compensation claims	6,757,000
Unemployment caims	962,000
Health insurance claims	4,271,000

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

	2002	2003
Beginning of year liability	\$ 36,945,000	\$ 34,043,000
Current year claims and changes in estimates	13,319,000	19,996,000
Claim payments	<u>(16,221,000)</u>	<u>(20,235,000)</u>
End of year liability	<u>\$ 34,043,000</u>	<u>\$ 33,804,000</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 Duty Disability Fund.

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 EEOC referred the matter to the United States Department of Justice ("DOJ") in February 1997. Additional individual EEOC charges have also resulted in reasonable cause determinations and have been referred to the DOJ. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

had been authorized against the City and the FPC. 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. In 2001 DOJ requested \$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. The City considered that request unreasonable and urged DOJ re-consider its position. Since that time, DOJ has not responded. However, DOJ has declined to pursue litigation on behalf of seven of the charging parties and issued individual right to sue letters to them. To date, one suit has been served upon the City.

The Milwaukee Employees' Retirement System (MERS) is in the process of purchasing a computerized information system to assist in the administration of the City's pension system. The cost is expected to be in the range of \$11 to \$12 million. According to an agreement between the City and the MERS, the cost of the system is to be paid entirely by MERS. In this lawsuit, the Milwaukee Police Association alleges that the agreement between City and MERS limits MERS's obligation to pay for the information system to no more than \$3 million. If the suit is successful, the City might be liable to pay the remaining \$8 to \$9 million.

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 \$1,110,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

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, 2003.

14. SUBSEQUENT EVENTS

On April 21, 2004, the City issued \$24,200,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2005 until 2021. Interest is payable on February 15 and August 15 commencing August 15, 2004.

On April 21, 2004, the City issued \$66,235,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects and fiscal requirements of the City. The notes mature on February 15 of each year beginning 2005 until 2010. Interest is payable on February 15 and August 15 commencing August 15, 2004.

On April 21, 2004, the City issued \$66,000,000 of short-term revenue anticipation notes for the purpose of temporarily financing the City's operating budget until the receipt of State shared revenues. These notes mature on May 5, 2005 with interest.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit E-1

	<u>Budgeted Amounts</u>		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Property taxes	\$ 131,672	\$ 131,672	\$ 126,749	\$ (4,923)
Other taxes	3,473	3,473	4,318	845
Licenses and permits	9,054	9,054	10,883	1,829
Intergovernmental	284,218	284,218	284,565	347
Charges for services	47,900	47,900	55,714	7,814
Fines and forfeits	4,113	4,113	6,115	2,002
Other	<u>6,557</u>	<u>8,143</u>	<u>7,814</u>	<u>(329)</u>
Total Revenues	<u>\$ 486,987</u>	<u>\$ 488,573</u>	<u>\$ 496,158</u>	<u>\$ 7,585</u>
Expenditures:				
Current:				
General government	\$ 190,451	\$ 170,865	\$ 165,270	\$ 5,595
Public safety	203,458	238,189	239,698	(1,509)
Public works	89,367	88,704	86,335	2,369
Health	10,672	11,154	10,677	477
Culture and recreation	17,426	17,275	17,165	110
Conservation and development	<u>3,866</u>	<u>3,891</u>	<u>3,833</u>	<u>58</u>
Total Expenditures	<u>\$ 515,240</u>	<u>\$ 530,078</u>	<u>\$ 522,978</u>	<u>\$ 7,100</u>
Deficiency of Revenues over Expenditures	<u>\$ (28,253)</u>	<u>\$ (41,505)</u>	<u>\$ (26,820)</u>	<u>\$ 14,685</u>
Other Financing Sources (Uses):				
General obligation bonds and notes issued	\$ -	\$ 4,000	\$ 4,000	\$ -
Transfers in	18,673	22,944	28,146	5,202
Transfers out	-	(77)	(77)	-
Contributions received	25,798	25,798	22,499	(3,299)
Contributions used	(25,040)	(22,044)	(21,777)	267
Use of fund balance - reserved for tax stabilization	<u>9,300</u>	<u>9,300</u>	<u>9,300</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>\$ 28,731</u>	<u>\$ 39,921</u>	<u>\$ 42,091</u>	<u>\$ 2,170</u>
Net Change in Fund Balance	<u>\$ 478</u>	<u>\$ (1,584)</u>	<u>\$ 15,271</u>	<u>\$ 16,855</u>
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	<u>76,710</u>	<u>76,710</u>	<u>76,710</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 77,188</u>	<u>\$ 75,126</u>	<u>\$ 91,981</u>	<u>\$ 16,855</u>

Explanation of Differences of Budget to GAAP:

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$9.300 million at January 1, 2003. In addition, budgeted expenditures do not include capital lease payments as public safety expenditures.

Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

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APPENDIX B

Draft Form of Legal Opinion

Mr. W. Martin Morics
City Comptroller of the City
of Milwaukee
Room 404, City Hall
Milwaukee, Wisconsin 53202

Dear Sir:

CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2005 A5, \$_____

At your request, we have examined into the validity of an issue of \$_____ General Obligation Refunding Bonds, Series 2005 A5 (the "Bonds"), of the City of Milwaukee, Wisconsin (the "City"), dated as of the date of issue, in fully registered form, of the denomination of \$5,000 each or any integral multiple thereof, numbered R-1 upwards, payable on September 1 in each of the years and in the principal amounts set forth below, and bearing interest payable on September 1, 2005 and semiannually on each March 1 and September 1 thereafter at the rates per annum as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The Bonds are subject to redemption prior to maturity on any date on and after March 1, 2015 upon the terms and conditions set forth therein.

