

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 6, 2008

**NEW ISSUES
BOOK ENTRY ONLY**

RATINGS: Fitch Moody's Standard & Poor's
(See "Ratings" herein.) Applied For Applied For Applied For

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C. Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the G.O. Notes, G.O. Bonds and the G.O. CFNs (the "Offered Obligations") will not be includable in gross income for federal income tax purposes. The Offered Obligations are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Offered Obligations is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Offered Obligations is not exempt from Wisconsin income taxes.

CITY OF MILWAUKEE, WISCONSIN

**\$90,000,000 GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES
SERIES 2008 R5**

**\$37,125,000 GENERAL OBLIGATION PROMISSORY NOTES,
SERIES 2008 N6**

**\$6,925,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS,
SERIES 2008 B7**

The General Obligation Promissory Notes, Series 2008 N6 (the "G.O. Notes" or the "Notes"), the General Obligation Corporate Purpose Bonds, Series 2008 B7, (the "G.O. Bonds" or the "Bonds") and the General Obligation Cash Flow Promissory Notes, Series 2008 R5 (the "G.O. CFNs" or the "CFNs") (collectively, the "Offered Obligations") are direct general obligations of the City of Milwaukee, Wisconsin (the "City" and the "State", respectively), 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 being issued for the purpose of financing various public improvement projects and fiscal requirements of the City.

The G.O. Notes and G.O. Bonds will be dated the Expected Date of Delivery, will bear interest payable semiannually on March 15 and September 15 of each year, commencing March 15, 2009, at the rates, and will mature on March 15 in the years and amounts, as detailed on the inside front cover hereof. The G.O. Bonds are subject to optional redemption on any date on or after March 15, 2018, as provided herein. The G.O. Notes are not subject to redemption prior to maturity.

The G.O. CFNs will be dated the Expected Date of Delivery, and will be payable on December 15, 2008. The CFNs are being issued for the public purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments. Interest on the CFNs shall be payable at maturity. The CFNs are not subject to redemption.

The Offered Obligations have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated March 6, 2008 and are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notice of Sale. Delivery of the Offered Obligations will be on or about April 3, 2008 (the "Expected Date of Delivery") in New York, New York.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE OFFERED OBLIGATIONS. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

For Further Information Contact:

W. Martin Morics, City Comptroller and Secretary to Public Debt Commission
City Hall, Room 404, 200 East Wells Street - Milwaukee, WI 53202 - Phone (414) 286-3321

**ELECTRONIC BIDS FOR THE G.O. CFNs WILL BE RECEIVED UNTIL 10:00 A.M. (CENTRAL TIME)
ON THURSDAY, MARCH 13, 2008**

**ELECTRONIC BIDS FOR THE G.O. NOTES AND G.O. BONDS WILL BE RECEIVED UNTIL 10:30 A.M.
(CENTRAL TIME) ON THURSDAY, MARCH 13, 2008**

MATURITY SCHEDULES

\$37,125,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2008 N6

The G.O. Notes will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semiannually on March 15 and September 15 of such year, commencing March 15, 2009, and will mature on March 15 in the years and in the amounts shown below. The G.O. Notes are not subject to redemption prior to maturity.

<u>Maturing (March 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturing (March 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2009	\$13,325,000			2014	\$2,345,000		
2010	7,750,000			2015	1,585,000		
2011	2,235,000			2016	1,585,000		
2012	2,680,000			2017	1,585,000		
2013	2,450,000			2018	1,585,000		

\$6,925,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2008 B7

The G.O. Bonds will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semiannually on March 15 and September 15 of each year, commencing March 15, 2009, and will mature on March 15 in the years and in the amounts shown below. The G.O. Bonds are subject to optional redemption on any date on or after March 15, 2018, as provided herein.

<u>Maturing (March 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2019	\$1,385,000		
2020	1,385,000		
2021	1,385,000		
2022	1,385,000		
2023	1,385,000		

\$90,000,000 GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2008 R5

The G.O. Cash Flow Promissory Notes, Series 2008 R5 will be dated the Expected Date of Delivery, and will mature on December 15, 2008 without the option of prior redemption. Interest will be payable at maturity, at the rate or rates shown below.

<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
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No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of these securities and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. These securities have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

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INTRODUCTION TO THE OFFICIAL STATEMENT

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 following securities issued by the City:

\$90,000,000 General Obligation Cash Flow Promissory Notes, Series 2008 R5 (the “G.O. CFNs” or the “CFNs”)

\$37,125,000 General Obligation Promissory Notes, Series 2008 N6 (the “G.O. Notes” or the “Notes”)

\$6,925,000 General Obligation Corporate Purpose Bonds, Series 2008 B7 (the “G.O. Bonds” or the “Bonds”)

The G.O. Notes, G.O. Bonds, and the G.O. CFNs shall be collectively referred to herein as the “Offered Obligations.”

The following summary statement is furnished solely to provide limited introductory information regarding the City’s Offered Obligations, 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-THE G.O. NOTES

The following material is supported, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.

Issue: \$37,125,000 General Obligation Promissory Notes, Series 2008 N6.

Dated Date: The Expected Date of Delivery.

Amounts and Maturities:

G.O. Notes

<u>March 15</u>	<u>Amount</u>	<u>March 15</u>	<u>Amount</u>
2009	\$13,325,000	2014	\$2,345,000
2010	7,750,000	2015	1,585,000
2011	2,235,000	2016	1,585,000
2012	2,680,000	2017	1,585,000
2013	2,450,000	2018	1,585,000

Interest Payment Dates: Each March 15 and September 15 commencing March 15, 2009.

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

Purpose: The Notes are being issued pursuant to Chapter 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects and fiscal requirements of the City.

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

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

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

Tax Status of Interest: Bond Counsel are of the opinion that under existing law, interest on the Offered Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel are of the opinion that interest on the Offered Obligations will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered Obligations is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Offered Obligations is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).

Redemption Feature: The Notes are not subject to redemption prior to maturity.

Official Statement: The City will provide the original purchaser of the Notes with up to 50 copies, of this Official Statement, within seven business days following the award of the Notes.

Professionals:

Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
	Hurtado, S.C. Wauwatosa, Wisconsin
Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
	Bagley Financial Corp. Detroit, Michigan

Delivery: Delivery of the Notes will be on or about April 3, 2008 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices(s) or yield(s) of the Notes are set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See "Appendix C-Master Continuing Disclosure Certificate" herein).

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SUMMARY STATEMENT-THE G.O. BONDS

The following material is supported, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.

Issue: \$6,925,000 General Obligation Corporate Purpose Bonds, Series 2008 B7.

Dated Date: Expected Date of Delivery, which is anticipated to be April 3, 2008.

Amounts and Maturities: **G.O. Bonds**

<u>March 15</u>	<u>Amount</u>	<u>March 15</u>	<u>Amount</u>
2019	\$1,385,000	2022	\$1,385,000
2020	1,385,000	2023	1,385,000
2021	1,385,000		

Interest Payment Dates: Each March 15 and September 15 commencing March 15, 2009.

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 financing various public improvement projects.

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.

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, which will act as security depository for the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Tax Status of Interest: Bond Counsel are of the opinion that under existing law, interest on the Offered Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel are of the opinion that interest on the Offered Obligations will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered Obligations is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Offered Obligations is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).

Redemption Feature: The Bonds are subject to redemption prior to maturity. (See "REDEMPTION PROVISIONS" herein.)

Official Statement: The City will provide the original purchaser of the Bonds with up to 50 copies, of this Official Statement within seven business days following the award of the Bonds.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois

Hurtado, S.C.
Wauwatosa, Wisconsin

Financial Advisor: Robert W. Baird & Co.
Milwaukee, Wisconsin

Bagley Financial Corp.
Detroit, Michigan

Delivery: Delivery of the Bonds will be on or about April 3, 2008 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices(s) or yield(s) of the Bonds are set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "Appendix C-Master Continuing Disclosure Certificate" herein).

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SUMMARY STATEMENT-THE G.O. CFNS

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$90,000,000 General Obligation Cash Flow Promissory Notes, Series 2008 R5.
Dated Date:	The Expected Date of Delivery, which is anticipated to be April 3, 2008.
Maturity:	December 15, 2008.
Principal:	\$90,000,000
Interest Payment Dates:	Payable at maturity; calculated on the basis of 30-day months and a 360-day year (term of 252 days assuming an April 3, 2008 delivery date).
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The CFNs are issued for the purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments ("State Aid Payments").
Security:	Principal and interest on the CFNs will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City. The City has also pledged and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged all other general fund revenues included in the budget for the current calendar year which are due the City, which have not been received as of the date of delivery of the CFNs and which are not otherwise pledged or assigned. (See "The CFNs - SECURITY FOR THE CFNs" herein).
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the CFNs in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.12(12) of the Wisconsin Statutes.
Form of Issuance:	The CFNs 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, which will act as security depository for the CFNs. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the Offered Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel are of the opinion that interest on the Offered Obligations will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered Obligations is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Offered Obligations is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).
Redemption Feature:	The CFNs are not subject to redemption prior to maturity.

Official Statement: The City will provide the original purchaser of the CFNs with up to 100 copies of this Official Statement within seven business days following the award of the CFNs.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois

Hurtado, S.C.
Wauwatosa, Wisconsin

Financial Advisor: Robert W. Baird & Co.
Milwaukee, Wisconsin

Bagley Financial Corp.
Detroit, Michigan

Delivery: Delivery of the CFNs will be on or about April 3, 2008 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price(s) or yield(s) of the CFNs are set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the CFNs the City will provide an executed copy of its Continuing Disclosure Certificate. (See "RULE 15c2-12" herein).

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THE G.O. NOTES AND G.O. BONDS

AUTHORITY AND PURPOSE

The G.O. Notes and G.O. Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for various public improvement projects and fiscal requirements of the City, and to pay the associated financing costs. The Common Council of the City adopted resolutions on January 21, 2004, February 1, 2005, January 18, 2006, December 12, 2006, January 15, 2008 and February 26, 2008 which authorize the issuance of the G.O. Notes and G.O. Bonds.

Proceeds of the G.O. Notes and G.O. Bonds are anticipated to be used for various public improvements and fiscal requirements of the City as follows:

Renewal & Development Projects	\$450,000
Public Buildings	12,342,515
Harbor	54,180
Parking Facilities	1,228,305
Sewers	1,800,000
Street Improvements	1,500,000
School Purposes	5,400,000
Tax Incremental Districts	200,000
Financing receivables and other fiscal needs	<u>21,075,000</u>
TOTAL	<u><u>\$44,050,000</u></u>

SECURITY FOR THE G.O. NOTES AND G.O. BONDS

The G.O. Notes and G.O. Bonds shall be general obligations of the City, and payment thereof is 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 G.O. Notes and G.O. Bonds.

Under and by virtue of Sections 67.05(10) and 67.12(12), 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 Notes and 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 notes or bonds 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 G.O. Notes and G.O. Bonds are to be dated the Expected Date of Delivery, and will bear interest from that date at the rates, and shall mature each March 15 in the amounts and on the dates as set forth on the inside front cover page of this Official Statement. Interest on the G.O. Notes and G.O. Bonds will be payable on March 15, 2009 and thereafter semiannually on March 15 and September 15 of each year and is calculated on the basis of 30-day months and a 360-day year.

REDEMPTION PROVISIONS

The G.O. Notes are not subject to redemption prior to their maturity.

The G.O. Bonds will be subject to redemption prior to their maturity, at the option of the City, on any date on or after March 15, 2018 at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding G.O. Bonds are called for redemption, the G.O. Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the G.O. Bonds of any maturity are called for redemption, the particular G.O. 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 G.O. Bonds to be redeemed in whose name such G.O. Bonds are registered as of a record date, which shall be 45 days prior to the redemption date. While in Book Entry Form, as the Registered Owner, DTC will receive the Redemption Notice. The City is not responsible for DTC's notification of redemption to Participants and Beneficial Owners.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation debt the City may issue. The G.O. Notes and G.O. Bonds are within these limitations. (See "DEBT STRUCTURE" herein for further details).

THE G.O. CFNs

AUTHORITY AND PURPOSE

The Common Council of the City has authorized the issuance and sale of the Cash Flow Notes for the public purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments, by the adoption of an authorizing resolution on January 15, 2008 in accordance with the provisions of Chapters 67.12(12) of the Wisconsin Statutes.

SECURITY FOR THE CFNs

The G.O. CFNs shall be general obligations of the City, and payment thereof is 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 G.O. CFNs.

Under and by virtue of Sections 67.05(10) and 67.12(12), 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 the CFNs 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 notes or bonds 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.

The City also has pledged, and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged other General Fund Revenues included in the budget for the current calendar year which are due to the City, but which have not been received as of the date of delivery of the CFNs.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation debt the City may issue. The CFNs are within these limitations. (See "Debt Structure" herein for further details.)

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. December 31, 2007, the City had approximately 19.579% (\$105,583,487) 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. The City is Wisconsin's largest city with a population of approximately 590,190 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 of America.

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.

The City 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

As of 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)

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 7,307 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 new 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 6,070 of the City’s full-time employees are members of nineteen different bargaining units represented by unions. Seventeen labor agreements have expired on December 31, 2006. One union’s contract covering approximately 300 employees remains expired dating back to December 31, 2003. One labor agreement covering approximately 1,800 employees is in place through December 31, 2009.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 590,190, 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.

**CITY OF MILWAUKEE
SELECTED ECONOMIC DATA**

<u>Year</u>	<u>Population</u>	<u>Adjusted Gross Income Per Return</u>
2007	590,190	N/A
2006	590,370	\$32,370
2005	592,765	30,988
2004	593,920	29,922
2003	595,245	29,402
2002	595,958	28,694

Sources: Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2003 through December 2007.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$334,954,154	\$2,884
2004	294,811,125	2,784
2005	529,251,733	2,599
2006	424,763,947	2,655
2007	336,748,300	2,405

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>	
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
2005	33,751,976	193	113,713,239	500	147,465,215	693	231
2006	25,146,380	162	95,804,142	519	120,950,522	681	189
2007	24,940,117	160	123,505,408	677	148,445,525	837	187

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$61,824,799	96
2004	63,485,441	89
2005	166,425,515	106
2006	134,084,138	113
2007	82,501,318	105

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$54,241,508	202
2004	34,176,914	95
2005	51,889,921	49
2006	38,009,733	243
2007	19,791,921	140

Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$107,026,579	2,399
2004	118,905,782	2,356
2005	163,471,082	2,213
2006	131,719,554	2,110
2007	86,009,536	1,973

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.

**LEADING BUSINESS AND INDUSTRIAL FIRMS
LOCATED WITHIN MILWAUKEE COUNTY**

The listing of large employers in the Milwaukee County area 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.

Name	2007 Full Time Employees	Type of Business or Service
Aurora Health Care	17,384	Healthcare System
Wheaton Franciscan Healthcare	12,000	Healthcare System
U.S. Government (includes Zablocki Medical Center)	10,800	Government
Roundy's Supermarkets Inc.	7,532	Grocery retailer
Milwaukee Public Schools	7,137	Education
Quad Graphics	7,000	Commercial Printing
Marshall & Illsley Corp.	6,869	Banking/Finance and Data Services
Kohl's Corp.	6,700	Specialty department stores
GE Healthcare	6,462	Medical Imaging & information technology
Milwaukee County	5,568	Government
Wisconsin Energy Corp.	5,177	Holding company with subsidiaries electric generation & electric gas, steam & water distribution
Northwestern Mutual Life Insurance	5,000	Life Insurance
Prohealthcare Inc.	5,000	Provides Industrial Automation Power
Medical College of Wisconsin / Froedtert Memorial		Private medical and graduate school, biomedical research institute and medical group practice
Lutheran Hospital / Children's Hospital	4,500	
Manpower Inc.	4,500	Provides workforce management services
Columbia St. Mary's	4,421	Nonprofit healthcare system specializing in cardiovascular care, cancer care, or orthopedics
Adecco Employment Services	4,336	Contract/Temporary Staffing
AT&T Wisconsin	4,300	Telephone service and advanced communications
Froedardt & Community Health Inc.	4,044	Regional Hospital system
Harley Davidson Inc.	3,742	Designs, manufactures & sells heavyweight motorcycles & material
Wal-Mart Stores, Inc.	3,680	Discount retail stores and warehouse clubs
Rockwell Automation Inc.	3,478	industrial automation power control & information services
Bon-Ton Dept. Stores (formerly Carson Pirie Scott & Co.)	3,384	Department Store
Walgreens	3,180	Retail drugstore chain
Target Corp.	3,150	Retail department Store

Source: The 2008 Business Journal Book of Lists. Employer contact March 2008.

EMPLOYMENT AND INDUSTRY

During 2007, the City's unemployment rate averaged approximately 7.3%. Presented below are unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 2003 through December 2007. The information below reflects revisions, corrections, and new inputs from the 2000 census, including the application of the changes to the prior years shown. For further information on the changes, please contact the U.S. Bureau of Labor Statistics, or visit their website at <http://www.bls.gov>.

ANNUAL UNEMPLOYMENT RATES

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2007	7.3% ⁽¹⁾	5.2% ⁽¹⁾	4.9%	4.6%
2006	7.0	4.9	4.7	4.6
2005	7.3	5.0	4.7	5.1
2004	7.7	5.4	4.9	5.5
2003	8.7	6.1	5.6	6.0

Source: U.S. Department of Labor, Bureau of Labor Statistics.

⁽¹⁾ Estimated from monthly data.

RECENT MONTHLY UNEMPLOYMENT RATES

(Not Seasonally Adjusted)

<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
December 2007	6.5	4.7	4.6%	4.3%

Source: U.S. department of Labor, Bureau of Labor Statistics.

