



Office of the Comptroller

June 30, 2008

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

Michael J. Daun
Deputy Comptroller

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

Craig D. Kammholz
Special Deputy Comptroller

Mr. Mark Nicolini, Director
DOA - Budget and Management Division
City Hall - Room 307
Milwaukee, WI 53202

Dear Mr. Nicolini:

At your request, I am writing regarding the unrestricted cash balance in the Sewer Maintenance Fund and the sustainability of the transfer to the Debt Service Fund. Consistent with my September 10, 2007 and August 28, 2006 letters on the same subject (enclosed), my office has updated our unrestricted cash balance projection, which includes updated revenue and expenditure assumptions for 2008 through 2013.

Unrestricted cash is the measure of working capital the Sewer Maintenance Fund has available to meet its ongoing commitments, including the proposed 2009 transfer to the Debt Service Fund for debt service related to the sewer expansion capital program. Unrestricted cash is distinguished from retained earnings, which includes illiquid assets not available to support a debt service payment.

Actual 2007 figures were used as starting point in developing the projection of unrestricted cash or working capital. These figures are found in Exhibits B2 and B3 (drafts enclosed) in the forthcoming 2007 Comprehensive Annual Financial Report. Using these 2007 actuals as a starting point, the unrestricted cash balance projection shows the transfer to be unsustainable for 2009 through 2013. The projection is largely based on the assumptions used in the 2007 projection. However, updated consumption figures and rates, which were assumed to increase at 6% per year from 2009 through 2013 for both the sanitary and storm water components, were provided by Erick Shambarger of your staff. Incorporating these revised assumptions, the Sewer Maintenance Fund uses \$6 million to \$6.5 million cash each year from 2009 to 2013, resulting in an estimated negative \$25.7 million unrestricted cash balance at year-end 2013.

Enclosed with this letter is our unrestricted cash balance projection, my 2007 and 2006 letters on the Sewer Fund transfer and the related CAFR schedules. I would like the opportunity to meet with you to discuss in detail the Sewer Maintenance Fund cash flow projections. Please contact me should you have any questions.

Sincerely,

W. MARTIN MORICS
Comptroller

Enclosures (4)

WMM:CDK
REF: SewerFundSustainRev6-27-08.doc

Cc: Marianne Walsh

Room 404, City Hall, 200 East Wells Street, Milwaukee, Wisconsin 53202 - 3566 Phone: (414) 286-3321, Fax: (414) 286-3281

