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**POLICEMEN'S ANNUITY AND BENEFIT
FUND OF MILWAUKEE**
Milwaukee, Wisconsin

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2001 and 2000

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INDEPENDENT AUDITORS' REPORT

The Retirement Board
Policemen's Annuity and
Benefit Fund of Milwaukee

We have audited the accompanying statements of assets available for benefits of Policemen's Annuity and Benefit Fund of Milwaukee (the Fund) as of December 31, 2001 and 2000, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's Retirement Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Fund's assets available for benefits at December 31, 2001 and 2000, and the changes therein for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets held for investment as of December 31, 2001, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2001 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2001 basic financial statements taken as a whole.

The accompanying supplemental schedule of historical trend information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Reilly, Penner & Benton LLP

April 23, 2002

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
 Milwaukee, Wisconsin

Exhibit "A"

Statements of Plan Net Assets

	December 31,	
	<u>2001</u>	<u>2000</u>
Assets:		
Cash in bank	\$ 455	\$ 455
Receivables:		
Accrued interest receivable	37,074	54,640
Tax levy receivable	360,516	236,663
Total receivables	<u>397,590</u>	<u>291,303</u>
Investments, at fair value: (Note 4)		
Common stock	959,101	1,073,655
Mortgage related securities	2,893,279	4,423,440
Bonds and notes	2,703,992	3,086,801
Money market fund	2,057,177	266,644
Total investments, at fair value	<u>8,613,549</u>	<u>8,850,540</u>
 Total assets	 9,011,594	 9,142,298
Liabilities:		
Due to broker for securities transactions	---	<u>1,177</u>
 Net Assets Held in Trust for Pension Benefits	 \$ 9,011,594	 \$ 9,141,121

The accompanying notes to financial statements
 are an integral part of these statements.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Exhibit "B"

Statements of Changes in Plan Net Assets

	Year Ended December 31,	
	<u>2001</u>	<u>2000</u>
Additions to Net Assets Available for Benefits Attributed To:		
Contributions:		
Annual tax levy	\$ 352,962	\$ 236,663
Employer - Current	4,463	4,695
Employer - Supplemental	1,395,349	171,744
Total contributions	<u>1,752,774</u>	<u>413,102</u>
Investment income from investments stated at fair value:		
Net appreciation in fair value	96,539	199,808
Realized losses	(209,071)	(171,696)
Interest income	361,053	459,130
Dividend income	6,861	9,025
Net investment income	<u>255,382</u>	<u>496,267</u>
Total additions	2,008,156	909,369
Deductions From Net Assets Attributed To:		
Benefits paid to participants	<u>2,137,683</u>	<u>2,457,533</u>
Net decrease	(129,527)	(1,548,164)
Net Assets Held in Trust for Pension Benefits:		
Beginning of year	<u>9,141,121</u>	<u>10,689,285</u>
End of year	<u>\$ 9,011,594</u>	<u>\$ 9,141,121</u>

The accompanying notes to financial statements
are an integral part of these statements.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2001 and 2000

1. Organization and Significant Accounting Policies

Description of the Fund

The Policemen's Annuity and Benefit Fund of Milwaukee (the Fund) is a single employer, noncontributory, defined benefit plan which was established by the State of Wisconsin Act of 1921, Chapter 589, to provide retirement, disability and widow's benefits for members of the City of Milwaukee Police Department. Eligibility for new members in the Fund was terminated by the creation of a separate pension program on July 29, 1947. The plan exclusively covers governmental employees and their beneficiaries and, therefore, is not subject to ERISA.

Plan Membership

All participants are fully vested and will receive benefits until death. When a participant dies, the surviving spouse continues to receive benefits until death (widow's benefit). Participant statistics as of January 1, were as follows:

	<u>2001</u>	<u>2000</u>
Participants not yet receiving benefits:		
Active	1	1
Inactive	---	---
	1	1
Participants receiving benefits:		
Annuitants	119	129
Widow annuitants	182	205
	301	334
Total	302	335

Investment Valuation

Investments, including bonds, notes and mortgage related securities, are valued at fair value based on the last reported sales price on the last business day of the plan year.

Administrative Expenses

All administrative expenses are paid by the City of Milwaukee (City).