The City'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.

TEN LARGEST TAXPAYERS WITH 2007 ASSESSED VALUATIONS

US Bank Corporation	\$251,922,870
Northwestern Mutual Life Ins.	\$189,074,920
Marcus Corp/Milw City Center/Pfister	\$115,917,730
Metropolitan Associates	\$102,999,270
NNN 411 East Wisconsin LLC	\$92,818,000
Towne Realty	\$87,959,160
M & I Marshall & Ilsley Bank/Metavante Corp	\$84,209,080
Geneva Exchange Fund	\$73,500,000
Crichton-Hauck/Shoreline/Juneau Village	\$72,927,000
100 E. Wisconsin Ave Joint Venture	\$71,573,000

Source: City of Milwaukee, Assessor's Office January 2008.

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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, as supplemented and amended, 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, as supplemented and amended, 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.

DEBT MARGIN (Includes the Offered Obligations)

Equalized Value of Taxable Property in the City \$31,887,192,100

Legal Debt Limitation for City Borrowing

5% of Equalized Value \$1,594,359,605

General Obligation Debt Outstanding subject to 5% Limit as of 03/01/08	\$746,635,000
Plus: GO Notes	37,125,000
Plus: GO Bonds	6,925,000
Plus: GO CFNs	90,000,000
Less: Provision for current year maturities	<u>(49,180,000)</u>

Net General Obligation Debt Outstanding subject to the 5% Limit
as of 03/01/08 \$831,505,000

Total Debt Margin for City Borrowing (in Dollars) \$762,854,605

(As a percentage) 47.8%

(As a percentage excluding Cash Flow Notes) 53.5%

Legal Debt Limitation for School Purpose Borrowing

2% of Equalized Value \$637,743,842

General Obligation Debt Outstanding subject to 2% Limit as of 03/01/08	\$14,774,150
Less: Provision for current year maturities	-

Net General Obligation Debt Outstanding subject to the 5% Limit
as of 03/01/08 \$14,774,150

Total Debt Margin for School Purpose Borrowing (in Dollars) \$622,969,692

(As a percentage) 97.7%

DEBT REFUNDED

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

\$26,035,000 General Obligation Refunding Bonds, Series of 2001-A, dated July 1, 2001, for the purpose of refunding additional portions of four general obligation bond issues, with a final escrow payment in 2009, and Associated Trust Company, National Association 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, and Bank of New York as escrow trustee.

\$45,240,000 General Obligation Refunding Bonds, Series 2005 A5, dated June 7, 2005, for the purpose of refunding portions of seven general obligation issues, with a final escrow payment in 2012, with Associated Trust Company, National Association as escrow trustee.

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

ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF MARCH 1, 2008

Tax Increment Districts	\$168,879,815
Public Buildings	148,360,962
Schools (5% City Borrowing)	91,563,105
Schools (2% School Purpose Borrowing)	14,774,150
Streets	81,353,898
Sewers	74,734,114
Police	41,694,076
Blight Elimination/Urban Renewal	19,743,500
Water	19,379,537
Bridges	18,053,888
Fire	17,771,928
Local Improvement Projects/Special Ass	15,737,271
Finance Real & Personal Property Tax Rec	14,066,190
Parking	11,207,539
Library	8,256,244
Playground/Rec Facilities	8,138,652
Harbor	3,544,824
FMIS Replacement	2,360,000
Municipal Expenses	1,250,000
Grant & Aid Improvements City Share	338,829
Economic Development	88,534
Industrial Land Bank	62,059
Milwaukee Exposition and Conv Center	22,076
Resource Recovery	20,194
Lakefront Development	7,765
Total	<u>\$761,409,150</u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

	Total G.O. Debt Service as of 3/1/2008 ⁽¹⁾	Series 2008 R5, N6 and B7			Total Requirements After Issuance
		N6 & B7	R5	Interest ⁽³⁾	
2008	\$77,125,535		\$90,000,000	\$3,515,000	\$170,640,535
2009	117,658,165	\$13,325,000	—	1,906,875	132,890,040
2010	107,139,988	7,750,000	—	1,380,000	116,269,988
2011	98,674,808	2,235,000	—	1,111,625	102,021,433
2012	90,291,775	2,680,000	—	970,000	93,941,775
2013	82,789,734	2,450,000	—	841,750	86,081,484
2014	76,968,604	2,345,000	—	721,875	80,035,479
2015	69,903,173	1,585,000	—	623,625	72,111,798
2016	63,932,633	1,585,000	—	544,375	66,062,008
2017	56,291,665	1,585,000	—	465,125	58,341,790
2018	115,325,733 ⁽²⁾	1,585,000	—	385,875	117,296,608
2019	32,797,363	1,385,000	—	311,625	34,493,988
2020	27,978,842	1,385,000	—	242,375	29,606,217
2021	27,158,734	1,385,000	—	173,125	28,716,859
2022	20,026,587	1,385,000	—	103,875	21,515,462
2023	14,843,042	1,385,000	—	34,625	16,262,667
2024	6,244,005	—	—	—	6,244,005
2025	5,098,361	—	—	—	5,098,361
	<u>\$1,090,248,746</u>	<u>\$44,050,000</u>	<u>\$90,000,000</u>	<u>\$13,331,750</u>	<u>\$1,237,630,496</u>

⁽¹⁾ Assumes the maximum interest rate of 12.0% on \$100,000,000 of variable rate debt (the tax levy requirement).

⁽²⁾ The stated program end date for \$75,000,000 outstanding Commercial Paper. \$125,000,000 is authorized to be outstanding under the Program.

⁽³⁾ Assumes an average interest rate of 5.0% on the long-term Notes and Bonds, and 2.0% on the short-term Notes

**TRENDS OF GENERAL OBLIGATION DEBT
(THOUSANDS OF DOLLARS)**

Year	Total	Self-Sustaining	Levy Supported
<u>12/31</u>	<u>GO Debt</u>	<u>GO Debt</u>	<u>GO Debt</u>
2003	\$660,081	\$194,908	\$465,174
2004	672,642	196,549	476,093
2005	710,409	245,016	465,394
2006	797,462	268,901	528,561
2007	747,298	294,952	452,346

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT

Year	TID	Parking	Special	Delinquent			Total
<u>12/31</u>	<u>Program</u>	<u>Program</u>	<u>Assessments</u>	<u>Taxes</u> ⁽¹⁾	<u>Water</u>	<u>Sewer</u> ⁽²⁾	<u>Self-Sustaining</u>
2003	\$88,436	\$19,635	\$24,837	\$24,190	\$37,809	\$0	\$194,908
2004	98,051	16,613	22,824	26,260	32,801	0	196,549
2005	118,997	13,953	20,428	26,323	27,949	37,366	245,016
2006	146,232	12,747	18,449	27,070	23,257	41,146	268,901
2007	143,886	11,733	16,458	28,320	19,895	74,661	294,952

General Obligation debt whose debt service requirements are paid by non-Citywide property tax revenues.

⁽¹⁾ Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.

⁽²⁾ Amount reflects the portion of GO Sewer Debt paid by the Sewer Utility.

Beginning in 2007, the Sewer Utility paid the full amount of the GO Sewer Debt.

**RATIO OF GENERAL OBLIGATION DEBT
To Equalized And Assessed Values And To Per Capita**

Year <u>12/31</u>	<u>Population</u> ⁽¹⁾	Net Equalized <u>Valuation</u>	<u>Assessed Valuation</u>	Total <u>GO Debt</u>	GO Debt <u>/Net EV</u>	GO Debt <u>/AV</u>	GO Debt <u>/capita</u>
2003	595,245	\$21,730,754,000	\$21,009,517,241	\$660,081,448	3.04%	3.14%	\$1,109
2004	593,920	23,491,773,700	22,772,419,500	672,642,303	2.86%	2.95%	1,133
2005	592,765	26,256,713,800	25,222,149,174	710,409,475	2.71%	2.82%	1,198
2006	590,370	30,226,985,500	28,354,951,841	797,462,085	2.64%	2.81%	1,351
2007	590,190	31,887,192,100	29,374,372,962	747,298,112	2.34%	2.54%	1,266

⁽¹⁾ Population estimate from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

The Public Debt Amortization Fund may be used to purchase and prepay City GO Debt. Assuming the unsegregated fund balance is used to prepay City GO Debt at year-end, the following results would have occurred:

Year <u>12/31</u>	PDAF Unsegregated <u>Balance</u>	GO Debt <u>/Net EV</u>	GO Debt <u>/capita</u>
2003	\$44,165,043	2.83%	\$1,035
2004	45,042,456	2.67	1,057
2005	46,513,313	2.53	1,120
2006	48,727,784	2.48	1,268
2007 (est)	50,046,095	2.19	1,181

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
MARCH 1, 2008**

<u>Governmental Unit</u>	<u>Debt Outstanding As of March 1, 2008 (Net of 2008 Principal Payments)</u>	<u>Approximate Percentage Applicable</u>	<u>Milwaukee's Share of Debt As of March 1, 2008</u>
City of Milwaukee ⁽¹⁾	\$716,229,150	100.00%	\$716,229,150
Area Board of Vocational, Technical and Adult Education, District No. 9	41,875,000	37.06	15,518,875
County of Milwaukee	404,836,683	47.51	192,337,908
Milwaukee Metropolitan Sewerage District ⁽²⁾	729,305,039	48.58	354,296,388
TOTAL NET DIRECT AND OVERLAPPING DEBT	\$1,892,245,872		\$1,278,382,321

⁽¹⁾ Includes \$106,337,255 general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Excludes 20067 maturities.

⁽²⁾ Includes approximately \$ 498,160,039 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

As of March 1, 2008, the City had \$406,015,008 authorized unissued general obligation debt, for various corporate and capital improvement purposes, which can be issued at any time. In addition, the City can issue up to \$300 million of general obligation and/or revenue anticipation borrowing, and anticipates issuing approximately \$200 million in August, 2008 for School purposes.

The authorized unissued general obligation debt includes \$92 million for water and sewer purposes. The City intends to borrow as much as possible of that amount from the State of Wisconsin Clean Water Fund program on a revenue bond basis, plus an additional amount to refund \$20 million of the outstanding G.O. Commercial Paper Promissory Notes, 2008 Program Series C2. The borrowings from the Clean Water Fund program are not general obligation debt, but will be secured by revenues of the City's Water System and the City's Sewerage System.

See "FINANCIAL INFORMATION — CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

AUCTION RATE AND OTHER VARIABLE RATE EXPOSURE

The City has no outstanding Auction Rate securities. The City has no insured debt that has a put option.

The City has two series of debt that are secured by liquidity facilities provided by State Street Bank. The \$25,000,000 Series 2005 V8 is a 7-day variable rate demand bond secured by a Stand-by Bond Purchase agreement that expires on December 1, 2012. The \$75,000,000 outstanding (\$125,000,000 authorized) 2008 Program Series C2 is commercial paper that is secured by a Direct Pay Letter of Credit that expires on December 1, 2012.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the Milwaukee Public Schools (MPS), issued \$130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds (IB) whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The IB bondowners do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays MPS 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by MPS, effectively converting the IB to a fixed rate with no basis risk.

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 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 31, 2007, the outstanding balance was \$11.2.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds and in 2003, the issuance of \$33,885,000 Sewerage System Revenue Bonds. As of December 31, 2007, total outstanding Sewerage System Revenue Bonds was \$50,855,000 with a final maturity in 2023.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 31, 2007, the City had \$12.2 million outstanding under the program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the program. See “FUTURE FINANCING”.

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, 2007 the Housing Authority issued revenue bonds of approximately \$149 million of which approximately \$10.5 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 Section 66.1333 (formerly Section 66.431) of the Wisconsin Statutes, as supplemented and amended (“Redevelopment Authority 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 Redevelopment Authority Act, and is authorized under the Redevelopment Authority 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 Redevelopment Authority 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, 2007, the Authority has sold 105 separate issues in the total principal amount of approximately \$100.5 million. As December 31, 2007 there remained approximately \$627 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, 2007, the Authority had outstanding: two bond issues with \$35,350,000 outstanding that have a Moral Obligation Pledge of the City; and \$290,644,122 in seven bond issues for MPS, one secured by a lease, and six 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, 2006, the Milwaukee Economic Development Corporation funded loans for 985 small businesses and redevelopment projects utilizing \$202 million to leverage a total of \$1,072 million in investment. 681 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$29 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 \$13 million as of December 31, 2006.

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 March 1, 2007, \$168,879,815 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 Pledge 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 State 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 2006-2011 Capital Improvements Plan (CIP) describes planned capital improvement projects and programs, together with proposed financing. School purpose improvements are financed by the City for the Milwaukee Public Schools, but are not included in the CIP.

The six-year City CIP municipal spending plan totals \$1,132 million. About \$910 million or 80% 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% is for expansion purposes. In addition, the 2007 budget provides \$6 million for capital improvements for the Milwaukee Public Schools (school purpose borrowing), a decline from \$11 million in 2006.

Surface transportation accounts for approximately 29% of the CIP, or about \$331 million. 30% (\$334 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. \$197 million of capital spending (17%) is planned for economic development projects. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 24% (\$269 million) is planned for general governmental, health & safety, grant and aid, culture and recreation purposes. All school spending is dedicated to deferred maintenance, repairs and remodeling projects, including \$2 million per year of Americans with Disabilities Act (ADA) accessibility projects.

The portion of the \$1,132 million six-year CIP to be financed by the property tax levy totals about \$402 million (36%). This in turn is composed of direct tax levy funding of \$29 million (3%) and tax levy supported debt financing of \$373 million (33%). Cash revenues including Federal and State grants, developer financing and other sources, total \$215 million (19%) of planned CIP spending. An additional \$158 million (14%) is to be financed by City debt to be repaid with tax increment and other revenues. The remaining \$301 million (27%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes. Of the school purpose borrowing, \$2 million per year is ADA reimbursable debt, and the balance is tax levy supported.

The Adopted 2008 Capital Improvements Budget totals \$266 million compared to a 2007 Budget of \$244 million. Major categories include \$106 million of public works projects (streets, buildings, etc.), \$67 million of water and sewer projects, and \$72 million of economic development projects.

ADOPTED BUDGET - COMBINED REVENUES - 2008

	<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	\$104,074,730	\$0	\$74,200,995	\$4,014,280	—	\$182,290,005
Provision for Empl Retirement ⁽¹⁾	40,188,093	—	—	—	—	40,188,093
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	<u>\$149,262,823</u>	<u>\$0</u>	<u>\$74,200,995</u>	<u>\$4,014,280</u>	<u>\$0</u>	<u>\$227,478,098</u>
Revenues						
Taxes	\$12,935,000	—	—	—	—	\$12,935,000
Licenses and Permits	12,911,175	—	—	—	—	12,911,175
Intergovernmental Revenues	271,265,014	\$77,028,771	—	—	—	348,293,785
Charges for Service	107,252,186	—	—	—	—	107,252,186
Fines and Forfeitures	5,502,000	—	—	—	—	5,502,000
Miscellaneous Revenues	13,440,133	10,329,620	—	—	—	23,769,753
Fringe benefits ⁽²⁾	22,450,403	—	—	—	—	22,450,403
Parking	17,000,000	—	\$3,288,889	—	\$18,732,910	39,021,799
Water Works	—	—	6,104,017	—	74,340,280	80,444,297
Sewer Maintenance Fund	5,000,000	—	10,154,000	—	23,891,800	39,045,800
Retained Earnings	—	—	—	—	42,489,345	42,489,345
Sinking Fund	—	—	62,884,657	—	—	62,884,657
Special Assessments	—	6,680,101	—	\$2,760,149	—	9,440,250
Capital Revenue	—	—	—	12,200,000	—	12,200,000
Total Revenues	<u>\$467,755,911</u>	<u>\$94,038,492</u>	<u>\$82,431,563</u>	<u>\$14,960,149</u>	<u>\$159,454,335</u>	<u>\$818,640,450</u>
Tax Stabilization						
Transfer from Reserves	\$29,457,500	—	—	—	—	\$29,457,500
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	\$120,488,385	\$42,900,000	\$163,388,385
Grand Total	<u><u>\$646,476,234</u></u>	<u><u>\$94,038,492</u></u>	<u><u>\$156,632,558</u></u>	<u><u>\$139,462,814</u></u>	<u><u>\$202,354,335</u></u>	<u><u>\$1,238,964,433</u></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 – 2008