The Bonds recite that they are issued for the purpose of refunding certain outstanding general obligation bonds of the City pursuant to and in all respects in compliance with Chapters 65 and 67 of the Wisconsin Statutes, and acts supplementary thereto, the Charter of the City and resolutions duly adopted by the Common Council of the City and the Commissioners of the Public Debt of the City. We have examined the Constitution and statutes of the State of Wisconsin, the Charter of the City and a certified transcript of proceedings relating to the authorization and issuance of the Bonds, also a specimen Bond. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

In our opinion, the Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City, and the City has power and is obligated to levy ad valorem taxes for the payment

of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount.

It is to be understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to judicial discretion, to the exercise of sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming compliance with certain tax covenants, interest on the 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 interest on the Bonds 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 Bonds, and we 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 Bonds from gross income under Section 103 of the Code.

It is also of the opinion that, for any 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 Bonds.

We express no opinion regarding any other Federal or state tax consequences with respect to the 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 taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Very truly yours,

APPENDIX C

Master Continuing Disclosure Certificate

Master Continuing Disclosure Certificate

This Master Continuing Disclosure Certificate (the “Certificate”) dated as of March 1, 2004 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the “City”) and pursuant to resolution 031384 duly adopted by the Common Council of the City on February 10, 2004 (the “Resolution”). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I - Definitions

Section 1.1 Definitions. The following capitalized terms used in this Certificate shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively, (i) the financial information and operating data as described in an Addendum Describing Annual Report (Exhibit B); and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a new Addendum Describing Annual Report shall be executed describing the information to be provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the City may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification, other than modifications prescribed by GASB, shall be provided to each NRMSIR and the SID, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) “Counsel” means a nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the City.

(4) “GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

(5) “GASB” means the Governmental Accounting Standards Board.

(6) “Material Event” means any of the following events with respect to the Offered Obligations, whether relating to the City or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Offered Obligations;
- (vii) modifications to rights of Security Holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations; and
- (xi) rating changes.

(7) “Material Event Notice” means notice of a Material Event.

(8) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

(9) “NRMSIR” means, at any time, a then existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs and filing information relating to such NRMSIR’s are set forth in the Addendum Describing NRMSIRs (Exhibit A) as may be revised from time to time.

(10) “Offered Obligations” means an issue of municipal securities of the City in connection with which the City has executed and delivered a Supplemental Certificate (Exhibit C).

(11) “Official Statement” means the “final official statement” as defined in paragraph (f)(3) of the Rule.

(12) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(13) “SEC” means the United States Securities and Exchange Commission.

(14) “Security Holders” means the holders from time to time of Offered Obligations.

(15) “SID” means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

(16) “State” means the State of Wisconsin.

(17) “Unaudited Financial Statements” means the same as Audited Financial Statements, except the same shall not have been unaudited.

(18) “Underwriters” means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II - The Undertaking

Section 2.1. Purpose. This Certificate shall apply to Offered Obligations, and shall constitute a written undertaking for the benefit of the Security Holders, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each fiscal year of the City, by no later than nine months after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to each NRMSIR and the SID.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR and (ii) the SID.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) the SID, which notice shall state whether the Offered Obligations to be defeased have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 2.7. No Previous Non-Compliance. The City represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE III - Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from the MSRB.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Offered Obligations.

Section 3.4. Transmission of Information and Notices. Unless otherwise required by law and, in the City's sole determination, subject to technical and economic feasibility, the City shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the City's information and notices.

ARTICLE IV - Termination, Amendment and Enforcement

Section 4.1. Termination. (a) The City's obligations under this Certificate with respect to an Offered Obligation shall terminate upon legal defeasance, prior redemption or payment in full of the Offered Obligation.

(b) This Certificate or any provision hereof, shall be null and void in the event that the City (1) delivers to the City an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require the provisions of this Certificate or any of such provisions, do not or no longer apply to the Offered Obligations, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to each NRMSIR and the SID.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the Security Holders, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate; (2) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and (3) the City shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, other than changes prescribed by GASB, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information

prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the City to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the Security Holders. Beneficial owners of Offered Obligations shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subparagraph (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the Security Holders, including beneficial owners of Offered Obligations. The Security Holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Offered Obligations pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Security Holders for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

ADDENDUM DESCRIBING NRMSIRs

This Addendum Describing NRMSIRs (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission.

Repositories and Contact Information

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Telephone: (609) 279-3225
Facsimile: (609) 279-5962
E-mail: munis@bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Telephone: (212) 771-6999
Facsimile: (212) 771-7390
(Secondary Market Information)
(212) 771-7391
(Primary Market Information)
E-mail: nrmsir@ftid.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Telephone: (201) 346-0701
Facsimile: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Standard & Poor's Securities Evaluations, Inc
55 Water Street, 45th Floor
New York, NY 10041
Telephone: (212) 438-4595
Facsimile: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER**

This Addendum Describing Annual Report for General Obligation Debt (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the content of Annual Financial Information prepared with respect to general obligation debt of the Issuer. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Content of Annual Financial Information for Issuer:

Audited Financial Statements, if available, or Unaudited Financial Statements of the Issuer.

In addition to the financial statements, unaudited operating data concerning the following matters shall be presented: (i) revenues received by the Issuer, (ii) expenditures made by the Issuer, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning interfund borrowings, (vi) pertinent information on significant pending litigation, (vii) balances, debt limit, and trends of outstanding Issuer obligations, and (viii) statistical information on the economic condition of the City of Milwaukee.

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

\$xxx,xxx,000 General Obligation Refunding Bonds, Series 2005 A5

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER

Date of Issues:

June ____, 2005

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this __ day of June, 2005.

CITY OF MILWAUKEE, WISCONSIN

APPENDIX D

Specimen of Municipal Bond Insurance Policy

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest:

Assistant Secretary

STD-R-7
01/05