Comptroller's Office
Revised SMF Cash Flow Projections

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Year	PER CAFR			PROJECTED					
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Unrestricted Cash Balance	\$13,097	(\$0)	\$12,383	\$0	\$6,246	(\$345)	(\$6,918)	(\$13,364)	(\$19,621)
Beginning Restricted Cash Balance	\$7,513	\$7,762	\$8,116	\$8,885	\$8,197	\$8,279	\$8,362	\$8,446	\$8,530
Fee on Water Consumption									
Total Consumption ²	28,003	28,000	25,519	25,136	24,759	24,388	24,022	23,662	23,307
Growth - Consumption	-1.03%	-0.01%	-8.86%	1.50%	-1.50%	-1.50%	-1.50%	-1.50%	-1.50%
Rates on Water Consumption ^{3,4}	1.1094	0.9720	0.9250	1.0360	1.0982	1.1640	1.2339	1.3079	1.3864
Growth - Rates	0.00%	-12.39%	-4.84%	6.58%	6.00%	6.00%	6.00%	6.00%	6.00%
Revenues									
Total Fee (Water Works)	31,067	27,216	23,605	26,041	27,190	28,389	29,641	30,948	32,312
Comptroller Adjustment for actual cash rec'd	0.989	0.989	0.971	0.971	0.971	0.971	0.971	0.971	0.971
Sewer Fee Collected	30,725	26,915	22,921	25,286	26,401	27,565	28,781	30,050	31,375
Storm Water Fee on Impervious Surface									
ERU Base (thousands)		405	400	400	400	400	400	400	400
STORM RATE PER ERU ⁴		\$ 16.00	\$ 32.00	\$ 32.00	\$ 33.92	\$ 35.96	\$ 38.11	\$ 40.40	\$ 42.82
Growth in Rate		0%	0%	100%	6%	6%	6%	6%	6%
STORM FEE	0	6,480	12,800	12,800	13,568	14,382	15,245	16,160	17,129
Comptroller Adjustment for actual cash rec'd			0.971	0.971	0.971	0.971	0.971	0.971	0.971
Sewer Fee Collected			12,429	12,429	13,175	13,965	14,803	15,691	16,633
Total Operating Revenues	\$30,725	\$33,395	\$35,351	\$37,715	\$39,576	\$41,530	\$43,584	\$45,741	\$48,008
Residential Impact (Annual)	\$ 84.31	\$ 89.87	\$ 102.30	\$ 110.74	\$ 117.38	\$ 124.42	\$ 131.89	\$ 139.80	\$ 148.19
TOTAL RECEIPTS FROM CUSTOMERS	\$30,725	\$33,395	\$35,351	\$37,715	\$39,576	\$41,530	\$43,584	\$45,741	\$48,008
Growth - Expenses				3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Employee Costs	(7,418)	(7,251)	(7,171)	(7,386)	(7,608)	(7,836)	(8,071)	(8,313)	(8,563)
Payments to Suppliers, Services, Materials	(9,455)	(7,066)	(11,018)	(9,313)	(9,593)	(9,880)	(10,177)	(10,482)	(10,797)
Payments (To)/From Other Funds ⁵	8,416	(8,416)	5,451	(5,451)	0				
NET CASH PROVIDED BY OPERATING	\$22,268	\$10,662	\$22,613	\$15,564	\$22,375	\$23,814	\$25,336	\$26,946	\$28,649
NON-OPERATING EXPENSES									
Street Sweeping & Leaf Collection	(4,200)	(4,600)	(4,600)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Cash Transfer to General Fund ⁷	(7,000)	(7,000)	(9,000)	(9,160)	(9,160)	(8,779)	(8,162)	(7,876)	(7,259)
CASH USED FOR NON CAP FINANCING	(\$11,200)	(\$11,600)	(\$13,600)	(\$14,160)	(\$14,160)	(\$13,779)	(\$13,162)	(\$12,876)	(\$12,259)
Cash Financed Capital				(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Debt Service on Existing Borrowing ⁵	(5,152)	(5,147)	(27,964)	(8,464)	(9,731)	(10,100)	(10,694)	(10,954)	(11,545)
Estimated Debt Service on New Borrowing				(333)	(3,393)	(4,775)	(6,157)	(7,539)	(8,921)
Proceeds from Refunding In/(Out)		10,000		0					
Capital Borrowing ¹		23,990	26,194	36,600	22,000	22,000	22,000	22,000	22,000
Capital Expenditures	(19,089)	(15,540)	(19,250)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)
CASH USED FOR CAPITAL FINANCING	(\$24,241)	\$13,303	(\$21,020)	\$3,803	(\$15,124)	(\$16,875)	(\$18,851)	(\$20,493)	(\$22,466)
CASH FLOWS FROM INVESTING ACTIVITIES	325	372	393	350	400	350	315	250	100
NET INCREASE (DECREASE) IN CASH	(12,848)	12,737	(11,614)	5,557	(6,509)	(6,490)	(6,362)	(6,173)	(5,976)
ENDING CASH BALANCE	7,762	20,499	8,885	14,443	7,934	1,444	(4,918)	(11,091)	(17,067)
Cash Reserved for Bond Covenant ⁸	(7,762)	(8,116)	(8,885)	(8,197)	(8,279)	(8,362)	(8,446)	(8,530)	(8,615)
Ending Unrestricted Cash Balance	(\$0)	\$12,383	\$0	\$6,246	(\$345)	(\$6,918)	(\$13,364)	(\$19,621)	(\$25,682)

Financial Statements
 Exhibit B-3

5,451
 5,451

ASSUMPTIONS

- 1) All capital expenditures borrowed in year expended, with exception of 2008. It is anticipated that Clean Water Fund and other borrowing will become current in 2008. This results in proceeds exceeding capital expenditures in 2008. There after, it is anticipated that capital will be funded on a much more current basis.
- 2) Consumption declines slowly over time at a rate of 1.5% 2007 base water consumption of 25,519 ccf's and 400 ERUs confirmed with Budget staff
- 3) Prior rate increases fully established in 2008
- 4) Rate increases for sanitary and storm components assumed to be 6% per year for 2009 through 2013, per Budget staff.
- 5) Estimated based upon Budget Office projected Budget Authority and Debt Specialist estimates of when actual borrowings will be accomplished.
- 6) At end of 2005, the SMF was short of cash so the Gen Fund "loans" cash. In 2006, SMF returns the "borrowed" cash. This also occurred again at the end of 2007, resulting in GF transferring funds to SMF and SMF returning those funds later in 2008.
- 7) Transfer reflects actual sewer-related GO debt service for years 2010-2013.