Use of Estimates

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

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2001 and 2000
(Continued)

2. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service participants have rendered. Accumulated Plan benefits include benefits expected to be paid to (a) retired participants or their beneficiaries, (b) beneficiaries of participants who have died, and (c) present participants or their beneficiaries. Benefits under the Plan are calculated based on participants' compensation at the time they leave service. Widows' benefits are calculated based on the spouse's age at the time of the participant's retirement and the participant's length of service. The actuarial present value of accumulated Plan benefits at January 1 are as follows:

	<u>2001</u>	<u>2000</u>
Actuarial present value of accumulated plan benefits:		
Retirees and beneficiaries	\$ 10,498,279	\$ 11,797,994
Current employees:		
Accumulated employee contributions	41,156	36,693
Payable to vested current employees	69,819	71,074
Total	<u>\$ 10,609,254</u>	<u>\$ 11,905,761</u>
 Net assets available for plan benefits	 <u>\$ 9,152,300</u>	 <u>\$ 10,928,864</u>
 Unfunded pension benefit obligation	 <u>\$ 1,456,954</u>	 <u>\$ 976,897</u>

Benefits payable under all circumstances - retirement, death and termination of employment - are included to the extent they are deemed attributable to participant service rendered to the valuation date.

The actuarial present value of accumulated plan benefits was calculated by an independent actuary (Gucciardi Benefit Resources, Inc.) in compliance with Financial Accounting Standards Board Statement No. 35. The actuarial present value of accumulated plan benefits is a standardized disclosure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date.

For the actuarial valuation as of January 1, 1998 and thereafter, the valuation of the net assets available for plan benefits was changed from cost basis to a rolling five-year average fair value basis. The change is due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 25, which requires the use of a market-related asset value.

The more significant assumptions used in the actuarial valuations were (a) life expectancy of participants (the Combined Annuity Mortality Table was used); (b) retirement age assumptions (all employees are assumed to be retired); and (c) assumed rates of investment return and annuity discount factor. The 2001 and 2000 valuations used an interest rate of 6.75%. The foregoing actuarial assumptions are based upon the presumption that the Fund will continue.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2001 and 2000
(Continued)

3. Funding Policy

The State of Wisconsin Act of 1921, Chapter 589, provides for a tax to be levied upon all real and personal taxable property in the City. This tax shall not exceed ¾ of one mill. In order to liquidate prior obligations, the Common Council may direct that there may be an additional levy but not to exceed one mill in the aggregate.

The annual tax levy is based upon actuarially determined amounts necessary to provide the amount of future benefits payable to annuitants on the basis of the actuarial assumptions used to determine the actuarial present value of accumulated plan benefits, in accordance with the provisions of the State Act of 1921, Chapter 589 and amendments.

4. Investments

The investments held by the Fund at December 31 are summarized as follows:

	<u>2001</u>	<u>2000</u>
Common stock	\$ 959,101	\$ 1,073,655
Money market fund	2,057,177	266,644
Bonds and Notes:		
U.S. Treasury	252,618	247,184
Government agencies	1,422,741	1,298,893
Corporate and institutional	<u>1,028,633</u>	<u>1,540,724</u>
Total bonds and notes	2,703,992	3,086,801
Mortgage related securities	<u>2,893,279</u>	<u>4,423,440</u>
Total investments	\$ <u>8,613,549</u>	\$ <u>8,850,540</u>

The fair value of individual investments that represent 5% or more of the assets available for benefits at December 31 is as follows:

	<u>2001</u>	<u>2000</u>
Wells Fargo Cash Investments	\$ 687,396	\$ ---
Wells Fargo Government & Money Market Fund	1,369,781	---
Federal National Mortgage Association Zero Coupon, February 15, 2003	800,638	732,963
Federal Home Loan Mortgage Corp Note, 6.5%, September 15, 2001	---	585,989
Railcar Trust, 7.750%, June 1, 2004	587,719	764,752
Union Tank Car Trust, 6.500%, April 15, 2008	674,253	743,240
California Infrastructure & Economic Development Note, 6.28%, September 25, 2005	1,240,164	1,210,068
California Infrastructure and Economic Development Note, 6.25%, June 25, 2004	---	1,101,914
	\$ <u>5,359,951</u>	\$ <u>5,138,926</u>

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2001 and 2000
(Continued)

5. Benefits

Participants become eligible for benefits upon attaining 25 years of service with the City. There is no normal retirement date under this plan. The amount of the benefit paid to retired participants is actuarially determined and is payable monthly as a life annuity. Participants who retired prior to 1982 are eligible for supplemental benefits. Supplemental benefits are a percentage of normal benefits and are paid monthly.

