



777 East Wisconsin Avenue
Milwaukee, WI 53202

May 31, 2002

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

We have audited the general purpose financial statements of the City of Milwaukee, as of and for the year ended December 31, 2001, and have issued our report thereon dated May 31, 2002.

The American Institute of Certified Public Accountants requires the independent auditor to communicate certain matters related to the conduct of each audit to those members of the client's Board who have responsibility for oversight of the financial reporting process.

Specific areas to be communicated to you are as follows:

- Auditors' Responsibility Under Auditing Standards Generally Accepted in the United States of America
- Significant Accounting Policies
- Management Judgments and Accounting Estimates
- Audit Adjustments
- Disagreements with Management
- Consultation with Other Accountants
- Major Issues Discussed with Management Prior to Retention
- Difficulties Encountered in Performing the Audit
- Confirmation of Audit Independence
- Other

Our comments regarding these matters as they related to the fiscal 2001 audit of the City of Milwaukee are presented in the attachment to this letter. We are pleased to review these items with you.

KPMG LLP

Very truly yours,



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

Auditors' Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our responsibility under auditing standards generally accepted in the United States of America is to express an opinion on the general purpose financial statements of the City of Milwaukee (City) based on our audit. In carrying out this responsibility we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected.

In addition, in planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

Significant Accounting Policies

The significant accounting policies used by the City are described in Note 1 to the City's general purpose financial statements.

During 2001, the City adopted the provision of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*. The implementation resulted in a change in presentation of capital contributions on the statements of revenue, expenses, and changes in retained earnings. Capital contributions are reflected as part of non-operating revenue as opposed to contributed capital.

Management Judgments and Accounting Estimates

There were no significant accounting estimates in the financial statements as of December 31, 2001.

Audit Adjustments

The following adjustments to the general purpose financial statements were proposed and recorded during the audit:

1.	<u>Capital Projects Fund</u>		<u>(In thousands)</u>
	Capital outlay expenditures	\$ 500	
	Accounts payable		\$ 500
	(to record unrecorded liabilities)		
2.	<u>Enterprise Fund</u>		<u>(In thousands)</u>
	Contributed capital	\$2,633	
	Nonoperating expense	\$ 960	
	Capital contributions		\$3,593
	(to implement GASB 33)		

The following adjustments to the general purpose financial statements were proposed during the audit and were not recorded. The City's management concluded and represented to us that these adjustments both individually and in the aggregate are not material to the general purpose financial statements:

1.	<u>General Fund</u>		<u>(In thousands)</u>
	Fund balance	\$1,178	
	Accounts payable		\$1,138
	Library expense		\$ 40
	(to record reciprocal payment to county libraries)		
2.	<u>Enterprise Fund</u>		
	Various expenses	\$ 587	
	Property, plant, and equipment	\$1,011	
	Accounts payable		\$1,598
	(to record unrecorded liabilities)		
	Unbilled accounts receivable	\$ 985	
	Retained earnings		\$ 985
	(to record unbilled receivables)		
	Contributed capital	\$ 662	
	Nonoperating revenue		\$ 662
	(to implement GASB 33)		

3. <u>Capital Projects Fund</u>		
Capital outlay expenditures	\$ 678	
Accounts payable		\$ 678
(to record unrecorded liabilities)		

The impact of the unrecorded audit adjustments by fund type is as follows:

		(In thousands)	
	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Capital Projects Fund</u>
Change in assets	\$ —	1,996	—
Change in liabilities	1,138	1,598	678
Change in fund balance	\$ <u>(1,138)</u>	<u>398</u>	<u>(678)</u>

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters, which, if not satisfactorily resolved, would have caused a modification of our report on the City's general purpose financial statements.

Consultations with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of Statement of Auditing Standards No. 20, *Reports on the Application of Accounting Principles*.

Major Issues Discussed with Management Prior to Retention

We discussed a variety of matters, including the application of certain accounting principles and auditing standards, with management prior to retention as the City's auditors. However, these discussions occurred in the normal course of assessing our professional relationship, and we have no reason to believe that our responses were a condition to our appointment as auditors.

Difficulties Encountered in Performing the Audit

We received excellent cooperation from management and staff in performing our audit of the City's operations.

Confirmation of Audit Independence

Our professional standards require that we communicate to you in writing at least annually all relationships between our Firm and the City that, in our professional judgment, may reasonably be thought to bear on our independence. This communication is intended to comply with the reporting requirement and to facilitate a subsequent discussion with you on audit independence.

We hereby confirm that as of December 31, 2001, we are independent accountants with respect to the City within the meaning of the Securities Acts administered by the Securities Exchange Commission and the requirements of the U.S. General Accounting Office Independence Standard.

Other Matters

We do not have any other matters to report.