Office of the Comptroller

September 10, 2007

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

Michael J. Daun
Deputy Comptroller

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

Craig D. Kammholz
Special Deputy Comptroller

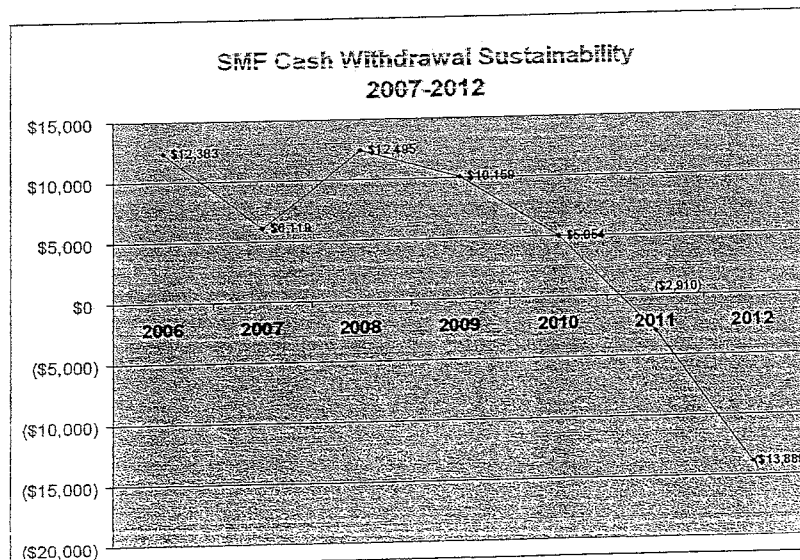
Mr. Mark Nicolini, Director
DOA - Budget and Management Division
City Hall - Room 307
Milwaukee, WI 53202

Dear Mr. Nicolini:

I am writing in response to your August 17th letter regarding the unrestricted cash balance in the Sewer Maintenance Fund and the sustainability of the transfer to the Debt Service Fund. Consistent with my August 28, 2006 letter on the same subject (enclosed), my office has updated our unrestricted cash balance projection, which includes updated revenue and expenditure assumptions for 2007 through 2012.

Unrestricted cash is the measure of working capital the Sewer Maintenance Fund has available to meet its ongoing commitments, including the proposed 2008 transfer to the Debt Service Fund for debt service related to the sewer expansion capital program. Your letter, referred to retained earnings, which includes illiquid assets not available to support a debt service payment.

Actual 2006 figures were used as starting point in developing the projection of unrestricted cash or working capital. These figures are found in Exhibits B2 and B3 (enclosed) in the 2006 Comprehensive Annual Financial Report. Using these 2006 actuals as a starting point, the unrestricted cash balance projection shows a transfer of \$9.16 million to be sustainable for 2008 and unsustainable from net operating cash flows for 2009 through 2012.



Mr. Mark Nicolini, Director

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September 10, 2007

Sustainability in 2008 is due in large part to the implementation of the storm water fee which has a full year's impact beginning in 2007 and the proposed increase in the sanitary rates to 1.036 per CCF. Of course the sustainability in 2008 is dependent on adoption of the higher sanitary rate as well as the projection's underlying assumptions regarding water usage, revenues and expenditures.

Enclosed with this letter is our unrestricted cash balance projection, my 2006 letter on the Sewer Fund transfer and the related CAFR schedules. I would like the opportunity to meet with you to discuss in detail the Sewer Maintenance Fund cash flow projections. My staff will be contacting you to arrange this meeting, but please contact me should you have any questions before then.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Dawn" or similar, written in a cursive style.