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Administration, Dept of	\$8,603,254	—	—	\$455,720	—	\$9,058,974
Assessor's Office	4,674,328	—	—	—	—	4,674,328
City Attorney	7,023,288	—	—	—	—	7,023,288
City Treasurer	2,881,523	—	—	—	—	2,881,523
Common Council - Clerk	8,119,600	—	—	—	—	8,119,600
Municipal Court	3,372,712	—	—	429,620	—	3,802,332
Comptroller	5,395,594	—	—	—	—	5,395,594
Dept of City Development	3,401,531	—	—	71,729,500	—	75,131,031
Election Commission	2,636,184	—	—	—	—	2,636,184
Employee Relations, Dept of	4,970,504	—	—	—	—	4,970,504
Fire and Police Commission	969,917	—	—	—	—	969,917
Fire Department	97,968,286	—	—	3,208,000	—	101,176,286
Health Department	13,963,214	—	—	800,000	—	14,763,214
Library Board	22,455,648	—	—	1,238,000	—	23,693,648
Mayor's Office	1,224,428	—	—	—	—	1,224,428
Neighborhood Services	14,056,705	—	—	—	—	14,056,705
Police Department	215,487,472	—	—	2,745,000	—	218,232,472
Port of Milwaukee	4,328,059	—	—	500,000	—	4,828,059
DPW-Administration	4,774,419	—	—	1,925,000	—	6,699,419
DPW-Infrastructure	24,938,934	—	—	27,810,739	—	52,749,673
DPW-Operations	76,110,095	—	—	19,796,235	—	95,906,330
Water Works	—	—	\$6,104,017	—	\$121,943,683	128,047,700
Sewer Maintenance Fund	5,000,000	—	10,154,000	—	54,958,619	70,112,619
Special Purpose Accounts	161,841,373	—	—	—	—	161,841,373
Pension Funds	66,858,895	—	—	—	—	66,858,895
Debt Service - City	—	—	116,321,881	—	—	116,321,881
Debt Service - Schools	—	—	20,763,771	—	—	20,763,771
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	\$10,329,620	—	—	—	10,329,620
Parking	—	—	3,288,889	—	25,452,033	28,740,922
Grant & Aid Fund	—	77,028,771	—	—	—	77,028,771
Special Capital Projects	—	—	—	8,825,000	—	8,825,000
Economic Development	—	6,680,101	—	—	—	6,680,101
Fringe Benefit Offset ⁽¹⁾	(119,579,729)	—	—	—	—	(119,579,729)
Grand Total	\$646,476,234	\$94,038,492	\$156,632,558	\$139,462,814	\$202,354,335	\$1,238,964,433

⁽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, 2002 THROUGH 2006
(Thousands of Dollars)

<u>Revenues:</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Property Taxes	114,096	126,749	129,120	135,610	141,102
Other Taxes	2,944	4,318	3,563	3,709	5,202
Licenses and Permits	10,814	10,883	11,530	13,374	13,729
Intergovernmental	283,068	284,565	273,865	272,875	272,417
Charges for Services	57,749	55,714	60,825	63,410	73,528
Fines and Forfeitures	5,210	6,115	5,647	5,893	5,541
Other	<u>8,706</u>	<u>7,814</u>	<u>8,108</u>	<u>12,179</u>	<u>17,353</u>
TOTAL GENERAL FUND REVENUES	<u>482,587</u>	<u>496,158</u>	<u>492,658</u>	<u>507,050</u>	<u>528,872</u>
Tax Stabilization Fund Withdrawals	11,000	9,300	16,870	16,621	16,328
Other Financing Sources and Equity					
Transfers (Net)	<u>29,681</u>	<u>32,791</u>	<u>34,913</u>	<u>39,444</u>	<u>37,761</u>
TOTAL GENERAL FUND REVENUES					
TAX					
STABILIZATION FUND WITHDRAWALS					
AND OTHER FINANCING SOURCES	<u>523,268</u>	<u>538,249</u>	<u>544,441</u>	<u>563,115</u>	<u>582,961</u>
 <u>Expenditures:</u>					
General Government	158,645	165,270	179,542	180,590	178,004
Public Safety	211,163	239,698	231,371	248,366	250,672
Public Works	88,094	86,335	89,562	89,180	86,482
Health	10,552	10,677	10,724	10,656	10,428
Culture and Recreation	18,791	17,165	17,822	16,744	17,882
Conservation and Development	<u>7,857</u>	<u>3,833</u>	<u>3,495</u>	<u>2,767</u>	<u>3,217</u>
TOTAL EXPENDITURES	<u>495,102</u>	<u>522,978</u>	<u>532,516</u>	<u>548,303</u>	<u>546,685</u>
 SOURCES OVER (UNDER) EXPENDITURES	28,166	15,271	11,925	14,812	36,276
Fund Balance - January 1 (excludes reserved for use during the year)	57,844	76,710	75,111	70,415	68,899
Fund Balance - December 31	<u>86,010</u>	<u>91,981</u>	<u>87,036</u>	<u>85,227</u>	<u>105,175</u>
 Fund Balance Components:					
Reserved for Encumbrances & Carryovers	36,585	33,000	30,288	16,382	15,616
Reserved for Inventory	5,801	5,190	5,684	5,095	6,886
Reserved for Mortgage Trust	276	276	282	297	280
Reserved for Environmental Remediation	303	303	303	303	303
Reserved for Next Year's Budget	9,300	16,870	16,621	16,328	23,175
Reserved for Subsequent Years' Budget	<u>33,745</u>	<u>36,342</u>	<u>33,858</u>	<u>46,822</u>	<u>58,915</u>
TOTAL FUND BALANCE	<u>86,010</u>	<u>91,981</u>	<u>87,036</u>	<u>85,227</u>	<u>105,175</u>

(1) In 2003, balances presented on a Budget Basis do not match balances presented on a Generally Accepted Accounting Principles (GAAP) basis due to borrowing for certain expenditures authorized in the current fiscal year but not completed until the subsequent fiscal year. Budget Basis recognizes the revenues and expenditures in the same fiscal year, whereas GAAP does not recognize the revenues until the year the borrowing actually occurs. On a GAAP basis, the balances for "Reserve for Subsequent Years' Budget" and "Total Fund Balance" in 2003 were \$34,342, and \$89,981, respectively.

CITY OF MILWAUKEE
GENERAL FUND-PROJECTED CASH FLOW SUMMARY
(MILLIONS OF DOLLARS)
January 1, 2008 to December 31, 2008

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	112.512	116.783	58.544	126.978	103.099	61.581	(0.415)	64.298	43.763	18.960	(15.939)	152.091	
RECEIPTS													
Property Taxes	1.591	4.983	12.756	3.731	4.373	4.782	44.146	7.748	9.310	10.665	-	67.000	171.085
State Aids													
Shared Revenue	-	-	-	-	-	-	41.674	-	-	-	195.989	-	237.663
Highway Aids	6.580	-	-	6.580	-	-	8.762	-	-	6.580	-	-	28.502
Payment Muni. Services	-	2.350	-	-	-	-	-	-	-	-	-	-	2.350
Computer Exemption Aid	-	-	-	-	2.750	-	-	-	-	-	-	-	2.750
Other	13.147	13.766	12.238	9.561	10.763	11.415	11.339	10.877	11.285	10.636	10.347	7.055	132.429
Pension Fees	1.997	1.997	1.497	1.496	1.496	1.497	1.496	1.497	1.497	1.496	1.497	1.996	19.459
City Services Fees	2.072	2.109	1.990	1.901	2.256	1.374	1.613	2.200	1.668	2.135	2.886	2.376	24.580
City PILOTS (Major)	-	0.850	-	-	-	-	-	-	-	-	-	9.860	10.710
Parking Transfers	-	-	-	-	-	8.500	-	-	-	-	-	8.500	17.000
Summerfest Lease	-	-	-	-	-	-	0.389	0.388	-	0.389	-	-	1.166
Street Sweeping	-	-	-	-	-	-	-	-	-	-	-	5.000	5.000
Milwaukee Public Schools Fee	-	3.999	-	-	-	-	-	-	-	-	-	-	3.999
Potawatomi PILOT	-	-	-	-	-	-	-	5.400	-	-	-	-	5.400
Year End Transfers	22.700	-	-	-	-	-	-	-	-	-	-	-	22.700
Note Proceeds ⁽¹⁾	-	-	111.075	-	-	-	-	-	-	-	-	-	111.075
TOTAL RECEIPTS	48.087	30.054	139.556	23.269	21.638	27.568	109.419	28.110	23.760	31.901	210.719	101.787	795.868

⁽¹⁾ Includes the delinquent tax financing portion of the G.O. Notes.

Maximum deficit occurs in July and November.

CITY OF MILWAUKEE
GENERAL FUND-PROJECTED CASH FLOW SUMMARY
(MILLIONS OF DOLLARS) (CONTINUED)
January 1, 2008 to December 31, 2008

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
DISBURSEMENTS													
Salaries & Benefits	38.017	40.680	35.196	34.677	52.761	34.906	36.212	35.488	36.705	54.372	34.284	42.293	475.591
Services & Supplies	5.799	8.061	29.348	12.471	10.395	12.063	8.494	13.157	11.858	12.428	8.405	2.538	135.017
Purchase Tax Delinquents	-	39.552	-	-	-	-	-	-	-	-	-	-	39.552
Taxes deferred revenue	-	-	6.578	-	-	-	-	-	-	-	-	-	6.578
Contractual Tax Payment	-	-	-	-	-	42.595	-	-	-	-	-	-	42.595
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	21.500	21.500
Note Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	90.000	90.000
TOTAL DISBURSEMENTS	43.816	88.293	71.122	47.148	63.156	89.564	44.706	48.645	48.563	66.800	42.689	156.331	810.833
BALANCE	116.783	58.544	126.978	103.099	61.581	(0.415)	64.298	43.763	18.960	(15.939)	152.091	97.547	
REPAYMENT FUND													
Balance												93.600	
Receipts:													
From General Fund											90.000		90.000
From Debt Service Fund											3.600		3.600
Disbursement to Trustee												93.600	93.600
Balance											93.600		-

Maximum deficit occurs in July and November.

**CITY OF MILWAUKEE
GENERAL FUND
PROJECTED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 2008
(Millions of Dollars)**

	Beginning Cash Balance <u>(Deficit)</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash Balance <u>(Deficit)</u>	Ending Cash Balance Including Borrowing of <u>\$90 Million</u>
January	\$112.512	\$48.087	\$43.816	\$116.783	\$116.783
February	116.783	30.054	88.293	58.544	58.544
March	58.544	49.556	71.122	36.978	126.978 ⁽¹⁾
April	36.978	23.269	47.148	13.099	103.099
May	13.099	21.638	63.156	(28.419)	61.581
June	(28.419)	27.568	89.564	(90.415)	0.415
July	(90.415)	109.419	44.706	(25.702)	64.298
August	(25.702)	28.110	48.645	(46.237)	43.763
September	(46.237)	23.760	48.563	(71.040)	18.960
October	(71.040)	31.901	66.800	(105.939)	(15.939)
November	(105.939)	210.719	42.689	62.091	152.091 ⁽²⁾
December	62.091	<u>101.787</u>	<u>66.331</u>	97.547	97.547
		<u>\$705.868</u>	<u>\$720.833</u>		

⁽¹⁾ Balance includes \$90 million RAN principal receipt.

⁽²⁾ Balance includes \$90 million principal to be paid off in December, 2008.

**CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 2007
(Millions of Dollars)**

	Beginning Cash Balance (Deficit)	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash Balance (Deficit)
January	\$133.407	\$57.397	\$42.342	\$148.462
February	148.462	24.170	78.897	93.735
March	93.735	93.962 ⁽¹⁾	63.908	123.789
April	123.789	22.835	46.652	99.972
May	99.972	18.304	62.467	55.809
June	55.809	21.743	93.138	(15.586)
July	(15.586)	108.362	44.222	48.554
August	48.554	24.083	48.133	24.504
September	24.504	27.131	48.047	3.588
October	3.588	31.406	52.577	(17.583)
November	(17.583)	210.379	55.728	137.068
December ⁽³⁾	137.068	<u>108.469</u>	<u>133.025</u> ⁽²⁾	112.512
		<u><u>\$748.241</u></u>	<u><u>\$769.136</u></u>	

Notes:

- ⁽¹⁾ Proceeds from the sale of revenue anticipation Short-Term Promissory Notes was \$66 million in March, 2007.
- ⁽²⁾ December disbursements include the \$66 million principal portion of the notes transferred to the Trustee on December, 2007.
- ⁽³⁾ Estimated.

CITY OF MILWAUKEE
SCHEDULE OF CASH AND INVESTMENT
BALANCES - ALL FUNDS
2007
(Millions of Dollars)

	General <u>Fund</u> ⁽¹⁾	Other Governmental <u>Funds</u>	Enterprise <u>Funds</u>	Trust and Agency <u>Funds</u> ⁽²⁾	<u>Total</u>
January	\$148.462	\$242.774	\$71.251	\$140.935	\$603.422
February	93.735	253.356	83.205	227.909	658.205
March	123.789	174.618	78.165	166.130	542.702
April	99.972	170.651	76.461	97.868	444.952
May	55.809	165.771	81.309	52.379	355.268
June	(15.586)	144.826	75.498	64.387	269.125
July	48.554	180.146	88.539	37.841	355.080
August	24.504	165.103	88.209	(2.377)	275.439
September	3.588	135.871	81.947	184.819	406.225
October	(17.583)	121.104	88.841	99.173	291.535
November	137.068	114.251	83.349	4.696	339.364
December (estimate)	112.512	94.212	56.336	273.668	536.728

⁽¹⁾ Balances include proceeds from the sale of the Series 2007 R2 Short Term Promissory Notes and their subsequent transfer to Trustee.

⁽²⁾ Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

CITY OF MILWAUKEE
PROJECTED SCHEDULE OF CASH AND INVESTMENT
BALANCES - ALL FUNDS
2008
(MILLIONS OF DOLLARS)

	<u>General Fund</u> ⁽¹⁾	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Trust and Agency Funds</u> ⁽²⁾	<u>Total</u>
January	\$116.786	\$167.294	\$74.814	\$140.938	\$499.832
February	58.544	170.700	87.365	231.450	548.059
March	126.978	157.565	82.073	169.121	535.737
April	103.099	155.365	80.284	99.621	438.369
May	61.581	152.965	85.374	53.077	352.997
June	0.415	178.371	79.273	65.338	323.397
July	64.298	167.863	92.966	38.430	363.557
August	43.763	156.589	92.619	(2.603)	290.368
September	18.960	147.178	86.044	190.994	443.176
October	(15.939)	133.006	93.283	102.370	312.720
November	152.091	125.006	87.516	4.534	369.147
December	97.547	97.504	61.970	275.549	532.570

⁽¹⁾ Balances include proceeds from the sale of the RANs and subsequent principal payment.

⁽²⁾ Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp..

**CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS**

	Year 2003 For 2004 Purposes	Year 2004 For 2005 Purposes	Year 2005 For 2006 Purposes	Year 2006 For 2007 Purposes	Year 2007 For 2008 Purposes
Real Property					
Residential	\$12,938,633,380	\$14,301,661,916	\$16,093,549,640	\$18,211,503,605	\$18,753,914,925
Industrial (Manufacturing)	729,858,200	733,599,500	721,966,100	740,265,100	726,692,200
Mercantile (Commercial)	6,493,804,441	6,903,490,064	7,566,086,684	8,498,282,646	8,950,205,395
Total Real Property	<u>\$20,162,296,021</u>	<u>\$21,938,751,480</u>	<u>\$24,381,602,424</u>	<u>\$27,450,051,351</u>	<u>\$28,430,812,520</u>
Personal Property	847,221,220	833,668,020	830,118,862	904,900,490	943,560,442
Total Assessed Valuations	<u>\$21,009,517,241</u>	<u>\$22,772,419,500</u>	<u>\$25,211,721,286</u>	<u>\$28,354,951,841</u>	<u>\$29,374,372,962</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	\$21,730,754,000	\$23,491,773,700	\$26,256,713,800	\$30,226,985,500	\$31,887,192,100
Ratio of Assessed to Equalized Valuation	96.68%	96.94%	96.02%	94.05%	92.12%

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Unit of Government					
City Government	\$9.73	\$9.19	\$8.75	\$7.99	\$8.01
Milwaukee Public Schools	8.96	9.40	8.79	8.04	8.84
Milwaukee County	5.15	4.91	4.63	4.37	4.41
Milwaukee Area Technical College	2.04	2.00	1.96	1.89	1.92
Milwaukee Metropolitan Sewerage District	1.64	1.59	1.48	1.39	1.39
Gross Tax Rate Per \$1,000	<u>27.52</u>	<u>27.09</u>	<u>25.61</u>	<u>23.68</u>	<u>\$24.57</u>
Less: State Tax Credit	<u>(\$1.35)</u>	<u>(\$1.23)</u>	<u>(\$1.11)</u>	<u>(\$1.27)</u>	<u>(\$1.43)</u>
Net Tax Rate	<u><u>\$26.17</u></u>	<u><u>\$25.86</u></u>	<u><u>\$24.50</u></u>	<u><u>\$22.41</u></u>	<u><u>\$23.14</u></u>

**CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
(\$ Amounts in Thousands)**

Budget Year	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
	Levy	Collections	% of Levy	Amount	% Collected
2002	\$222,708	\$217,242	97.55%	\$5,125	99.85%
2003	234,485	228,345	97.38	5,698	99.81%
2004	240,643	235,012	97.66	4,949	99.72%
2005	248,267	242,587	97.71	4,047	99.34%
2006	261,685	255,818	97.76	0	97.76%

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 2006 were approximately 97.7 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 11,928 active and 3,664 vested, inactive members at December 31, 2006. There were 10,854 retirees and beneficiaries receiving benefits as of December 31, 2006.

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, 2006, the latest year for which audited figures are available, required member contributions totaled \$31.9 million and required employer contributions totaled zero dollars. 72.99% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.789 billion with a corresponding market value of \$5.014 billion or 132% of the original cost at December 31, 2006.

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, 2007. 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 \$4.899 billion as of January 1, 2007 and an Actuarial Accrued Liability of \$3.846 billion as of that date. This results in a Funded Ratio of 127.4%.

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 then policy.

POLICEMEN’S ANNUITY AND BENEFIT FUND

As of January 3, 2006, the Policemen’s Annuity and Benefit Fund board has been dissolved and the Fund is being administered by the Employees’ Retirement System.

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, NY, will act as securities depository for the Offered Obligations. The Offered Obligations will be issued as fully-registered securities 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 Offered Obligations, 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. 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, Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, 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 Offered Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Obligations 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 Offered Obligations 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 Offered Obligations, except in the event that use of the book-entry system for the Offered Obligations is discontinued.