6. Plan Termination

The Plan cannot be terminated, since it is a closed fund and cannot be terminated until all participants and their spouses are deceased. When this occurs, any amounts remaining in the Fund revert back to the City.

7. Legal Matter

The Fund is currently working with the City of Milwaukee to determine if the City is liable to the Fund for past due employer and employee contributions. At the August 15, 2001 Board meeting, the Fund accepted the City's settlement offer of \$150,000. Payment is to be received in January 2002.

8. Plan Amendment

During 2001, the Plan was amended regarding the inclusion of longevity in rank pay in pension calculations. See Plan documents for further information.

9. Income Taxes

The Plan has obtained its determination letter, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Schedule 1

Assets Held for Investment
December 31, 2001

<u>Investment Description</u>	<u>Maturity</u>	<u>Avg Yld (%)</u>	<u>Shares/Par Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds:					
Wells Fargo Cash Investments	--	Various \$	687,396 \$	687,396 \$	687,396
Wells Fargo Government & Money Market Fund	--	Various	1,369,781	1,369,781	1,369,781
U S Government Notes:					
U S Treasury Note	10/31/02	5.75	245,000	244,713	252,618
U S Federal Agency Notes:					
F N M A Zero Cpn	02/15/03	Various	825,000	671,014	800,638
F N M A Zero Cpn	02/15/04	Various	244,000	188,510	226,691
F N M A Zero Cpn	08/15/04	Various	434,000	326,785	395,413
Corporate Bonds:					
Alltel Corp	09/15/05	6.75	182,000	191,764	191,260
Wal Mart Stores Inc	06/01/03	6.50	257,000	269,125	270,251
Wells Fargo & Co	05/15/02	8.375	200,000	216,022	204,648
National Rural Utils. Coop	01/15/04	6.00	350,000	339,332	362,474
Mortgage Related Securities:					
CA Infra & Econ Dev Bonds	06/25/04	6.25	377,793.110	379,623	382,980
CA Infra & Econ Dev Bonds	09/25/05	6.28	1,200,000.000	1,180,781	1,240,164
F H L M C	03/15/09	9.875	7,575.950	6,042	8,163
Railcar Trust	06/01/04	7.75	560,191.500	588,551	587,719
Union Tank Car Co	04/15/08	6.50	648,183.380	652,299	674,253

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Schedule 1 - 2

Assets Held for Investment
December 31, 2001

<u>Investment Description</u>	<u>Maturity</u>	<u>Avg Yld (%)</u>	<u>Shares/Par Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common Stocks:					
Adobe Sys, Inc.	---	Various	840 \$	33,300 \$	26,082
American Int. Group, Inc.	---	Various	360	32,144	28,584
Amgen Inc.	---	Various	630	45,069	35,557
Andarko Pete Corp.	---	Various	600	34,986	34,110
Anheuser Busch Cos. Inc.	---	Various	1,000	31,800	45,210
AOL Time Warner	---	Various	765	34,645	24,557
Calpine Corp. Com.	---	Various	1,080	47,761	18,133
Carnival Corp.	---	Various	1,000	32,163	28,080
Cisco Sys Inc	---	Various	2,100	46,938	38,031
Citigroup Inc	---	Various	1,066	34,758	53,812
Corning Inc.	---	Various	1,570	61,521	14,004
Cox Communications Inc C/A	---	Various	1,200	45,283	50,292
E M C Corp	---	Various	1,120	47,200	15,053
Fannie Mae	---	Various	580	47,804	46,110
Fleet Boston Financial Corp.	---	Various	800	29,680	29,200
General Elec Co	---	Various	840	27,471	33,667
Goldman Sachs Group, Inc.	---	Various	370	31,302	34,318
Marshall & Ilsley Corp	---	Various	420	24,192	26,578
Mcdata Corp.	---	Various	19	464	466
Medimmune Inc. com	---	Various	940	41,865	43,569
Medtronic, Inc.	---	Various	1,000	52,165	51,210
Nokia Corp	---	Various	1,370	42,758	33,606
Oracle Corporation Com	---	Various	2,020	59,580	27,896
Pfizer, Inc.	---	Various	935	32,625	37,260
Target Corp.	---	Various	1,250	37,391	51,313
Texas Instruments Inc	---	Various	1,060	39,473	35,680
Walgreens Co.	---	Various	900	31,590	25,199
Wal Mart Stores, Inc.	---	Various	700	42,976	40,284
Xilinx, Inc.	---	Various	800	32,512	31,239
Total				<u>\$ 8,413,154</u>	<u>\$ 8,613,549</u>