W. MARTIN MORICS
Comptroller

Enclosures (3)

WMM:CDK:JME

REF: SewerFundSustainRev9-4-07.doc

Comptroller's Office
Revised SMF Cash Flow Projections

Year	PER CAFR		PROJECTED					
	2005	2006	2007	2008	2009	2010	2011	2012
Beginning Unrestricted Cash Balance	\$13,097	(\$0)	\$12,383	\$6,119	\$12,495	\$10,159	\$5,054	(\$2,910)
Beginning Restricted Cash Balance	\$7,513	\$7,762	\$8,116	\$8,197	\$8,279	\$8,362	\$8,446	\$8,530
Fee on Water Consumption								
Total Consumption ²	28,003	28,000	27,720	27,304	26,895	26,491	26,094	25,702
Growth - Consumption	-1.03%	-0.01%	-1.00%	-1.50%	-1.50%	-1.50%	-1.50%	-1.50%
Rates on Water Consumption ³								
Rates	1.1094	0.9720	0.9250	1.0360	1.0360	1.0360	1.0360	1.0360
Growth - Rates	0.00%	-12.39%	-4.84%	12.00%	0.00%	0.00%	0.00%	0.00%
Revenues								
Total Fee (Water Works)	31,067	27,216	25,641	28,287	27,863	27,445	27,033	26,628
Comptroller Adjustment for actual cash rec'd	0.989	0.989	0.989	0.989	0.989	0.989	0.989	0.989
Sewer Fee Collected	30,725	26,915	25,359	27,976	27,555	27,143	26,736	26,335
Storm Water Fee on Impervious Surface								
ERU Base (thousands)		405	405	405	405	405	405	405
STORM RATE PER ERU ⁴		\$ 16.00	\$ 32.00	\$ 32.00	\$ 32.00	\$ 32.00	\$ 32.00	\$ 32.00
Growth in Rate	0	0%	100%	0%	0%	0%	0%	0%
STORM FEE	0	6,480	12,960	12,960	12,960	12,960	12,960	12,960
Total Operating Revenues	\$30,725	\$33,395	\$38,319	\$40,936	\$40,516	\$40,103	\$39,696	\$39,295
Residential Impact (Annual)	\$ 84.31	\$ 89.87	\$ 102.30	\$ 110.74	\$ 110.74	\$ 110.74	\$ 110.74	\$ 110.74
TOTAL RECEIPTS FROM CUSTOMERS	\$30,725	\$33,395	\$38,319	\$40,936	\$40,516	\$40,103	\$39,696	\$39,295
Growth - Expenses								
Employee Costs	(7,418)	(7,251)	(7,469)	(7,693)	(7,923)	(8,161)	(8,406)	(8,658)
Payments to Suppliers, Services, Materials	(9,455)	(7,066)	(8,508)	(8,764)	(9,026)	(9,297)	(9,576)	(9,863)
Payments (To)/From Other Funds ⁵	8,416	(8,416)						
NET CASH PROVIDED BY OPERATING	\$22,268	\$10,662	\$22,342	\$24,480	\$23,567	\$22,645	\$21,714	\$20,773
NON-OPERATING EXPENSES								
Street Sweeping & Leaf Collection	(4,200)	(4,600)	(4,600)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Cash Transfer to General Fund	(7,000)	(7,000)	(9,000)	(9,160)	(9,160)	(9,160)	(9,160)	(9,160)
CASH USED FOR NON CAP FINANCING	(\$11,200)	(\$11,600)	(\$13,600)	(\$14,160)	(\$14,160)	(\$14,160)	(\$14,160)	(\$14,160)
Cash Financed Capital								
Debt Service on Existing Borrowing ⁵	(5,152)	(5,147)	(5,275)	(6,100)	(6,089)	(5,494)	(5,470)	(5,444)
Estimated Debt Service on New Borrowing ⁶				(1,912)	(3,671)	(6,077)	(7,365)	(9,313)
Proceeds from Refunding In/(Out) ⁹		10,000	(10,000)					
Capital Borrowing ¹		23,990	Proceeds in	6,000	Proceeds in	Proceeds in	Proceeds in	Proceeds in
Capital Expenditures	(19,089)	(15,540)	(Capital Exp Out)	(Capital Exp Out)	(Capital Exp Out)	(Capital Exp Out)	(Capital Exp Out)	(Capital Exp Out)
CASH USED FOR CAPITAL FINANCING	(\$24,241)	\$13,303	(\$15,275)	(\$4,262)	(\$12,010)	(\$13,821)	(\$15,683)	(\$17,607)
CASH FLOWS FROM INVESTING ACTIVITIES	325	372	350	400	350	315	250	100
NET INCREASE (DECREASE) IN CASH	(12,848)	12,737	(6,183)	6,458	(2,253)	(5,021)	(7,879)	(10,894)
ENDING CASH BALANCE	7,762	20,499	14,316	20,774	18,521	13,499	5,620	(5,274)
Cash Reserved for Bond Covenant	(7,762)	(8,116)	(8,197)	(8,279)	(8,362)	(8,446)	(8,530)	(8,615)
Ending Unrestricted Cash Balance	(\$0)	\$12,383	\$6,119	\$12,495	\$10,159	\$5,054	(\$2,910)	(\$13,889)