To facilitate subsequent transfers, all Offered Obligations 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 Offered Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Obligations 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.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds, distributions, and dividend payments on the Offered Obligations 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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 depository with respect to the Offered Obligations at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE CITY, THE PAYING AGENT 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 OFFERED OBLIGATIONS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO

HOLDERS OF THE OFFERED OBLIGATIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE OFFERED OBLIGATIONS; 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 OFFERED OBLIGATIONS.

LEGAL MATTERS

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 March 6, 2008.

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, an officer observed a car that failed to yield to an emergency vehicle, and that the vehicle was being driven erratically, as if by a drunk driver. The officer approached the vehicle, and its driver, Mr. Fields, exchanged words with the officer, refused to turn off his vehicle, 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 Fields vehicle was unable to move and that its occupants might be injured, the officers approached it. The vehicle then accelerated toward one of the officers. That officer, believing that his life was in danger, fired his weapon at Mr. Fields. Mr. Fields died at the scene. The case is in the discovery process. The City has filed its summary judgment motion, which is now pending before the Court.

Kaye v. City of Milwaukee, et al. Kaye, a real estate developer, brought this case against the City of Milwaukee, its Redevelopment Authority, other agencies, City and Redevelopment officials and employees under the Racketeer Influenced Corrupt Organizations Act, 18 U.S.C. § 1961 *et. seq.*, and the Wisconsin Organized Crime Control Act, Wis. Stat. § 946.80, *et. seq.*

Kaye's complaint alleges he attempted to bid on certain real property then owned by the City and located at 1152-1158 Kane Place. His bid was not considered, because the property had been "promised" to Ms. Kohler, who was then Vice Chair of the City Planning Commission. He claims that the City, and specifically the Redevelopment Authority, made special exceptions to bid, sale, zoning and other requirements for Ms. Kohler due to her status as a public official. Specifically, he alleges that Ms. Kohler, in her capacity as Vice Chair of the City Planning Commission, agreed with Mr. Fowler, then a Redevelopment Authority Commissioner, to "swap" the Kane Place property for another parcel of property located at 2951-2965 N. Humboldt Avenue. As a quid pro quo for Mr. Fowler approving the Redevelopment Authority's sale of the Kane Street property to Ms. Kohler, she, through the City Planning Commission, approved the sale of the Humboldt Avenue property to Alterra Coffee Roasters, Inc., a company in which Mr. Fowler is a principal shareholder.

Kaye further alleges that, around this time same, Alderman D'Amato, the East Village Association, Inc. ("EVA"), and certain private citizens, including Ms. Kohler, were seeking enactment of an ordinance that would establish a "Conservation District Overlay" over a portion of the Third Aldermanic District. The conservation district would limit the types of real estate development that could occur therein. The conservation district was opposed by the plaintiff and others. As part of their opposition efforts, Kaye and others became members of the EVA and sought to elect their own slate of directors. He alleges that Alderman D'Amato, Ms. Kohler, and the then-officers of EVA engaged in a fraudulent scheme to manipulate the EVA election in order to retain control of the board from opponents of the conservation district. He alleges that the opposition members were permitted to believe that the election would be conducted by a simple majority vote. At the time of the election, however, the opposition members were informed for the first time that a new voting method, a variant of cumulative voting that emphasized voting coalitions, would be used. The existing officers and directors of the EVA, along with Alderman D'Amato and Ms. Kohler, were able to organize a voting coalition, including by means of e-mail, which plaintiff alleges to have been an act of wire fraud. The opposition members, surprised by the change in voting method, could not organize in time and were unsuccessful in wresting control of the EVA board.

Kaye also alleges that citizens opposing the conservation district placed yard signs expressing that opposition in various places in the Third Aldermanic District. Plaintiff alleges that Alderman D'Amato (or one of his aides, the complaint conflicts

itself on this point) removed such a sign from the property of Jill Bondar, one of the leaders of the opposition group. Kaye further alleges that Alderman D'Amato left Ms. Bondar a voice mail in which he implicitly threatened criminal prosecution for her conduct and that of other members of the opposition group in putting up the yard signs.

According to Kaye, the allegations plead predicate acts of racketeering sufficient to allege that the defendants violated both RICO, the Racketeer Influenced Corrupt Organizations Act, 18 U.S.C. § 1961 et. seq., and the Wisconsin Organized Crime Control Act, Wis. Stat. § 946.80, et. seq. Plaintiff asserts claims under 18 U.S.C. §§ 1962(b), (c) and (d). Section 1962(b) makes it unlawful for any person to acquire or maintain any interest in or control of any "enterprise" through a "pattern of racketeering." Section 1962(c) makes it unlawful to conduct or participate in the affairs of an "enterprise" through a "pattern of racketeering." Section 1962(d) makes it unlawful to conspire to violate RICO. The complaint asks for over \$5,000,000 in compensatory and punitive damages.

The attorneys for the City and the other defendants moved to dismiss the complaint for failure to state a claim upon which relief can be granted, which was granted by the court. Mr. Kaye has appealed that decision to the United States Court of Appeals for the Seventh Circuit. The Court of Appeals sent the case back to the District Court to enter a final order.

The district court entered an order dismissing his case without prejudice and permitting Kaye 30 days to file an amended complaint. That order was signed on February 13, 2008. In the event he files an amended complaint, the City will again move to dismiss, if the complaint is again insufficient.

Milwaukee Police Supervisors Organization (MPSO) v. City of Milwaukee and the Milwaukee Employees' Retirement System (ERS). This case is a clone of an earlier case that was filed and subsequently voluntarily dismissed. That case was brought by the Milwaukee Police Association (MPA represents police officers; the MPSO represents police supervisors.) The MPA case alleged that the ERS was prohibited by City Ordinance from spending more than \$3 million to purchase and install a computer information system. The suit alleged that the City was liable to pay any of those expenses in excess of \$3 million. It is estimate that the total cost of the ERS information system is approximately \$25 million. The dispute in the case was over the interpretation of a section of the City ordinance that transferred all administrative, operational, and investment expenses from the City to the ERS. This change was made as a part of a larger settlement of various disputes between the City and the MPA called the Global Pension Settlement. The MPA voluntarily dismissed the lawsuit earlier this year (2005). The MPSO has now filed this lawsuit making the same allegations. Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP) has joined this lawsuit as a plaintiff. Both the City and the ERS view the allegations as without merit and are vigorously defending the lawsuit. A summary judgment motion hearing was held on January 22, 2008. At the hearing, the court indicated that it will issue an opinion within 60 days.

Frank Jude, Jr., et al. v. City of Milwaukee, et al.; Antonissen v. City, et al.; Brown v. City, et al.; Harris v. Clausing, et al. On October 24, 2004, Frank Jude, Kirsten Antonissen, Katie Brown, and Lovell Harris attended a party hosted by a Milwaukee police officer and attended by a number of other off-duty police officers. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason. He suffered severe injuries. The officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police officers were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty and on-duty officers involved in the matter were acting within the scope of their employment. Mr. Jude's complaint also alleges that the City of Milwaukee is directly liable under a theory that the city violated his constitutional rights by, among other things, condoning a culture where officers were cavalier in their conduct.

The police chief fired most of the officers involved in the incident. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to the battery charge against the third officer. The third officer was subsequently convicted in an unrelated case of making a bomb threat against his former police district station. The District Attorney decided not to retry the third officer on the battery charge. Federal authorities also reviewed the matter and indicted seven of the off-duty officers and one of the on-duty officers with federal civil rights crimes. The federal authorities entered into plea agreements with one of the on-duty officers and three of the off-duty officers. The officers agreed to plead guilty to civil rights violations and all of them but one to testify against the other officers in the government's case. The four remaining officers went to trial in July 2007. Three of the officers were found guilty and one was acquitted.

Four lawsuits have been filed relative to this matter. Mr. Jude and his wife sued the city and several individuals relative to his beating. The three individuals who attended the party with him, namely Antonissen, Brown, and Harris, have also filed suit, alleging that they were unlawfully arrested and that excessive force was used. Plaintiffs are seeking more than \$30 million dollars, combined, in damages. The City has answered the four suits and maintains that none of the individually named defendant officers, both on and off duty, were acting within the scope of their employment with regard to the subject events. The City has also denied all requests by the individual officer defendants for representation. Discovery has not yet begun, but a full discovery and litigation process is anticipated. Now that all federal criminal trials have concluded, a status conference was held in December, 2007. In mid-February, 2008, the parties met to hash out a proposed scheduling order. On February 27, 2008, the parties participated in a Rule 26 scheduling conference call with the court. The court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009. The next status conference is scheduled for August 18, 2008.

Javier v. Glover. The plaintiffs in this action are various survivors of an unmarried young man who was shot and killed by an off-duty Milwaukee police officer. The officer subsequently committed suicide following a decision by the local county prosecutor to charge the officer with homicide and several counts of perjury. The officer claimed that he shot this individual only after the individual had almost run the officer over, appeared to point what looked like a weapon at the officer, and then ran from the officer on foot after the officer had identified himself and told the individual to stop. Because both individuals are dead, however, and because none of the nearby witnesses have affirmed that the officer identified himself as a police officer, there is a substantial question as to whether the plaintiffs will have adequate proof that the officer was acting within the scope of his employment and whether the City will have to indemnify his estate for any judgment that the plaintiffs might obtain. In addition, while the plaintiffs claim that the officer's off-duty conduct resulted from improper training and supervision by the City, if there is insufficient proof that the officer tried to act as an officer as opposed to merely acting as an enraged citizen, the plaintiffs cannot prevail against the City. The City's training and supervision, in any event, likely passes constitutional muster.

Curtis E. Harris v. Kevin G. Clark, et al. This case stems from the arrest of Curtis E. Harris, which took place on or about December 10, 2003. Mr. Harris claims that his arresting officers used excessive force during the arrest, and ultimately, that he was paralyzed as a result. Mr. Harris claims violations of his 4th Amendment rights. Mr. Harris also challenges the constitutionality of the related training and supervision provided to MPD officers. Defendants maintain that Mr. Harris's injuries were accidentally sustained during the course of an officer effecting a lawful control maneuver, and that MPD officers are lawfully trained and supervised. The parties have engaged in significant discovery work to date, after sincere attempts were made to mediate the case. Plaintiffs requested a discovery extension, and defendants will be filing their dispositive motion by March 15, 2008. If dispositive motions do not resolve the case, it will proceed to trial.

LEGAL OPINIONS

The legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, will be delivered to the purchasers of the Offered Obligations. Drafts of the legal opinions for the Offered Obligations are included herein as Appendix B.

RATINGS

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

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 Offered Obligations.

TAX MATTERS

Summary of Bond Counsel Opinion

Bond Counsel are of the opinion that under existing law, interest on the Offered Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel are of the opinion that interest on the Offered Obligations will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered Obligations is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Offered Obligations is not exempt from Wisconsin income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Offered Obligations in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Offered Obligations. These requirements relate to the use and investment of the proceeds of the Offered Obligations, the payment of certain amounts to the United States, the security and source of payment of the Offered Obligations and the use of the property financed with the proceeds of the Offered Obligations.

Offered Obligations Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Offered Obligations is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Offered Obligations is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Offered Obligation, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a Offered Obligation, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of an Offered Obligation on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Offered Obligation for federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Offered Obligations at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Offered Obligations. In addition, owners of Offered Obligations should consult their tax advisors with respect to the state and local tax consequences of owning the Offered Obligations; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

Exclusion from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Offered Obligations. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Offered Obligation proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Investment Restrictions. Except during certain "temporary periods," proceeds of the Offered Obligations and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is "materially higher" (1/8 of one percent) than the yield on the Offered Obligations.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the “gross proceeds” of the Offered Obligations in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Offered Obligations are required to be paid to the United States at periodic intervals. For this purpose, the term “gross proceeds” includes the original proceeds of the Offered Obligations, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Offered Obligations.

Covenants to Comply

The City has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Offered Obligations.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Offered Obligations may become includable in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue. In such event, the City’s agreements with the owners of the Offered Obligations require neither acceleration of payment of principal of, or interest on, the Offered Obligations nor payment of any additional interest or penalties to the owners of the Offered Obligations.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Offered Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Offered Obligations that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE OFFERED OBLIGATIONS.

Cost of Carry. Owners of the Offered Obligations will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Offered Obligations. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Offered Obligations is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Offered Obligations is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the Offered Obligations may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Offered Obligations may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Offered Obligations may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

Financial Institutions. Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Offered Obligations.

Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Offered Obligations held by such a company is properly allocable to the shareholder.

The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Offered Obligations are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Offered Obligations are outstanding in a manner

that would adversely affect the value or the tax treatment of ownership of the Offered Obligations.

STATE TAX MATTERS

Interest on the Offered Obligations 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 Offered Obligations as "qualified tax-exempt obligations" for purposes of Section 265 (b)(3) of the Code.

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 Offered Obligations 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 Offered Obligations pursuant to Schedules to be executed and delivered by the City at the time the Offered Obligations 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 Offered Obligations (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 Offered Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Offered Obligations and their market price.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Offered Obligations. The Financial Advisor has requested and the City has consented to the Financial Advisor submitting bids for the Offered Obligations.

UNDERWRITING

The Offered Obligations will be purchased at competitive bidding conducted on March 13, 2008.

The award of the Offered Obligations was made to _____, its co-managers and associates.

The public reoffering yields of the Offered Obligations are detailed on the inside front cover of the Final Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Offered Obligations by the Underwriters thereof, the City will furnish to the Underwriters the following closing documents, in form satisfactory to Bond Counsel:

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;

- (4) the opinions as to the legality of the Offered Obligations under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C. Wauwatosa, Wisconsin, Bond Counsel to the City, in substantially the forms as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Offered Obligations within seven business days after the award of the Offered Obligations in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

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

/s/ _____
W. Martin Morics, City Comptroller and Secretary
City of Milwaukee, Wisconsin

March 6, 2008

APPENDIX A

**Audited financial information of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2006**

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report
can be downloaded at the City Comptroller's web page at:

www.milwaukee.gov

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CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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 FOR THE YEAR ENDED DECEMBER 31, 2006

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INTRODUCTORY SECTION

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202

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, 2006, 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 did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information on pages 17 to 32; and Exhibit E-1, respectively, are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 our report dated July 30, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Milwaukee, Wisconsin
July 30, 2007, except for the financial statements and related
note disclosures for the discretely presented component
units as to which the date is December 7, 2007

NOTE: THIS LETTER IS REPRODUCED HERE FOR INFORMATIONAL PURPOSES ONLY. THIS LETTER APPLIES TO THE ENTIRE CAFR, AND NOT TO THE EXCERPTS REPRODUCED HEREIN. THIS LETTER SHOULD ONLY BE INTERPRETED IN THE CONTEXT OF THE ENTIRE CAFR, WHICH IS AVAILABLE FROM THE CITY.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2006. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read 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. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2006 by \$1,062 million (net assets); \$415 million in governmental activities and \$647 million in business-type activities. Governmental activities' unrestricted net assets are a deficit of \$201 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 \$1,062 million compared to the previous year of \$1,038 million, increased by 2.3%.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$1,055 million 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 \$125 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted (\$118) million.
- The City's governmental funds reported total ending fund balance of \$270.6 million this year. Compared to the prior year ending fund balance of \$229.0 million, an increase of \$41.6 million resulted by year end 2006; an 18% increase.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$105.2 million or 16.4% of total General Fund expenditures including transfers and 17.7% of total General Fund revenues including transfers.
- Total liabilities of the city increased by \$101 million to \$1,511 million during the fiscal year.
- General obligation bonds and notes payable increased by \$97 million during the current fiscal year from \$710 million to \$807 million. The key factors in this increase were the issuance of over \$253 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 of \$156 million.
- For governmental activities, program revenue (consisting of charges for services, and of operating grants and contributions) supported 21.0% of the total expenses for 2006. Property taxes and other taxes represented 30.1% of the primary government's governmental activities' expenses and state aids for the General Fund equaled 34.7%. Miscellaneous revenues and transfers supported 15.4% of the expenses. As a result of 2006 activity, revenues and transfers exceeded expenses by 1.3%.
- For business-type activities, program revenue (consisting of charges for services, and of capital grants and contributions) supported 131.5% of the expenses for 2006; and, in total exceeded the expenses by \$45 million. Miscellaneous revenue net of transfers out totaled (\$31.5 million) and reduced this excess to \$13.5 million for the year.
- During the year, the City had governmental expenses of \$619.6 million more than its program revenues; general revenues and transfers of \$629.5 million resulted in an increase of net assets of \$10 million. This does not include \$16.3 million budgeted use of prior year surplus used to finance the General Fund expenditures for 2006. Business-type activities generated \$13.5 million of program revenues, general revenues and transfers greater than its expense at year end; and, had an increase of net assets of 2.1% over 2005.
- The general fund reported a positive fund balance for the year of \$105 million. Compared to \$85 million in 2005; the 2006 year end balance increased 23.5%. This increase is primarily a result of total actual revenues and other financing sources in the aggregate totaling \$20 million more than the aggregate of total expenditures and other financing uses during 2006.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

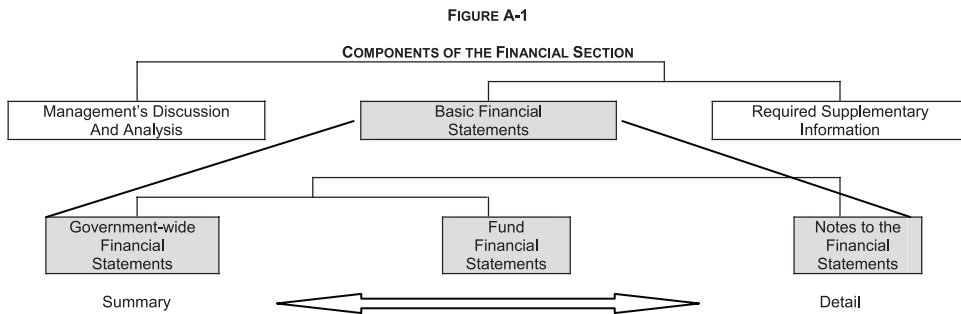
- New for 2006, the City issued General Obligation Cash-flow Promissory Notes for \$66 million rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).
- The operating expenditures of the General Fund were \$19.2 million less than budgeted. This favorable variance is a result of savings from general government departments of \$18.3 million; public safety departments of \$.4 million and public works, health, culture and recreation and conservation and development departments, in the aggregate, of \$0.5 million. Several major savings over the final budget for the year contributed to the total savings. A total of \$.6 million in departments was saved in salary accounts due to normal vacancies; \$0.8 million were saved in other operating costs. Special Purpose non-departmental appropriations assigned to the Department of Neighborhood Services, City Attorney, Comptroller, Employees Retirement Administration and other departments had a combined savings of \$1.3 million. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$6.0 million for the year. Health care costs were \$9.6 million less than budgeted during 2006. All other departmental miscellaneous costs saved \$0.9 million.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

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

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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 pension and other employee benefit trusts 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.