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Schedule 2

Historical Trend Information
For the Years December 31, 1987 through 2001
Measurement Date is January 1, 1987 through 2001
(Unaudited - See Accountants' Report)

The following tables represent historical trend information. The table provides information about progress made in accumulating sufficient assets to pay benefits when due.

Year	Benefit Obligation and Available Assets					
	Actuarial Present Value of Accumulated Plan Benefits (APV)	Net Assets Available for Plan Benefits		(A)	Annual Covered Payroll	Unfunded (Assets in Excess of) Pension Benefit Obligation Amount
		Amount	As a Percentage of APV			
2001	\$ 10,609,254	\$ 9,152,300	86.2 %	\$ 62,978	\$ 1,456,954	
2000	11,905,761	10,928,864	91.8	66,411	976,897	
1999	13,201,668	12,626,720*	95.6	59,287	574,948	
1998	15,422,204	13,990,783*	90.7	58,619	1,431,421	
1997	15,137,424	14,630,022	96.6	56,526	507,402	
1996	16,580,923	16,655,127	100.4	55,139	(74,204)	
1995	13,984,390	17,916,123	128.1	50,454	(3,931,733)	
1994	15,361,605	21,044,676	137.0	49,145	(5,683,071)	
1993	15,972,314	21,396,436	134.0	50,461	(5,424,122)	
1992	16,897,674	22,017,558	130.3	124,163	(5,119,884)	
1991	18,070,574	18,524,978	102.5	122,519	(454,404)	
1990	19,714,527	16,211,912	82.2	131,283	3,502,615	
1989	21,100,810	13,913,816	65.9	149,492	7,186,994	
1988	22,231,319	13,963,986	62.8	127,992	8,267,333	
1987	22,123,322	15,270,515	69.0	180,953	6,852,807	

(A) Defined as all compensation paid to active employees covered by the retirement plan on which contributions are based.

* Converted to fair value from cost in 1998

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Schedule 2 - 2

Historical Trend Information
For the Years December 31, 1987 through 2001
(Unaudited - See Accountants' Report)

Year	Revenues and Expenses				
	Covered Payroll	Employer Contribution		Net Investment Income and Appreciation (Depreciation)	Tax Levy
		Amount	As a Percentage of Covered Payroll		
2001	\$ 62,978	\$ 4,463	7.09 %	\$ 255,382	\$ 352,962
2000	66,411	4,695	7.07	496,267	236,663
1999	59,287	3,928	6.63	259,065	100,944
1998	59,287	3,928	6.63	1,049,024	470,872
1997	58,619	3,810	6.50	1,322,002	7,554
1996	56,526	3,787	6.70	355,627	8,118
1995	55,139	3,783	6.87	3,253,008	8,118
1994	50,454	2,018	4.00	(1,472,998)	7,554
1993	49,145	1,969	4.01	2,402,226	7,554
1992	50,461	1,869	3.70	1,543,731	722,125
1991	124,163	4,045	3.26	3,367,058	3,100,000
1990	122,519	4,054	3.31	1,337,579	4,035,834
1989	131,283	5,072	3.86	2,299,628	3,168,092
1988	149,492	5,064	3.39	1,317,593	1,927,329
1987	127,992	4,417	3.45	173,030	1,927,329

Year	Benefit Payments
2001	\$ 2,137,683
2000	2,457,533
1999	2,477,957
1998	2,711,302
1997	2,938,314
1996	3,092,617
1995	2,469,677
1994	2,075,572
1993	2,763,509
1992	2,888,847
1991	2,978,523
1990	3,064,401
1989	3,174,696
1988	3,300,156
1987	3,411,305