Financial Statements
 Exhibit B-3

ASSUMPTIONS

- 1.) All capital expenditures borrowed in year expended, with exception of 2008. It is anticipated that Clean Water Fund and other borrowing will become current in 2008. This results in proceeds exceeding capital expenditures in 2008. There after, it is anticipated that capital will be funded on a much more current basis, requiring approximately \$6 million to \$8 million in short term cash financing in anticipation of borrowing.
- 2.) Consumption declines slowly over time
- 3.) Estimated blended rate for 2006. Rate increase in 2008. Other increases not considered
- 4.) No rate increases proposed
- 5.) As of 9/5/07
- 6.) At end of 2005, the SMF was short of cash so the Gen Fund "loans" cash. In 2006, SMF returns the "borrowed" cash
- 7.) Varies from \$1 million under actual Sewer-related GO debt service costs in 2007, to \$4.5 million more than actual GO debt services costs in 2012, per CAFR Schedule I-3
- 8.) Estimated based upon beginning annual borrowing of \$27.7 million in 2008 and increasing \$1 million annually thru 2012
- 9.) \$10 in proceeds from a 2006 refunding were deposited with the City, rather than with the bond Trustee. These funds were paid to the Trustee in early 2007. Essentially, these funds were never unrestricted cash for SMF purposes.



Office of the Comptroller

August 28, 2006

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

Michael J. Daun
Deputy Comptroller

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

Craig D. Kammholz
Special Deputy Comptroller

Mr. Mark Nicolini, Director
DOA - Budget and Management Division
City Hall - Room 307
Milwaukee, WI 53202

Dear Mr. Nicolini:

This letter is in response to your request for information concerning the unrestricted cash balance in the Sewer Fund and the sustainability of the transfer to the Debt Service Fund. As you are aware, staff from both the Budget Office and the Comptroller's Office have worked together in determining the sustainability of an annual Sewer Fund transfer - a transfer for the retirement of sewer purpose General Obligation debt issued prior to the creation of the Sewer Fund.

The ongoing sustainability of the transfer can only be supported by ongoing revenues from operations and not from proceeds from debt issued to support Sewer Fund capital infrastructure. The use of sewer revenue bond proceeds to abate the debt service tax levy is prohibited.

Your letter specifically asked whether unrestricted cash built up over time could be drawn upon to support an increase in the transfer. Unrestricted sewer fund cash can be used for transfer to the Debt Service Fund. However, tax levy or "cash" financed capital and reserves for the 2001 and 2003 sewer revenue bond issues are not sources of unrestricted cash. Therefore, neither of these items increases the Sewer Fund's unrestricted cash balance. Funds used to support cash financed capital were expended to finance capital infrastructure. Bond proceeds issued to fund reserve requirements for the 2001 and 2003 sewer revenue bonds have been transferred to the bondholders' fiscal agent and are reflected as restricted cash in the Sewer Fund.

Attached is our unrestricted cash balance projection, which includes Budget Office's most recent revenue and expenditure assumptions for 2007 through 2010. The projection shows the assumed transfer amounts to be unsustainable for 2007 through 2009. However, sewer rate increases in 2009 and 2010 combined with decreases in the transfer in each of those years would restore sustainability by 2010. Our conclusion is predicated on the attached spreadsheet, which both our offices participated in developing. The challenge will be to define to the users the rationale for a 2007 decrease in sewer rates, followed by increases over the next three years.

Please contact me should you have any questions.