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.

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

	Governmental Activities		Business-type		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 791,833	\$ 838,816	\$ 101,621	\$ 119,505	\$ 893,454	\$ 958,321
Capital assets	873,744	915,171	680,939	699,209	1,554,683	1,614,380
Total assets	1,665,577	1,753,987	782,560	818,714	2,448,137	2,572,701
Long-term liabilities outstanding	749,904	819,157	121,663	146,080	871,567	965,237
Other liabilities	510,360	519,563	27,958	26,195	538,318	545,758
Total liabilities	1,260,264	1,338,720	149,621	172,275	1,409,885	1,510,995
Net assets:						
Invested in Capital assets, net of related debt	492,841	500,045	560,899	554,966	1,053,740	1,055,011
Restricted	109,149	115,803	8,383	8,748	117,532	124,551
Unrestricted	(196,677)	(200,581)	63,657	82,725	(133,020)	(117,856)
Total net assets	\$ 405,313	\$ 415,267	\$ 632,939	\$ 646,439	\$ 1,038,252	\$ 1,061,706

Net assets of the city's governmental activities increased 2.5% to \$415.3 million for 2006. These net assets are restricted as to use in the amount of \$115.8 or are invested in capital assets in the amount of \$500.0 (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 (\$200.6) 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, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 2.1% to \$646.4 million in 2006. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term liabilities for governmental activities increased 9.2% from 2005 due primarily by the issuance of long-term debt. For business-type activities, long-term liabilities increased 20.1% from 2005 due to the issuance new general obligation debt for the Sewer Maintenance Enterprise Fund in the amount of \$33 million during 2006.

Total assets, including capital assets increased \$124.6 million or 5.1% from 2005. Capital assets of the primary government increased 3.8% from the previous year. For 2006, business-type activities, the Water Works and the Sewer Maintenance Funds have 91% of the City's total net capital assets. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (53%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (38%) includes all the various sewer mains and connections.

Changes in net assets. The calculation of revenues less expenses is the change in net assets. The City's total program and general revenues totaled \$760.8 million for the governmental activities. Of revenues, 31% comes from property and other taxes and 48% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 10% of the total revenues, and the remaining 11% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 34% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its program revenues for governmental activities by 79%; total general revenues combined with program revenue and transfers resulted in a positive change in net assets of \$10 million or 1.3% of total general expenses for governmental activities. The margin for business-type activities had 31.5% of program revenues greater than expenses and a 7.6% margin of total revenues more than expenses and transfers out. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

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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)

	<u>Governmental Activities</u>		<u>Business-type</u>		<u>Total Primary Government</u>	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program revenues:						
Charges for services	\$ 63,410	\$ 73,528	\$ 178,331	\$ 180,122	\$ 241,741	\$ 253,650
Operating grants and contributions	87,718	91,271	-	-	87,718	91,271
Capital grants and contributions	-	-	1,850	7,780	1,850	7,780
General revenues:						
Property taxes and other taxes	224,918	236,043	-	-	224,918	236,043
State aids for General Fund	272,875	272,417	-	-	272,875	272,417
Miscellaneous	82,796	87,510	1,460	2,058	84,256	89,568
Total revenues	<u>731,717</u>	<u>760,769</u>	<u>181,641</u>	<u>189,960</u>	<u>913,358</u>	<u>950,729</u>
Expenses						
General government	180,975	179,647	-	-	180,975	179,647
Public safety	263,852	263,608	-	-	263,852	263,608
Public Works	155,048	154,644	-	-	155,048	154,644
Health	27,036	27,316	-	-	27,036	27,316
Culture and recreation	19,931	21,506	-	-	19,931	21,506
Conservation and development	57,245	66,092	-	-	57,245	66,092
Capital contribution to						
Milwaukee Public Schools	18,002	14,028	-	-	18,002	14,028
Contributions	25,465	25,412	-	-	25,465	25,412
Interest on long-term debt	22,589	32,131	-	-	22,589	32,131
Water	-	-	58,230	58,074	58,230	58,074
Sewer Maintenance	-	-	26,096	26,605	26,096	26,605
Parking	-	-	22,369	22,609	22,369	22,609
Port of Milwaukee	-	-	3,252	3,671	3,252	3,671
Metropolitan Sewerage District User Charges.	-	-	31,537	31,932	31,537	31,932
Total expenses	<u>770,143</u>	<u>784,384</u>	<u>141,484</u>	<u>142,891</u>	<u>911,627</u>	<u>927,275</u>
Increase in net assets before transfers	(38,426)	(23,615)	40,157	47,069	1,731	23,454
Special item - receipt of loans receivable	14,325	-	-	-	14,325	-
Transfers	33,631	33,569	(33,631)	(33,569)	-	-
Increase in net assets	9,530	9,954	6,526	13,500	16,056	23,454
Net assets – Beginning	<u>395,783</u>	<u>405,313</u>	<u>626,413</u>	<u>632,939</u>	<u>1,022,196</u>	<u>1,038,252</u>
Net assets – Ending	<u>\$ 405,313</u>	<u>\$ 415,267</u>	<u>\$ 632,939</u>	<u>\$ 646,439</u>	<u>\$ 1,038,252</u>	<u>\$ 1,061,706</u>

Governmental Activities

Revenues for the city's governmental activities were \$760.8 million, while total expenses were \$784.4 million for 2006. All revenues, excluding transfers, are supporting 97% of the total expenses; or 101.3% with transfers. Comparable data for 2005 indicates 95% of all revenues, excluding transfers and special items supported the 2005 expenses and, 99.4% with transfers.

Property taxes represent 31% of the total revenues for 2006 compared to 30.7% for 2005; a 4.9% increase. The increase in revenues is primarily due to an increase in collections. State aids for the General Fund of \$272.4 million decreased from 2005 by \$.5 million or .18%. The combined property taxes and state aids comprised approximately 66.8% of the total revenues for governmental funds in 2006 compared to 68% in 2005. Charges for services equaled 9.7% of the total revenues in 2006 compared to 8.7% in 2005.

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Governmental activities had expenses increase 1.9% in 2006 to \$784.4 million from \$770.1 million in 2005. Expenses for general government, which comprise 23.0% of the total expenses, decreased .7% in 2006. Public safety expenses represent the largest category of governmental activities or 33.6% of the total expenses for 2006 which is a decrease from .09% in 2005. The largest change occurred in the interest on long-term debt category; and increase of 42.2% over 2005 due to a combination of increasing debt and higher interest rates.

Chart 1
2006 Expenses and Program Revenues - Governmental Activities

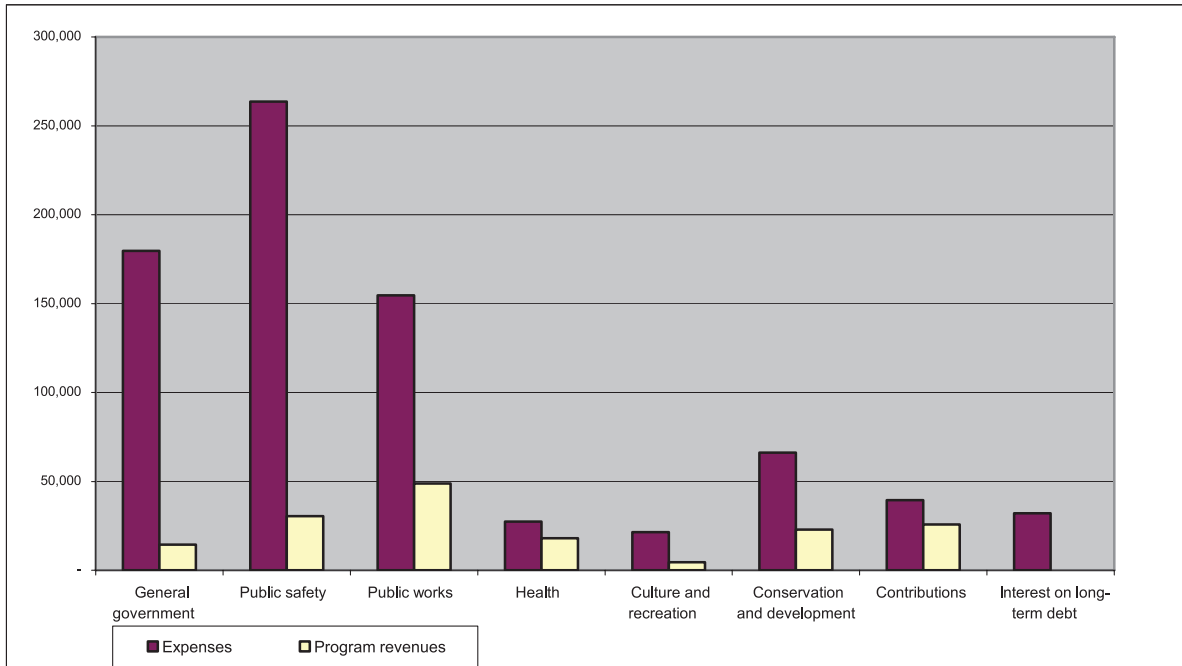


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 3
Governmental Activities
(Thousand of Dollars)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2005	2006	2005	2006
General government	\$ 180,975	\$ 179,647	\$ 167,840	\$ 165,232
Public safety	263,852	263,608	235,397	233,089
Public works	155,048	154,644	116,145	105,865
Health	27,036	27,316	10,029	9,295
Culture and recreation	19,931	21,506	15,705	17,087
Conservation and development	57,245	66,092	33,030	43,253
Contributions	43,467	39,440	18,280	13,633
Interest on long-term debt	22,589	32,131	22,589	32,131
Total Governmental Activities	<u>\$ 770,143</u>	<u>\$ 784,384</u>	<u>\$ 619,015</u>	<u>\$ 619,585</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2006 to \$619.6 million from \$619.0 million in 2005 or .1% change. For 2006, Public Safety's net cost of services represents the largest category of total expenses at 37.6%, a decrease from 38% compared to 2005. The total costs of services increased overall by 1.8%. This indicates that total program revenue for the purposes is not increasing in proportion to the total cost of governmental services.

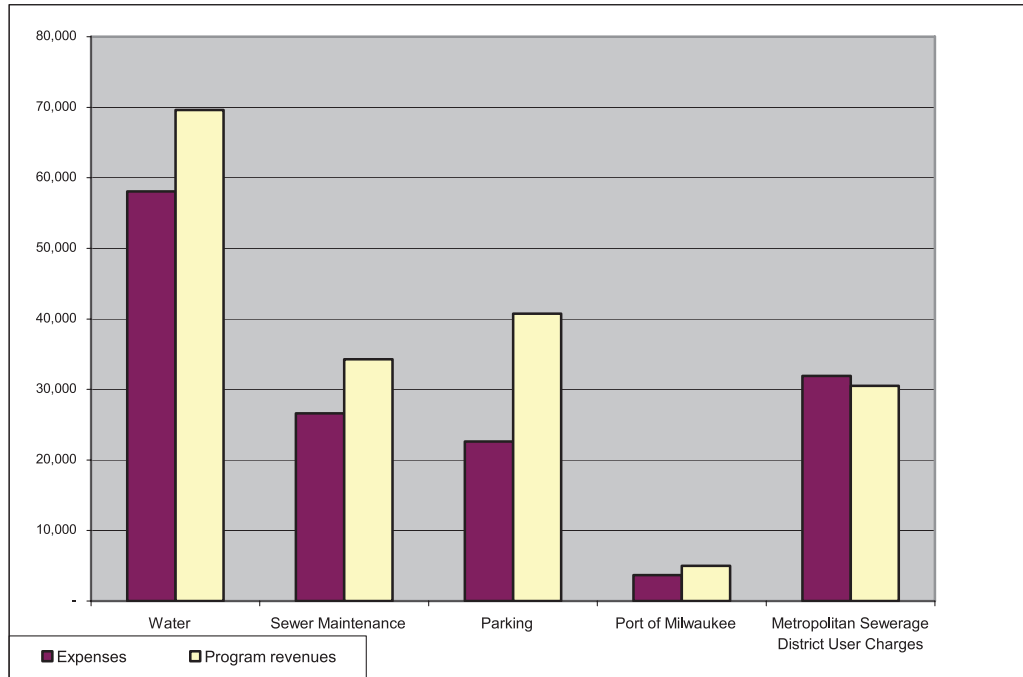
Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$56.4 million and operating income of \$13.0 million. The Sewer Maintenance had operating income of \$15.0 million after generating expenses of \$19.2 million. The City parking facilities operating expenses during 2006 were \$22.0 million with net operating income of \$17.9 million.

Total revenues on Table 2 shows an increase of \$8.3 million in 2006 compared to 2005, or 4.6%. Total expenses and transfers of all enterprise funds of the City increased \$1.4 million, from \$175.1 million in 2005 to \$176.5 million in 2006. This resulted in a change in net assets activity for the year 2006 of an increase of \$7 million compared to 2005. The year-end Total Net Assets increased by \$13.5 million or 2.1%. Of this increase in Net Assets, 66.8% is attributable to the Water Works operations. However, the Water Works Net Assets increased only 2.4% from 2005.

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Chart 2
2006 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 \$270.6 million, an increase of \$41.6 million or 18% over last year. A major contributor for this increase is due to the increase in the solid waste fee from \$75 per year to \$132 per year effective in 2006. This increase in the fee has generated an increase in Charges for Services Revenues in the General Fund of \$10.8 million over the previous year. Also, General Fund Miscellaneous Revenues included an increase in interest on investments of \$3.9 million due to an increase in rate and available balance greater than in 2005. The annualized yield return on investment was 4.78% compared to 3.05% in 2005. The average balance increased from \$239 million in 2005 to \$275 million in 2006. In addition, the expenditures for various capital projects in advance of the issuance of debt resulted in a net fund deficit of \$.8 million in 2005; with the receipt of bond proceeds in 2006, the total capital projects fund balance at year end 2006 is a \$14.5 million. Total debt issued for capital projects totaled \$112.9 million in 2005 compared to \$135 million in 2006. At year end, the capital projects with a fund deficit were Fire (\$396,000), Playgrounds & Recreation (\$10,000), Sewers (\$14,000), and Tax Incremental Districts (\$562,000). The fund balance deficit of \$14.4 million for special assessment capital projects remained constant compared to \$15.0 million in 2005. 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. Other capital projects such as bridges, special projects, library, police, public buildings, urban renewal and streets netted a positive fund balance at year end of \$29.9 million.

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The total reserves of the General Fund increased 23.5% to \$105 million from \$85 million in 2005. Of this amount, \$23.1 will finance the 2007 budget, with \$58.9 available for 2008 and subsequent years' budgets.

Revenues for governmental functions overall totaled \$758.1 million in the fiscal year ended December 31, 2006, which represents an increase of approximately 3.7% from the fiscal year ended December 31, 2005. Expenditures for governmental funds totaled \$974.9 million, an increase of 9.1%. In the aggregate, expenditures exceeded revenues by \$217 million, or approximately 29%. Other financing sources closed the gap, leaving the total net change in fund balances with an increase of \$41.5 million for the year. In comparison for the year 2005, the total net change in fund balances resulted in an increase of \$23.5 million. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

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 \$20 million or 23.5%. Key factors contributing to this increase are revenues and other financing sources totaled approximately \$659.7 million and expenditures and other financing uses totaled approximately \$639.7 million - detailed in Table 4 below. While expenditures remained consistent with the prior year, decreasing by .29% over 2005, revenues increased 4.2% over 2005, the net result ended with expenditures exceeding revenues by 3.2%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by \$37.3 million.