Sincerely,

W. MARTIN MORICS
Comptroller

WMM:MJD:CDK
REF: SewerFund Response.doc

Sewer Fund Operations Pro Forma Cashflows

CAFR Cash Balance 10,900
 Adj. for A/R, AP Fiscal Agent Interest (1,600)

Year	2005	2006	2007	2008	2009	2010
Beginning Cash Balance	9,300	9,139	11,245	9,679	7,266	7,151
Fee on Water Consumption						
Total Consumption	27,200	25,940	25,519	25,136	24,759	24,386
Growth - Consumption	-1.03%	-4.53%	-1.62%	-1.50%	-1.50%	-1.50%
Rates on Water Consumption	1,1094	1,0640	0,9250	0,8620	1,0600	1,1000
Growth - Rates	0.00%	-4.09%	-13.06%	4.00%	10.19%	3.77%
Revenues						
Total Fee	30,533	27,600	23,605	24,181	26,245	26,627
Storm Water Fee on Impervious Surface						
ERU Base (thousands)		405	405	405	405	405
STORM RATE PER ERU	\$	16.00	\$ 32.00	\$ 32.00	\$ 36.00	\$ 40.00
Growth in Rate		0%	100%	0%	13%	11%
STORM FEE	0	6,480	12,960	12,960	14,580	16,200
Other	887	874	900	927	955	984
Total Operating Revenues	31,390	34,954	37,465	38,068	41,780	44,010
Residential Impact (Annual)	\$ 84.31	\$ 96.86	\$ 102.30	\$ 105.11	\$ 116.56	\$ 123.60
Growth	0.0%	14.9%	5.6%	2.7%	10.9%	6.0%
Growth - Expenses	29.51%	3.00%	3.00%	3.00%	3.00%	3.00%
Salaries	(4,941)	(5,367)	(5,374)	(5,535)	(5,701)	(5,872)
Salaries-Cap. Exp.	(408)	(377)	(366)	(396)	(406)	(416)
Employee Benefits	(2,093)	(2,254)	(2,257)	(2,048)	(2,109)	(2,173)
Employee Benefits-Cap. Exp.	(164)	(141)	(145)	(148)	(152)	(156)
Operating Expenses	(6,960)	(7,301)	(8,083)	(8,325)	(8,575)	(8,833)
Operating Expenses-Cap. Exp.	(155)	(93)	(98)	(98)	(101)	(103)
Equipment	(1,040)	(724)	(122)	(126)	(129)	(133)
Equipment-Cap. Exp.	973	570	584	599	614	629
Water Works Payment	(350)	(350)	(350)	(361)	(371)	(382)
Street Sweeping & Leaf Collection	(4,200)	(4,600)	(4,600)	(4,138)	(4,262)	(4,390)
Amortization of Issuance Costs	(64)	(63)	(75)	(75)	(75)	(75)
Transfer for Old GO Debt	(7,000)	(7,000)	(9,000)	(9,000)	(8,000)	(7,000)
SMF Debt Service	(5,152)	(5,147)	(9,128)	(10,929)	(12,626)	(14,518)
Total Expenses	(31,551)	(32,848)	(39,032)	(40,481)	(41,894)	(43,423)
Cash Receipt Over/(Under) Disbursements	(161)	2,108	(1,567)	(2,413)	(114)	588
Capital Borrowing						
Capital Expenditures						
Ending Cash Balance	9,139	11,245	9,679	7,266	7,151	7,739

CITY OF MILWAUKEE
 STATEMENT OF NET ASSETS
 ENTERPRISE FUNDS
 DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit B-1

R 5-28-08

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 28,539	\$ -	\$ 21,485	\$ -	\$ 50,024
Restricted cash and cash equivalents	643	438	-	-	1,081
Receivables (net):					
Accounts	12,600	10,576	146	10,046	33,368
Unbilled accounts	9,770	2,129	-	2,144	14,043
Accrued interest	131	25	-	-	156
Due from other funds	4,702	1,285	-	1,117	7,104
Inventory of materials and supplies	2,345	-	-	-	2,345
Prepaid items	94	-	-	-	94
Deferred charges	-	479	-	-	479
Other assets	103	-	-	-	103
Total Current Assets	<u>58,927</u>	<u>14,932</u>	<u>21,631</u>	<u>13,307</u>	<u>108,797</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	8,447	-	-	8,447
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,440	6,107	16,115
Construction in progress	12,249	36,800	3,650	-	52,699
Capital assets being depreciated:					
Buildings	21,292	-	50,645	13,063	85,000
Infrastructure	318,139	346,382	-	-	664,521
Improvements other than buildings	-	-	5,429	21,871	27,300
Machinery and equipment	201,183	4,260	1,496	4,776	211,715
Furniture and furnishings	-	22	-	55	77
Nonutility property	5,316	-	-	-	5,316
Accumulated depreciation	<u>(182,649)</u>	<u>(102,421)</u>	<u>(30,217)</u>	<u>(26,116)</u>	<u>(341,403)</u>
Total Noncurrent Assets	<u>377,098</u>	<u>293,490</u>	<u>39,443</u>	<u>19,756</u>	<u>729,787</u>
Total Assets	<u>436,025</u>	<u>308,422</u>	<u>61,074</u>	<u>33,063</u>	<u>838,584</u>

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CITY OF MILWAUKEE
 STATEMENT OF NET ASSETS
 ENTERPRISE FUNDS
 DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 3,326	\$ 762	\$ 1,295	\$ 9,122	\$ 14,505
Accrued expenses	1,454	631	523	152	2,760
Accrued interest payable	346	810	183	109	1,448
Compensated absences	1,025	-	-	-	1,025
Due to other funds	9,790	5,451	-	9,936	25,177
Deferred revenue	-	-	28	-	28
General obligation debt payable - current	2,845	19,701	2,218	483	25,247
Revenue bonds payable - current	891	-	-	-	891
Total Current Liabilities	<u>19,677</u>	<u>27,355</u>	<u>4,247</u>	<u>19,802</u>	<u>71,081</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	-	3,214	-	-	3,214
Accrued interest payable	-	122	-	-	122
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>3,336</u>	<u>-</u>	<u>-</u>	<u>3,336</u>
Noncurrent Liabilities:					
General obligation debt	17,474	3,934	9,579	3,207	34,194
Revenue bonds payable	10,315	66,647	-	-	76,962
Other post employment benefits obligation	790	274	214	45	1,323
Total Noncurrent Liabilities	<u>28,579</u>	<u>70,855</u>	<u>9,793</u>	<u>3,252</u>	<u>112,479</u>
Total Liabilities	<u>48,256</u>	<u>101,546</u>	<u>14,040</u>	<u>23,054</u>	<u>186,896</u>
Net Assets:					
Invested in capital assets, net of related debt	345,572	191,547	28,409	16,066	581,594
Restricted for Debt Service	643	8,885	-	-	9,528
Unrestricted	41,554	6,444	18,625	(6,057)	60,566
Total Net Assets	<u>\$ 387,769</u>	<u>\$ 206,876</u>	<u>\$ 47,034</u>	<u>\$ 10,009</u>	<u>\$ 651,688</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, 2007
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 59,301	\$ -	\$ -	\$ -	\$ 59,301
Statutory sewer user fee	-	-	-	30,258	30,258
Sewer maintenance fee	-	37,756	-	-	37,756
Rent	-	-	7,124	6,022	13,146
Fire protection service	6,234	-	-	-	6,234
Parking meters	-	-	4,088	-	4,088
Parking permits	-	-	2,914	-	2,914
Vehicle towing	-	-	6,250	-	6,250
Parking forfeitures	-	-	18,950	-	18,950
Other	6,969	-	-	907	7,876
Total Operating Revenues	<u>72,504</u>	<u>37,756</u>	<u>39,326</u>	<u>37,187</u>	<u>186,773</u>
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	27,808	27,808
Employee services	-	7,442	7,269	1,622	16,333
Administrative and general	6,634	-	-	34	6,668
Depreciation	12,943	4,086	2,415	2,385	21,829
Transmission and distribution	18,872	-	-	2,742	21,614
Services, supplies and materials	-	10,305	13,752	1,545	25,602
Water treatment	12,506	-	-	-	12,506
Water pumping	7,057	-	-	-	7,057
Billing and collection	2,678	-	-	1,601	4,279
Total Operating Expenses	<u>60,690</u>	<u>21,833</u>	<u>23,436</u>	<u>37,737</u>	<u>143,696</u>
Operating Income (Loss)	<u>11,814</u>	<u>15,923</u>	<u>15,890</u>	<u>(550)</u>	<u>43,077</u>
Nonoperating Revenues (Expenses):					
Investment income	1,707	414	-	-	2,121
Interest expense	(1,374)	(3,495)	(589)	(190)	(5,648)
Gain (loss) on disposal of fixed assets	-	-	133	-	133
Other	304	(4,600)	271	12	(4,013)
Total Nonoperating Revenues (Expenses)	<u>637</u>	<u>(7,681)</u>	<u>(185)</u>	<u>(178)</u>	<u>(7,407)</u>
Income (Loss) before Contributions and Transfers..	12,451	8,242	15,705	(728)	35,670
Capital contributions	2,178	3,265	-	619	6,062
Transfers in	-	-	-	683	683
Transfers out	(7,767)	(9,000)	(17,346)	(3,053)	(37,166)
Change in Net Assets	6,862	2,507	(1,641)	(2,479)	5,249
Total Net Assets - Beginning	<u>380,907</u>	<u>204,369</u>	<u>48,675</u>	<u>12,488</u>	<u>646,439</u>
Total Net Assets - Ending	<u>\$ 387,769</u>	<u>\$ 206,876</u>	<u>\$ 47,034</u>	<u>\$ 10,009</u>	<u>\$ 651,688</u>