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:	2005	2006	% Change	Expenditures:	2005	2006	% Change
Property taxes	\$ 135,610	\$ 141,102	4.05%	General Government.....	\$ 206,055	\$ 203,416	-1.28%
Other taxes	3,709	5,202	40.25%	Public Safety.....	248,366	250,672	0.93%
Licenses and permits	13,374	13,729	2.65%	Public Works.....	89,180	86,482	-3.03%
Intergovernmental	272,875	272,417	-0.17%	Health.....	10,656	10,428	-2.14%
Charges for services	63,410	73,528	15.96%	Culture and recreation	16,744	17,882	6.80%
Fines and forfeits	5,893	5,541	-5.97%	Conservation and			
Contributions received	25,187	25,807	2.46%	development	2,767	3,217	16.26%
Other	12,179	17,353	42.48%	Total Expenditures	573,768	572,097	-0.29%
Total Revenues	532,237	554,679	4.22%				
Other Financing Sources				Other Financing Uses			
Debt proceeds	-	66,000		Transfers out	3	67,630	225%
Transfers in	39,725	38,996	-1.84%	Total Expenditures			
Total Revenues and				and other Financing			
Other Financing Sources	571,962	659,675	15.34%	Uses	\$ 573,771	\$ 639,727	11.50%
Excess of Revenues							
over Expenditures	(41,531)	(17,418)	-58.06%				
Net Change in							
Fund Balance	\$ (1,809)	\$ 19,948	-1202.71%				

Total General Fund revenues for 2006 totaled \$554.7 million. The largest revenue category is intergovernmental of \$272 million with 49% of the total revenue. The second largest revenue source is Property Taxes with \$141 million or 25%. Charges for Services, which includes revenues for services provided by City departments, comprises 13.3% or \$73.5 million.

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These three categories combined comprise 87.7% of the total revenues for 2006. The largest percentage increase in revenues compared to 2005 was the other category of which the largest component is interest earnings a 42.5% increase.

New for 2006, the City issued General Obligation Cash-flow Promissory Notes rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues for \$66 million. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

The General Obligation Debt Service Fund increased its fund balance from \$44.2 million to \$52.3 million or 18.3%. The Public Debt Amortization Fund showed a slight decrease of .1% from \$73.7 million to \$73.6 million at year-end for its fund balance. Property Taxes, Charges for Services and Other Revenues of the General Obligation Debt Service increased significantly from \$79.3 million in 2005 to \$89.9 million in 2006 to support increasing debt. Revenues combined with Other Financing Sources totaled \$200 million; expenditures combined with Other Financing Uses totaled \$192 million; resulting in a Net Change in Fund Balance for year end 2006 of \$8 million.

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, 2006 showed a fund balance of \$14.5 million (an increase in the fund balance of \$15.3 million from 2005). In 2006, total debt proceeds amounted to \$135 million as compared to \$112.9 million in 2005, a 19.6% increase. Total revenues decreased 30.8% from \$37.4 million to \$25.9 million; expenditures increased from \$139.0 million to \$145.1 million or 4.4%. The issuance of bonds and notes during 2006 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures in total and eliminate the deficit in fund balance at year end 2005. The capital projects with a fund deficit were Special Assessments of \$14.4 million and the combined deficits of Fire, Playgrounds and Recreation, Sewers and Tax Incremental Districts totaled \$1 million. The fund balance deficit of \$14.4 million for special assessment capital projects remained constant compared to \$15.1 million in 2005. 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. Other capital project such Bridges, Special Projects, Library, Police, Public Buildings, Urban Renewal and Streets netted a positive fund balance at year end of \$29.9 million.

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 were \$82.7 million. This was an increase from \$19 million at December 31, 2005 or 23%. This increase consists of, \$21.8 million in Sewer Maintenance, \$1 million in the Parking and decreases of \$1.7 million in Water Works and \$2.1 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds increased 1.0% from 2005 - \$177.2 million to \$178.9 million in 2006; total operating expenses increased to \$132.8 in 2006 from \$131.7 in 2005 or .8%. The Water Works is the largest enterprise activity for the City, comprising approximately 38.8% of the total operating revenues. The Sewer Maintenance Fund comprises 19% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2006 Water Works operating revenues decreased 2.9% and Sewer Maintenance revenue increased 10.3%; all other enterprise funds combined increased slightly by .8%. Water Works non-operating revenues for 2006, which is mainly composed of interest income, increased by 22% or \$.3 million from 2005. This increase is due to a favorable interest rate on investments in 2006.

The Water Works had total operating and non-operating expenses of \$58.1 million for 2006 compared to \$58.2 million for 2005. Excluding depreciation expense, operating expenses remained consistent with the previous year; decreasing by \$.4 million or .9% in 2006. The non-operating expenses of the Water Works decreased by \$.295 million due to the declining principal balances on outstanding debt resulting in less interest expense.

The total operating expenses of all the enterprises funds, except Water Works, remained consistent with 2005 and increased approximately 1.3%.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted three 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. \$251,893 was received from third party workers' compensation claims as insurance settlements during 2006. In addition, the Department of Administration increased its budget for services reimbursed by Milwaukee County Automated Mapping and Land Information System (MCAMLIS) in the amount of \$38,254 and the Special Purpose non-departmental account for Firemen's Relief was increased by \$13,786.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2005 less the encumbrances carried over to 2007. The Final budget includes the original budget as defined plus appropriations authorized for carry over from 2005 by Common Council less those appropriations authorized for carryover to 2007. 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 \$562.3 million with the final budget at \$565.8 million. This is an increase over the fiscal year 2005 with original budget at \$541.1 million and final budget at \$558.2 million. The resulted increase was 3.9% and 1.4% for the original and final budgets, respectively.

The original budget relating to estimated revenues of the General Fund was \$518.7 million with the final budget increasing by \$304,000 to \$519 million per the authorized resolutions detailed above. The 2006 original and final budgets as depicted in Exhibit E-1 show a 4.8% net change from the previous year's original 2005 budget, final 2005 budget of \$495.2 million and \$495.4 million, respectively.

For the fiscal year ended December 31, 2006, the General Fund had a positive variance of \$9.8 million in revenues over estimated revenues. Most actual revenue categories increased compared to 2005 in a range from 2.65% in Licenses and permits to 42.5% in Other, Intergovernmental Revenues and Fines and Forfeits decreased .2% and 6%, respectively from 2005 of \$272.9 million and \$5.9 million, respectively, to 2006 of \$272.4 million and \$5.5 million, respectively or a \$.458 million and \$.352 million, respectively. An overall revenue increase of \$21.8 million over 2005's total revenue of \$507 million calculates to total revenue for 2006 of \$528.9 million, or a 4.3% increase. While the categories indicate various individual fluctuations, two of the noteworthy changes over 2005 actual revenue include \$10.8 million increase in Charges for Services due to an increase in the solid waste fee from \$75 per year to \$132 per year or a 76% increase in total revenues received. The Other category increased \$5.2 million from 2005; interest income on investments is included in this category. Interest earnings revenue increased \$4.6 million due to a combination of rate increase and available investable balance. The average interest rate of return on the pooled investments with the State's Local Government Pooled Investment Fund was 4.78% compared to 3.05% in 2005 with an increase in the investable balance from \$239 million in 2005 to \$275 million in 2006.

A favorable variance of \$19.2 million in unexpended budget resulted by year end 2006. The general government contributed \$18.3 million; public safety added \$.4 million and public works, health culture and recreation and conservation and development, in the aggregate, added \$.5 million. Several major savings over the final budget for the year contributed to the total savings. A total of \$.6 million in departments was saved in salary accounts due to normal vacancies; \$.8 million were saved in other operating costs. Special Purpose non-departmental appropriations assigned to the Department of Neighborhood Services, City Attorney, Comptroller, Employees Retirement Administration and other departments had a combined savings of \$1.3 million. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$6.0 million for the year. Health care costs were \$9.6 million less than budgeted during 2006. All other departmental miscellaneous costs saved \$0.9 million

Overall the total 2006 budgeted expenditures decreased \$1.6 million compared to 2005 or .3%. Salaries and Wages decreased \$431,000 or .1%, Other Operating Costs decreased \$2,769,000 or 1.3% and Equipment increased \$1,582,000 or 30.4% as a result of equipment purchases in Police and Public Works vehicles and Library equipment.

The City's General Fund's beginning fund balance of \$85.2 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 \$16.3 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.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Chart 3
2006 City Spending by Function - Governmental Funds

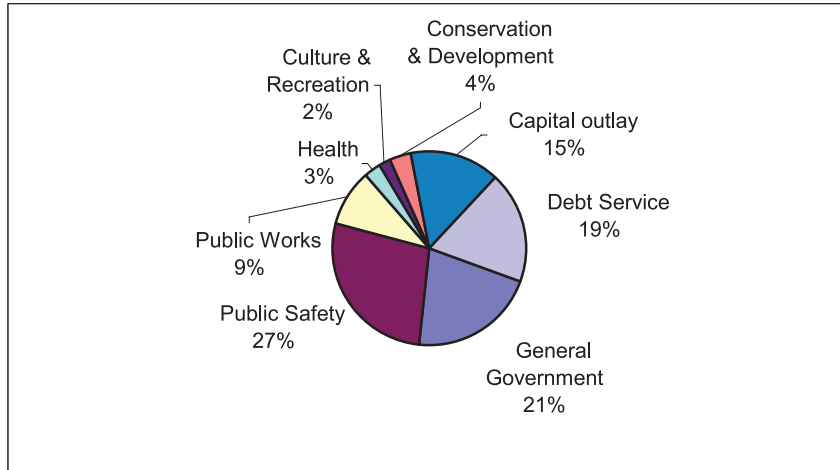
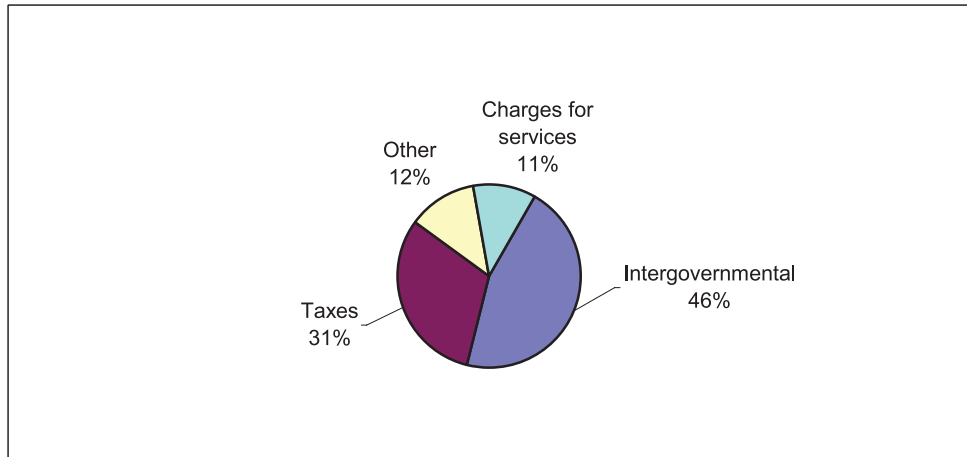


Chart 4
2006 Revenues by Source - Governmental Funds



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2006, total \$1,614.4 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$59.7 million or 3.8%. Governmental activities' capital assets increased \$41.4 million or a 4.7% increase from 2005. Business-type activities' capital assets increased \$18.3 million or 2.7% at the end of 2006. A schedule comparing the assets by type for 2005 and 2006 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$83 million and

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

deletions were \$41.6 million for 2006 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$13.8 million. Of the sewer maintenance fund's net assets at year end, 87.9% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 63% of its total net assets with 31.8% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 1.4%.

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

	Governmental Activities		Business-type		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Capital assets not being depreciated:						
Land	\$ 163,482	\$ 164,425	\$ 18,012	\$ 18,309	\$ 181,494	\$ 182,734
Construction in progress	64,594	75,228	46,176	40,865	110,770	116,093
Capital assets being depreciated:.....						
Buildings	160,313	191,225	84,355	84,261	244,668	275,486
Infrastructure	1,298,714	1,316,526	606,460	638,099	1,905,174	1,954,625
Improvements other than buildings	9,082	11,036	25,067	25,183	34,149	36,219
Machinery and equipment	122,716	138,418	206,736	210,915	329,452	349,333
Furniture and furnishings	-	-	70	70	70	70
Nonutility property	-	-	3,019	5,317	3,019	5,317
Accumulated depreciation	(945,157)	(981,687)	(308,956)	(323,810)	(1,254,113)	(1,305,497)
Total	\$ 873,744	\$ 915,171	\$ 680,939	\$ 699,209	\$ 1,554,683	\$ 1,614,380

Debt

At year-end, the City had \$807.5 million in general obligation bonds and notes, and \$68.1 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	
	2005	2006	2005	2006	2005	2006
General obligation bonds (backed by the City)	\$ 664,285	\$ 733,327	\$ 46,125	\$ 74,135	\$ 710,410	\$ 807,462
Capital lease payable	174	-	-	-	174	-
Revenue bonds (backed by specific fee revenues)	-	-	71,476	68,150	71,476	68,150
Total	\$ 664,459	\$ 733,327	\$ 117,601	\$ 142,285	\$ 782,060	\$ 875,612

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$252.8 million, of which \$35.3 million related to Sewer Maintenance, Parking, and Port Enterprises. New for 2006, is the issuance of \$34 million of general obligation bonds and notes to finance the Sewer Maintenance capital improvements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

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 Aa from Moody's Investors Service, Inc, were received on the City's December 2006 general obligation bonds issues.

The city's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,046 at the end of 2005, and \$1,153 at the end of 2006; a 10.3% increase from the prior year. As of December 31, 2006, the City's outstanding net general obligation debt was 2.59% of the City's total taxable value of property. (Statistical Section - Table 9) 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 57.5% of this limit. For the 16th year, the City issued general obligation notes to purchase a portion of General Fund delinquent taxes in the amount of approximately \$14.7 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

Total property taxes levied for all funds of the City in 2006 for 2007 purposes decreased \$.76 cents per thousand dollars of assessed valuation to a rate of \$7.99.

- The Solid Waste Fee increased \$57 per year from an annual charge of \$75 to \$132. The change generated \$10.6 million in additional revenues for 2006. At the level of \$75 the city recovered approximately 50% of its operating costs. The increased fee will recover nearly 87% of solid waste operating costs.
- The Snow and Ice Control Fee will remain at its current rate of \$0.2736 per foot of property frontage, and generate \$2.4 million.
- Leaf pick-up and street-sweeping costs are recovered through the City's sewer maintenance fee. These will be in the form of a \$4.6 million non-operating expense from the Sewer Fund to the General Fund in 2006.
- In July of 2006, the Milwaukee Water Works began billing for the new Storm Water Management Fee. The fee is intended to more equitably distribute the cost of the sewer system across customer classes and preserve the financial sustainability of the Sewer Maintenance Enterprise Fund. In 2007, the Storm Water Management Fee will remain constant at \$8 per quarter per Equivalent Residential Unit.
- In 2006, the Sewer Maintenance Enterprise fund had a split sewer rate. In the first two quarters, the rate was \$1.27 per 100 cubic feet of water. When the Storm Water Management Fee became effective in July, the rate was dropped to \$0.85 per cubic feet, so that the average overall residential fees for sewer service would not change. In 2007, the rate will increase to \$0.925 per cubic feet. As a result, the average residential bill, including the Storm Water Management Fee, will increase by approximately 6%.

The 2007 adopted City Budget is about \$1.2 billion with the budget for the General Fund at \$624.3 million. The General Fund budgets increased more than 3.6% over the 2006 budget of \$602.8 million. Of this increase, 42.3% is attributable to two areas. In 2007, the City will pay \$106.7 million for health insurance and related costs compared to \$103.3 million budgeted for 2006, an increase of 3.3%. Another major increase involves the cost of the Employees Retirement Administration which increased \$5.7 million over 2006 primarily due to increase in professional and information technology services and the continual work on the custom automation project. Estimated Full-time Equivalents (FTE) for all General Fund Departments have a budgeted increase of 103 with the Fire and Police Departments having a combined increase of 136 FTE's.

The property tax levy will provide \$96.0 million revenue for the general city purposes budget in 2007. This represents a decrease of \$2.8 million from 2006 or 2.8%. The total city tax levy increased from \$213.1 million for 2006 to \$220.1 million for 2007 or a \$7 million increase. The resulting property tax rate of \$7.99 is a 76 cent decrease from the 2006 rate of \$8.75 per \$1,000 of assessed valuation. The 2007 budget includes \$76.8 million in revenue from charges for services, an increase of \$3.2 million. This category of funding encompasses revenue received for services provided by City operating departments. The solid waste fee is the largest revenue source in this category and is expected to generate \$25 million for 2007. This specific fee represents 33% of the total charges for services in the 2007 budget

A new fee to charge residential property owners \$50 for special pickups (garbage set out that is greater than four cubic yards) will begin in the second quarter of 2007. This is anticipated to generate \$540,000 of new general fund revenues.

The unemployment rate for 2006 is 6.5 percent, the same as in the previous year; but, down from the record high over the last ten years of 8.9 percent which occurred in 2002. The per capita income for the most recent fiscal year available (2005) was \$33,888 (a 4.2% increase from 2004).

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

The City's population is beginning to show a minor but continual decline since 2002. The following table depicts this change over the last five years and represents a .88% decrease from 2002 to 2006:

2002	595,958
2003	595,245
2004	593,920
2005	592,765
2006	590,730

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.