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, 2007
 (Thousands of Dollars)

Exhibit B-3

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	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 70,998	\$ 35,351	\$ 39,376	\$ 34,776	\$ 180,501
Payments to suppliers	(17,762)	(11,018)	(13,445)	(33,967)	(76,192)
Payments to employees	(24,178)	(7,171)	(7,000)	(1,540)	(39,889)
Payments from other funds	-	-	-	3,001	3,001
Payments to other funds	(5,995)	5,451	-	379	(165)
 Net Cash Provided by Operating Activities.....	 <u>23,063</u>	 <u>22,613</u>	 <u>18,931</u>	 <u>2,649</u>	 <u>67,256</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	304	-	-	-	304
Other nonoperating expenses	-	(4,600)	-	-	(4,600)
Transfers from other funds	-	-	-	(3,053)	(3,053)
Transfers to other funds	(7,767)	(9,000)	(17,346)	203	(33,910)
 Net Cash Used for Noncapital Financing Activities	 <u>(7,463)</u>	 <u>(13,600)</u>	 <u>(17,346)</u>	 <u>(2,850)</u>	 <u>(41,259)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	1,055	1,055
Proceeds from sale of bonds and notes	-	11,825	1,065	12	12,902
Proceeds from sale of revenue bonds	-	14,369	-	-	14,369
Acquisition of property, plant and equipment	(14,319)	(19,250)	(2,059)	(197)	(35,825)
Retirement of bonds, notes and revenue bonds	(4,231)	(24,750)	(2,080)	(480)	(31,541)
Interest paid	(1,425)	(3,214)	(592)	(200)	(5,431)
Other	-	-	542	11	553
 Net Cash Used for Capital and Related Financing Activities	 <u>(19,975)</u>	 <u>(21,020)</u>	 <u>(3,124)</u>	 <u>201</u>	 <u>(43,918)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	1,748	393	-	-	2,141
 Net Increase in Cash and Cash Equivalents	 <u>(2,627)</u>	 <u>(11,614)</u>	 <u>(1,539)</u>	 <u>-</u>	 <u>(15,780)</u>
Cash and Cash Equivalents - Beginning	31,809	20,499	23,024	-	75,332
 Cash and Cash Equivalents - Ending	 <u>\$ 29,182</u>	 <u>\$ 8,885</u>	 <u>\$ 21,485</u>	 <u>\$ -</u>	 <u>\$ 59,552</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

Exhibit B-3 (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash	\$ 28,539	\$ -	\$ 21,485	\$ -	\$ 50,024
Restricted Cash	<u>643</u>	<u>8,885</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
	<u>\$ 29,182</u>	<u>\$ 8,885</u>	<u>\$ 21,485</u>	<u>\$ -</u>	<u>\$ 59,552</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 11,814	\$ 15,983	\$ 15,890	\$ (550)	\$ 43,137
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	12,943	4,026	2,415	2,385	21,769
Changes in assets and liabilities:					
Receivables	(2,029)	(1,988)	59	(2,411)	(6,369)
Due from other funds	(415)	(417)	-	(257)	(1,089)
Inventories	(136)	-	-	-	(136)
Prepaid items	(73)	-	-	-	(73)
Other assets	31	-	-	-	31
Accounts payable	455	(713)	307	(237)	(188)
Accrued liabilities	473	271	269	82	1,095
Due to other funds	-	5,451	-	3,637	9,088
Deferred revenue	-	-	(9)	-	(9)
Net Cash Provided by Operating Activities	<u>\$ 23,063</u>	<u>\$ 22,613</u>	<u>\$ 18,931</u>	<u>\$ 2,649</u>	<u>\$ 67,256</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$2.178 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$95,007 with a net value of \$0, and, received donated assets in the amount of \$3.265 million.

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