**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
 December 31, 2006
 (Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 320,789	\$ 75,332	\$ 396,121	\$ 56,851
Investments	32,172	-	32,172	5,586
Receivables (net):				
Taxes	163,977	56	164,033	-
Accounts	21,116	27,424	48,540	2,145
Unbilled accounts	921	13,618	14,539	-
Special assessments	16,689	-	16,689	-
Notes and loans	50,320	-	50,320	78,026
Accrued interest	2,571	176	2,747	2,141
Due from component units	17,113	-	17,113	-
Due from primary government	-	-	-	1,257
Due from other governmental agencies	202,673	-	202,673	18,077
Inventory of materials and supplies	7,309	2,209	9,518	-
Inventory of property for resale	26	-	26	16,960
Prepaid items	444	21	465	1,419
Deferred charges	2,696	535	3,231	1,367
Other assets	-	134	134	333
Total non-capital assets	<u>838,816</u>	<u>119,505</u>	<u>958,321</u>	<u>184,162</u>
Capital assets:				
Capital assets not being depreciated:				
Land	164,425	18,309	182,734	58,399
Construction in progress	75,228	40,865	116,093	18,251
Capital assets being depreciated:				
Buildings	191,225	84,261	275,486	426,311
Infrastructure	1,316,526	638,099	1,954,625	-
Improvements other than buildings	11,036	25,183	36,219	599
Machinery and equipment	138,418	210,915	349,333	4,173
Furniture and furnishings	-	70	70	-
Nonutility property	-	5,317	5,317	-
Accumulated depreciation	<u>(981,687)</u>	<u>(323,810)</u>	<u>(1,305,497)</u>	<u>(214,001)</u>
Total Capital Assets	<u>915,171</u>	<u>699,209</u>	<u>1,614,380</u>	<u>293,732</u>
Total Assets	<u>1,753,987</u>	<u>818,714</u>	<u>2,572,701</u>	<u>477,894</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
 December 31, 2006
 (Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 41,325	\$ 14,987	\$ 56,312	\$ 8,776
Accrued expenses	26,252	2,188	28,440	4,223
Accrued interest payable	10,365	1,142	11,507	2,388
Internal balances	(7,671)	7,671	-	-
Due to component units	1,257	-	1,257	-
Due to other governmental agencies	4,307	70	4,377	5,994
Deferred revenue	268,728	137	268,865	1,948
Revenue anticipation notes payable	175,000	-	175,000	-
Other liabilities	-	-	-	9,657
Due to primary government:				
Due within one year	-	-	-	3,072
Due in more than one year	-	-	-	14,041
Long-term obligations:				
Due within one year	91,482	20,393	111,875	1,424
Due in more than one year	<u>727,675</u>	<u>125,687</u>	<u>853,362</u>	<u>138,228</u>
Total Liabilities	<u>1,338,720</u>	<u>172,275</u>	<u>1,510,995</u>	<u>189,751</u>
NET ASSETS				
Invested in capital assets, net of related debt	500,045	554,966	1,055,011	173,282
Restricted for:				
Debt Service	115,523	8,748	124,271	-
Other purposes	280	-	280	34,982
Unrestricted	<u>(200,581)</u>	<u>82,725</u>	<u>(117,856)</u>	<u>79,879</u>
Total Net Assets	<u>\$ 415,267</u>	<u>\$ 646,439</u>	<u>\$ 1,061,706</u>	<u>\$ 288,143</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, 2006
 (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	\$ 179,647	\$ 12,174	\$ 2,241	\$ -
Public safety	263,608	13,522	16,997	-
Public works	154,644	44,722	4,057	-
Health	27,316	667	17,354	-
Culture and recreation	21,506	1,892	2,527	-
Conservation and development	66,092	551	22,288	-
Capital contribution to Milwaukee Public				
Schools	14,028	-	-	-
Contributions	25,412	-	25,807	-
Interest on long-term debt	32,131	-	-	-
Total Governmental Activities	784,384	73,528	91,271	-
Business-type Activities:				
Water	58,074	69,636	-	3,229
Sewer Maintenance	26,605	34,261	-	3,777
Parking	22,609	40,736	-	-
Port of Milwaukee	3,671	4,994	-	774
Metropolitan Sewerage District				
User Charges	31,932	30,495	-	-
Total Business-type Activities	142,891	180,122	-	7,780
Total Primary Government	\$ 927,275	\$ 253,650	\$ 91,271	\$ 7,780
Component units:				
Housing Authority	\$ 81,394	\$ 17,980	\$ 47,277	\$ 9,343
Redevelopment Authority	10,043	5,850	5,955	-
Milwaukee Economic Development Authority	2,324	2,840	1,432	-
Neighborhood Improvement Development Corporation	1,808	700	758	-
Total Component Units	\$ 95,569	\$ 27,370	\$ 55,422	\$ 9,343
General revenues:				
Property taxes and other taxes				
State aids for General Fund				
Miscellaneous				
Special item - transfer of loan portfolio to other government				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
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
\$ (165,232)		\$ (165,232)	
(233,089)		(233,089)	
(105,865)		(105,865)	
(9,295)		(9,295)	
(17,087)		(17,087)	
(43,253)		(43,253)	
(14,028)		(14,028)	
395		395	
<u>(32,131)</u>		<u>(32,131)</u>	
<u>(619,585)</u>		<u>(619,585)</u>	
-	\$ 14,791	14,791	
-	11,433	11,433	
-	18,127	18,127	
-	2,097	2,097	
-			
<u>-</u>	<u>(1,437)</u>	<u>(1,437)</u>	
<u>-</u>	<u>45,011</u>	<u>45,011</u>	
<u>(619,585)</u>	<u>45,011</u>	<u>(574,574)</u>	
			\$ (6,794)
			1,762
			1,948
			<u>(350)</u>
			<u>(3,434)</u>
236,043	-	236,043	-
272,417	-	272,417	-
87,510	2,058	89,568	5,536
-	-	-	(360)
<u>33,569</u>	<u>(33,569)</u>	<u>-</u>	<u>-</u>
<u>629,539</u>	<u>(31,511)</u>	<u>598,028</u>	<u>5,176</u>
9,954	13,500	23,454	1,742
<u>405,313</u>	<u>632,939</u>	<u>1,038,252</u>	<u>286,401</u>
<u>\$ 415,267</u>	<u>\$ 646,439</u>	<u>\$ 1,061,706</u>	<u>\$ 288,143</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
 DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 133,431
Investments	280
Receivables (net):	
Taxes	102,099
Accounts	17,250
Unbilled accounts	921
Special assessments	-
Notes and loans	131
Accrued interest	2,093
Due from other funds	26,429
Due from component units	2,945
Due from other governmental agencies	1,929
Advances to other funds	14,700
Inventory of materials and supplies	6,860
Inventory of property for resale	26
Prepaid items	444
Total Assets	<u>\$ 309,538</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 27,710
Accrued expenses	25,819
Due to other funds	438
Due to component units	90
Due to other governmental agencies	-
Deferred revenue	150,306
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>204,363</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	15,616
Reserved for inventory	6,886
Reserved for mortgage trust	280
Reserved for environmental remediation	303
Reserved for tax stabilization - 2007	23,175
Reserved for tax stabilization - 2008 and subsequent years' budgets and advances to other funds	58,915
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>105,175</u>
Total Liabilities and Fund Balances	<u>\$ 309,538</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
\$ 95,292	\$ 41,530	\$ 37,035	\$ 13,501	\$ 320,789
-	31,892	-	-	32,172
46,793	-	7,216	7,869	163,977
-	-	2,266	1,600	21,116
-	-	-	-	921
-	-	16,689	-	16,689
34,857	-	-	15,332	50,320
296	182	-	-	2,571
-	-	-	-	26,429
14,041	-	-	127	17,113
175,000	-	10,078	15,666	202,673
-	-	-	-	14,700
-	-	449	-	7,309
-	-	-	-	26
-	-	-	-	444
<u>\$ 366,279</u>	<u>\$ 73,604</u>	<u>\$ 73,733</u>	<u>\$ 54,095</u>	<u>\$ 877,249</u>
\$ -	\$ -	\$ 7,416	\$ 6,199	\$ 41,325
-	-	228	205	26,252
7,130	-	2,227	8,963	18,758
-	-	582	585	1,257
-	-	3,182	1,125	4,307
131,865	-	30,912	11,956	325,039
175,000	-	-	-	175,000
-	-	14,700	-	14,700
<u>313,995</u>	<u>-</u>	<u>59,247</u>	<u>29,033</u>	<u>606,638</u>
52,284	73,604	-	10,563	136,451
-	-	-	6,343	6,343
-	-	-	2	2
-	-	28,437	-	44,053
-	-	449	-	7,335
-	-	-	-	280
-	-	-	-	303
-	-	-	-	23,175
-	-	-	-	58,915
-	-	-	8,154	8,154
-	-	(14,400)	-	(14,400)
52,284	73,604	14,486	25,062	270,611
<u>\$ 366,279</u>	<u>\$ 73,604</u>	<u>\$ 73,733</u>	<u>\$ 54,095</u>	<u>\$ 877,249</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 270,611

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	\$ 164,425	
Buildings, net of \$67,374 accumulated depreciation	123,851	
Infrastructure, net of \$826,126 accumulated depreciation	490,400	
Improvements other than buildings, net of \$7,135 accumulated depreciation	3,901	
Machinery and equipment, net of \$81,052 accumulated depreciation	57,366	
Construction in progress	<u>75,228</u>	
		915,171

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 2,696

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	5,939	
Special assessments to be collected after year end	15,515	
Notes and loans receivable to repay long-term bonds and notes	<u>34,857</u>	
		56,311

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.

Accrued interest payable	(10,365)	
Bonds and Notes Payable	(733,327)	
Accretion on capital appreciation bonds	(2,966)	
Deferred amount on refunding	7,731	
Unamortized premiums	(30,058)	
Compensated absences	(35,546)	
Claims and judgments	<u>(24,991)</u>	
		<u>(829,522)</u>

Total net assets of governmental activities (Exhibit 1) **\$ 415,267**

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, 2006
 (Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 141,102
Other taxes	5,202
Special assessments	-
Licenses and permits	13,729
Intergovernmental	272,417
Charges for services	73,528
Fines and forfeits	5,541
Contributions received	25,807
Other	17,353
Total Revenues	<u>554,679</u>
Expenditures:	
Current:	
General government	203,416
Public safety	250,672
Public works	86,482
Health	10,428
Culture and recreation	17,882
Conservation and development	3,217
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>572,097</u>
Excess (deficiency) of Revenues over Expenditures	<u>(17,418)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	66,000
Proceeds current refunding	-
Payment - current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	38,996
Transfers out	<u>(67,630)</u>
Total Other Financing Sources and Uses	<u>37,366</u>
Net Change in Fund Balances	19,948
Fund Balances - Beginning	<u>85,227</u>
Fund Balances - Ending	<u>\$ 105,175</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
\$ 58,725	\$ -	\$ 11,909	\$ 3,097	\$ 214,833
13,587	2,121	-	-	20,910
-	-	3,823	-	3,823
-	-	-	-	13,729
1,123	-	9,424	62,114	345,078
10,663	-	-	-	84,191
-	-	-	-	5,541
-	-	-	-	25,807
5,774	8,644	720	11,678	44,169
<u>89,872</u>	<u>10,765</u>	<u>25,876</u>	<u>76,889</u>	<u>758,081</u>
-	4	-	3,161	206,581
-	-	-	16,997	267,669
-	-	-	4,057	90,539
-	-	-	17,354	27,782
-	-	-	2,527	20,409
-	-	-	31,584	34,801
-	-	145,095	-	145,095
146,721	-	-	-	146,721
34,798	-	-	-	34,798
484	-	-	-	484
<u>182,003</u>	<u>4</u>	<u>145,095</u>	<u>75,680</u>	<u>974,879</u>
(92,131)	10,761	(119,219)	1,209	(216,798)
-	-	135,028	14,735	215,763
1,785	-	-	-	1,785
(1,819)	-	-	-	(1,819)
-	-	-	1,007	1,007
8,033	-	-	-	8,033
100,537	-	-	-	139,533
(8,328)	(10,849)	(485)	(18,672)	(105,964)
<u>100,208</u>	<u>(10,849)</u>	<u>134,543</u>	<u>(2,930)</u>	<u>258,338</u>
8,077	(88)	15,324	(1,721)	41,540
<u>44,207</u>	<u>73,692</u>	<u>(838)</u>	<u>26,783</u>	<u>229,071</u>
<u>\$ 52,284</u>	<u>\$ 73,604</u>	<u>\$ 14,486</u>	<u>\$ 25,062</u>	<u>\$ 270,611</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, 2006
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ 41,540

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 (\$86,414) exceeded depreciation expense (\$44,269) in the current period less loss on disposals (\$718) 41,427

Notes and loans receivable to repay long-term bonds and notes (4,788)

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	\$ 300	
Special assessments deferred revenue beginning of the year \$16,382 less deferred at end of the year \$15,515	(867)	(567)

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 except for accretion.

Debt issued:		
Bonds and notes issued	(215,763)	
Current refunding bonds issued	(1,785)	
Issuance premiums	(8,033)	
Repayments:		
Payment of current refunding bonds excludes interest (\$34)	1,785	
Principal retirement	146,721	
Bond issuance costs	484	
Capital lease current payment	174	
Amortization:		
Issuance costs	(537)	
Premiums	8,303	
Deferred amount on refunding	(1,318)	(69,969)

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	2,955	
Claims and judgments	674	
Accrued interest on bonds and notes	(1,318)	2,311

Changes in net assets of governmental activities (Exhibit 2) \$ 9,954

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

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 31,177	\$ 12,383	\$ 23,024	\$ -	\$ 66,584
Restricted cash and cash equivalents	632	-	-	-	632
Receivables (net):					
Taxes	-	-	-	56	56
Accounts	10,720	8,728	205	7,771	27,424
Unbilled accounts	9,621	1,989	-	2,008	13,618
Accrued interest	172	4	-	-	176
Due from other funds	4,921	868	-	860	6,649
Inventory of materials and supplies	2,209	-	-	-	2,209
Prepaid items	21	-	-	-	21
Deferred charges	-	535	-	-	535
Other assets	134	-	-	-	134
Total Current Assets	<u>59,607</u>	<u>24,507</u>	<u>23,229</u>	<u>10,695</u>	<u>118,038</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	8,116	-	-	8,116
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,562	8,179	18,309
Construction in progress	9,145	29,925	1,795	-	40,865
Capital assets being depreciated:					
Buildings	20,693	-	50,505	13,063	84,261
Infrastructure	306,507	331,592	-	-	638,099
Improvements other than buildings	-	-	5,498	19,685	25,183
Machinery and equipment	201,262	3,505	1,388	4,760	210,915
Furniture and furnishings	-	22	-	48	70
Nonutility property	5,317	-	-	-	5,317
Accumulated depreciation	<u>(173,778)</u>	<u>(98,430)</u>	<u>(27,811)</u>	<u>(23,791)</u>	<u>(323,810)</u>
Total Noncurrent Assets	<u>370,714</u>	<u>274,730</u>	<u>39,937</u>	<u>21,944</u>	<u>707,325</u>
Total Assets	<u>430,321</u>	<u>299,237</u>	<u>63,166</u>	<u>32,639</u>	<u>825,363</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 3,165	\$ 1,475	\$ 988	\$ 9,359	\$ 14,987
Accrued expenses	971	634	468	115	2,188
Accrued interest payable	376	-	170	116	662
Compensated absences	1,034	-	-	-	1,034
Due to other funds	8,021	-	-	6,299	14,320
Due to other governmental agencies	70	-	-	-	70
Deferred revenue	-	-	37	100	137
General obligation debt payable - current	3,362	10,000	2,079	480	15,921
Revenue bonds payable - current	868	-	-	-	868
Total Current Liabilities	<u>17,867</u>	<u>12,109</u>	<u>3,742</u>	<u>16,469</u>	<u>50,187</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	-	2,570	-	-	2,570
Accrued interest payable	-	480	-	-	480
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>3,050</u>	<u>-</u>	<u>-</u>	<u>3,050</u>
Noncurrent Liabilities:					
General obligation debt	20,340	23,990	10,749	3,682	58,761
Revenue bonds payable	11,207	55,719	-	-	66,926
Total Noncurrent Liabilities	<u>31,547</u>	<u>79,709</u>	<u>10,749</u>	<u>3,682</u>	<u>125,687</u>
Total Liabilities	<u>49,414</u>	<u>94,868</u>	<u>14,491</u>	<u>20,151</u>	<u>178,924</u>
Net Assets:					
Invested in capital assets, net of related debt	334,937	174,334	27,914	17,781	554,966
Restricted for Debt Service	632	8,116	-	-	8,748
Unrestricted	45,338	21,919	20,761	(5,293)	82,725
Total Net Assets	<u>\$ 380,907</u>	<u>\$ 204,369</u>	<u>\$ 48,675</u>	<u>\$ 12,488</u>	<u>\$ 646,439</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, 2006
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 56,517	\$ -	\$ -	\$ -	\$ 56,517
Statutory sewer user fee	-	-	-	29,832	29,832
Sewer maintenance fee	-	34,261	-	-	34,261
Rent	-	-	6,863	4,864	11,727
Fire protection service	5,953	-	-	-	5,953
Parking meters	-	-	4,159	-	4,159
Parking permits	-	-	2,761	-	2,761
Vehicle towing	-	-	5,825	-	5,825
Parking forfeitures	-	-	20,245	-	20,245
Other	6,990	-	-	663	7,653
Total Operating Revenues	69,460	34,261	39,853	35,359	178,933
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	27,407	27,407
Employee services	-	7,265	6,816	1,453	15,534
Administrative and general	6,052	-	-	20	6,072
Depreciation	12,520	4,435	2,311	897	20,163
Transmission and distribution	17,099	-	-	3,072	20,171
Services, supplies and materials	-	7,569	12,850	946	21,365
Water treatment	11,416	-	-	-	11,416
Water pumping	7,104	-	-	-	7,104
Billing and collection	2,233	-	-	1,315	3,548
Total Operating Expenses	56,424	19,269	21,977	35,110	132,780
Operating Income (Loss)	13,036	14,992	17,876	249	46,153
Nonoperating Revenues (Expenses):					
Investment income	1,689	369	-	-	2,058
Interest expense	(1,650)	(2,736)	(632)	(263)	(5,281)
Gain (loss) on disposal of fixed assets	-	-	601	(230)	371
Other	176	(4,600)	282	130	(4,012)
Total Nonoperating Revenues (Expenses)	215	(6,967)	251	(363)	(6,864)
Income (Loss) before Contributions and Transfers..	13,251	8,025	18,127	(114)	39,289
Capital contributions	3,229	3,777	-	774	7,780
Transfers in	-	-	-	691	691
Transfers out	(7,461)	(7,000)	(16,666)	(3,133)	(34,260)
Change in Net Assets	9,019	4,802	1,461	(1,782)	13,500
Total Net Assets - Beginning	371,888	199,567	47,214	14,270	632,939
Total Net Assets - Ending	\$ 380,907	\$ 204,369	\$ 48,675	\$ 12,488	\$ 646,439

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, 2006
 (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	\$ 69,575	\$ 33,395	\$ 39,640	\$ 34,765	\$ 177,375
Cash receipts from other funds	5,491	-	-	(29,843)	(24,352)
Other operating cash receipts	-	-	-	-	-
Payments to suppliers	(17,626)	(7,066)	(12,914)	-	(37,606)
Payments to employees	(22,155)	(7,251)	(6,752)	(1,455)	(37,613)
Payments from other funds	-	-	-	(309)	(309)
Payments to other funds	<u>(4,372)</u>	<u>(8,416)</u>	<u>-</u>	<u>-</u>	<u>(12,788)</u>
Net Cash Provided by Operating Activities.....	<u>30,913</u>	<u>10,662</u>	<u>19,974</u>	<u>3,158</u>	<u>64,707</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	176	-	-	-	176
Other nonoperating expenses	-	(4,600)	-	-	(4,600)
Transfers from other funds	-	-	-	(3,133)	(3,133)
Transfers to other funds	<u>(7,461)</u>	<u>(7,000)</u>	<u>(16,666)</u>	<u>214</u>	<u>(30,913)</u>
Net Cash Used for Noncapital Financing Activities	<u>(7,285)</u>	<u>(11,600)</u>	<u>(16,666)</u>	<u>(2,919)</u>	<u>(38,470)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	565	565
Proceeds from sale of bonds and notes	-	33,990	874	395	35,259
Acquisition of property, plant and equipment	(15,287)	(15,540)	(1,293)	(653)	(32,773)
Retirement of bonds, notes and revenue bonds	(5,538)	(2,480)	(2,080)	(477)	(10,575)
Interest paid	(1,688)	(2,667)	(669)	(211)	(5,235)
Other	<u>-</u>	<u>-</u>	<u>883</u>	<u>142</u>	<u>1,025</u>
Net Cash Used for Capital and Related Financing Activities	<u>(22,513)</u>	<u>13,303</u>	<u>(2,285)</u>	<u>(239)</u>	<u>(11,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	<u>1,653</u>	<u>372</u>	<u>-</u>	<u>-</u>	<u>2,025</u>
Net Increase in Cash and Cash Equivalents	2,768	12,737	1,023	-	16,528
Cash and Cash Equivalents - Beginning	<u>29,041</u>	<u>7,762</u>	<u>22,001</u>	<u>-</u>	<u>58,804</u>
Cash and Cash Equivalents - Ending	<u>\$ 31,809</u>	<u>\$ 20,499</u>	<u>\$ 23,024</u>	<u>\$ -</u>	<u>\$ 75,332</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (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	\$ 31,177	\$ 12,383	\$ 23,024	\$ -	\$ 66,584
Restricted Cash	<u>632</u>	<u>8,116</u>	<u>-</u>	<u>-</u>	<u>8,748</u>
	<u>\$ 31,809</u>	<u>\$ 20,499</u>	<u>\$ 23,024</u>	<u>\$ -</u>	<u>\$ 75,332</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 13,036	\$ 14,992	\$ 17,876	\$ 249	\$ 46,153
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	12,520	4,435	2,311	897	20,163
Changes in assets and liabilities:					
Receivables	(299)	(799)	(206)	(594)	(1,898)
Due from other funds	5,490	(67)	-	1,236	6,659
Inventories	317	-	-	-	317
Prepaid items	(10)	-	-	-	(10)
Other assets	222	-	-	-	222
Accounts payable	(404)	503	(64)	2,917	2,952
Accrued liabilities	41	14	64	(2)	117
Due to other funds	-	(8,416)	-	(1,545)	(9,961)
Deferred revenue	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>(9)</u>
Net Cash Provided by Operating Activities	<u>\$ 30,913</u>	<u>\$ 10,662</u>	<u>\$ 19,972</u>	<u>\$ 3,158</u>	<u>\$ 64,705</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 \$3.229 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$251,000 with a net value of \$0 and received donated assets in the amount of \$3.777 million.

During the year, the Port of Milwaukee (nonmajor enterprise fund) received donated assets of \$699,000.

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, 2006
(Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 260	\$ 2,959	\$ 275,914
Investments	<u>-</u>	<u>3,460</u>	<u>-</u>
Total Assets	<u>260</u>	<u>6,419</u>	<u>\$ 275,914</u>
LIABILITIES			
Liabilities:			
Accounts payable	36	81	2,681
Due to other governmental agencies	<u>-</u>	<u>-</u>	<u>273,233</u>
Total Liabilities	<u>36</u>	<u>81</u>	<u>\$ 275,914</u>
Net Assets			
Employees' pension benefits and other purposes	<u>\$ 224</u>	<u>\$ 6,338</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, 2006
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 1,139	\$ -
Private donations	<u>-</u>	<u>954</u>
Total Contributions	<u>1,139</u>	<u>954</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest	<u>-</u>	<u>128</u>
Total Additions	<u>1,139</u>	<u>1,082</u>
Deductions		
Benefits	1,082	-
Fees remitted from Trust	-	771
Other	<u>-</u>	<u>261</u>
Total Deductions	<u>1,082</u>	<u>1,032</u>
Change in Net Assets	57	50
Net Assets - Beginning	<u>167</u>	<u>6,288</u>
Net Assets - Ending	<u>\$ 224</u>	<u>\$ 6,338</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, 2006
 (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	\$ 29,916	\$ 21,369	\$ 4,120	\$ 1,446	\$ 56,851
Investments	4,855	300	131	300	5,586
Receivables (net):					
Accounts	1,567	400	87	91	2,145
Notes and loans	25,441	13,979	38,019	587	78,026
Accrued interest	1,900	28	117	96	2,141
Due from primary government	52	1,059	-	146	1,257
Due from other governmental agencies	1,597	2,388	13,964	128	18,077
Inventory of property for resale	1,800	11,924	1,237	1,999	16,960
Prepaid items	1,368	51	-	-	1,419
Deferred charges	435	932	-	-	1,367
Other assets	158	-	175	-	333
Total Noncapital Assets	69,089	52,430	57,850	4,793	184,162
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	49,292	9,107	-	-	58,399
Construction in progress	18,251	-	-	-	18,251
Capital assets being depreciated:					
Buildings	347,213	79,098	-	-	426,311
Improvements other than buildings	599	-	-	-	599
Machinery and equipment	4,067	-	106	-	4,173
Accumulated depreciation	(212,333)	(1,584)	(84)	-	(214,001)
Total Capital Assets, Net of Depreciation	207,089	86,621	22	-	293,732
Total Assets	276,178	139,051	57,872	4,793	477,894

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
 DECEMBER 31, 2006
 (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	\$ 3,764	\$ 4,090	\$ 358	\$ 564	\$ 8,776
Accrued expenses	1,159	3,064	-	-	4,223
Accrued interest payable	2,236	152	-	-	2,388
Due to other governmental agencies	2,856	2,174	964	-	5,994
Deferred revenue	12	1,828	-	108	1,948
Other liabilities	3,486	2,469	2,792	910	9,657
Total Current Liabilities	<u>13,513</u>	<u>13,777</u>	<u>4,114</u>	<u>1,582</u>	<u>32,986</u>
Due to primary government:					
Due within one year	2,773	136	13	150	3,072
Due in more than one year	-	11,481	2,560	-	14,041
Total Due to Primary Government	<u>2,773</u>	<u>11,617</u>	<u>2,573</u>	<u>150</u>	<u>17,113</u>
Long-term obligations:					
Due within one year	829	595	-	-	1,424
Due in more than one year	47,681	90,547	-	-	138,228
Total Noncurrent Liabilities	<u>48,510</u>	<u>91,142</u>	<u>-</u>	<u>-</u>	<u>139,652</u>
Total Liabilities	<u>64,796</u>	<u>116,536</u>	<u>6,687</u>	<u>1,732</u>	<u>189,751</u>
NET ASSETS:					
Invested in capital assets, net of related debt ...	168,410	4,872	-	-	173,282
Restricted	24,231	1,023	9,113	615	34,982
Unrestricted	18,741	16,620	42,072	2,446	79,879
Total Net Assets	<u>\$ 211,382</u>	<u>\$ 22,515</u>	<u>\$ 51,185</u>	<u>\$ 3,061</u>	<u>\$ 288,143</u>

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, 2006
 (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	\$ 81,394	\$ 17,980	\$ 47,277	\$ 9,343
Redevelopment Authority				
Prevention and elimination of blight	10,043	5,850	5,955	-
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	2,324	2,840	1,432	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>1,808</u>	<u>700</u>	<u>758</u>	<u>-</u>
Total Component Units	<u>\$ 95,569</u>	<u>\$ 27,370</u>	<u>\$ 55,422</u>	<u>\$ 9,343</u>

General revenues:

Miscellaneous

Special item - transfer of loan portfolio to other government

Total General Revenues

Change in Net Assets

Net Assets - Beginning

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
\$ (6,794)	\$ -	\$ -	\$ -	\$ (6,794)
-	1,762	-	-	1,762
-	-	1,948	-	1,948
-	-	-	(350)	(350)
<u>(6,794)</u>	<u>1,762</u>	<u>1,948</u>	<u>(350)</u>	<u>(3,434)</u>
3,684	1,484	315	53	5,536
-	-	-	(360)	(360)
<u>3,684</u>	<u>1,484</u>	<u>315</u>	<u>(307)</u>	<u>5,176</u>
(3,110)	3,246	2,263	(657)	1,742
<u>214,492</u>	<u>19,269</u>	<u>48,922</u>	<u>3,718</u>	<u>286,401</u>
<u>\$211,382</u>	<u>\$ 22,515</u>	<u>\$ 51,185</u>	<u>\$ 3,061</u>	<u>\$288,143</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for employee flexible spending plans.

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 2006 that will be collected in 2007 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
FOR THE YEAR ENDED DECEMBER 31, 2006

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. 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 Statement of Net Assets/Balance Sheet.

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. 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.
- 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2006 is \$2,122,000.

H. Unbilled Services

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

I. 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 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.

J. 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 amount of the allowance in the nonmajor governmental fund is \$13,884,000 as of December 31, 2006.

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.

K. 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.

L. 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.

M. 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

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.

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

N. 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.

O. 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.

P. 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.

Q. 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

R. 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.

S. 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.

T. 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."

U. 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.

V. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

W. New Accounting Pronouncements

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will establish uniform financial reporting standards for other post employment benefits. The City will implement Statement No. 45 beginning with the year ending December 31, 2007.

In December, 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This statement establishes and modifies accounting requirements for net assets restricted by legislation. The City will implemented Statement No. 46 beginning with the year ending December 31, 2006. There is no impact on the financial statements.

In September 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The City will implement Statement No. 48 beginning with the year ending December 31, 2007.

In November 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City will implement Statement No. 49 beginning with the year ending December 31, 2008.

X. Reclassifications

Certain 2005 amounts have been reclassified to conform with the 2006 presentation.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

2. Deposits and Investments

A. Primary Government

The description of the city's deposit and investment policy is discussed in Note 1 D and E.

As of December 31, 2006, the City's deposits and investments are as follows:

	Fair Value	Investment Maturities (in Years)				More Than 10	Credit Rating
		Less than 1	1-5	6-10	(Thousands of Dollars)		
Governmental and Business-type activities:							
<i>Investment type</i>							
Pooled Deposits and Investments	\$ 279,156	\$ 253,362	\$ 25,794	\$ -	\$ -		see below
Segregated Deposits and Investments							
Interest Checking	26,321	26,321	-	-	-		not rated
Wisconsin Local Government							
Investment Pool	82,808	82,808	-	-	-		not rated
U.S. Treasuries	11,153	3,076	7,670	407	-		AAA
Treasuries (Fiscal Agent)	2,960	2,960	-	-	-		AAA
Municipal Bonds and Notes	20,739	314	2,684	4,599	13,142		AA
U.S. Agency Securities							
Federal National Mortgage Association	5,156	5,156	-	-	-		AAA
	<u>\$ 428,293</u>	<u>\$ 373,997</u>	<u>\$ 36,148</u>	<u>\$ 5,006</u>	<u>\$ 13,142</u>		
Fiduciary activities:							
<i>Investment type</i>							
Investments in the Pool	\$ 278,688	\$ 278,688	\$ -	\$ -	\$ -		see below
Other Deposits	320	320	-	-	-		not rated
Segregated Deposits and Investments							
Wisconsin Local Government							
Investment Pool	125	125	-	-	-		not rated
U.S. Treasuries	3,460	488	1,470	1,502	-		AAA
	<u>\$ 282,593</u>	<u>\$ 279,621</u>	<u>\$ 1,470</u>	<u>\$ 1,502</u>	<u>\$ -</u>		

Pooled Deposits and Investments

The City maintains a cash and investment pool (Pool) that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Each fund's share of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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As of December 31, 2006, the City had the following investments and maturities in the Pool:

	Investment Maturities (in Years)					Credit Rating
	Fair Value	Less than 1	1-5	6-10	More Than 10	
<i>(Thousands of Dollars)</i>						
Pooled Deposits and Investments						
Bank Demand Deposits	\$ 53,870	\$ 53,870	\$ -	\$ -	\$ -	not rated
Other Deposits	913	913	-	-	-	not rated
Deposits and Investments						
Interest Checking	433,254	433,254	-	-	-	not rated
Wisconsin Local Government						
Investment Pool	14,979	14,979	-	-	-	not rated
Government Money Market	100	100	-	-	-	AAA
Certificates of Deposits	17,000	17,000	-	-	-	not rated
U.S. Agency Securities						
Federal Farm Credit Bank	993	993	-	-	-	AAA
Federal Home Loan Bank	26,832	9,942	16,890	-	-	AAA
Freddie Mac	5,942	999	4,943	-	-	AAA
Federal National Mortgage Association	3,961	-	3,961	-	-	AAA
	<u>\$ 557,844</u>	<u>\$ 532,050</u>	<u>\$ 25,794</u>	<u>\$ -</u>	<u>\$ -</u>	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$500,000. As of December 31, 2006, the City's bank balances of \$255,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs of the City and limiting the amount of pooled investments to \$60,000,000 with maturities greater than one year.

Credit risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligations. Wisconsin Statutes expressly limit the City to invest in certain allowable investments as listed in Note 1. E. The City's investment policy generally does not further limit its investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer or depository. Per Common Council the City Treasurer shall use as criteria for investment in certificates of time deposit (including interest checking) a sum not to exceed the total of equity capital or net worth of each financial institution designated as a depository under the Socially Responsible Investment Program. The following investments represent more than 5% of the City's (primary government) total investments as of December 31, 2006:

	Amount	Percentage
Federal Home Loan Bank Agency Securities	26,832	14.98%

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

B. Component Units

Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. An additional \$400,000 is covered by the State Deposit Guarantee Fund.

In addition, the Milwaukee Economic Development Corporation has insured investments of \$215,014 covered by The Securities Investor Protection Corporation.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Component Unit investments are exposed to losses as a result of increases in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

The component units have the following investments on December 31, 2006:

	Investment Maturities (in Years)					Credit Rating
	Fair value	Less than 1	1-2	10-15	15 and greater	
<i>(Thousands of Dollars)</i>						
Component Units:						
Local Government Investment Pool	\$ 26,668	\$ 26,668	-	-	-	not rated
US Treasury Money Market Fund	10,538	10,538	-	-	-	Aaa
US Treasury Bond	587	587	-	-	-	Aaa
US Treasury Note	12	12	-	-	-	Aaa
US Agencies						
Government National Mortgage Association	1,124	13		1,111		Aaa
Certificates of Deposit	300	300	-	-	-	N/A
	<u>\$ 39,229</u>	<u>\$ 38,118</u>	<u>\$ -</u>	<u>\$ 1,111</u>	<u>\$ -</u>	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Component Units deposits may not be returned.

As of December 31, 2006 Component Units bank balances exposed to Custodial Credit Risk is as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority	\$ 10,570,968	\$ 9,970,968
Redevelopment Authority	4,765,064	4,359,319
Milwaukee Economic Development Corporation	3,467,194	2,967,397
Neighborhood Improvement Development Corporation	1,890,536	1,190,536

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2006, the Housing Authority had investments of \$1,124,000 exposed to custodial credit risk as neither insured nor registered and held by the counterparty. The Redevelopment Authority had \$10,077,000 of investments exposed to custodial credit risk as uninsured and uncollateralized as of December 31, 2006.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

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.

At December 31, 2006, 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>		
2001 and prior	\$ 1,101	\$ 1,564	\$ 2,665
2002	352	539	891
2003	580	874	1,454
2004	1,550	2,368	3,918
2005	<u>5,989</u>	<u>9,621</u>	<u>15,610</u>
 Total delinquent property taxes receivable	 <u>\$ 9,572</u>	 <u>\$ 14,966</u>	 24,538
 Property taxes receivable on foreclosed property			 14,539
 Less: Allowance for uncollectible taxes			 <u>(16,139)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 22,938</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance 01-01-06	Additions	Deletions	Balance 12-31-06
		<i>(Thousands of Dollars)</i>		
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 163,482	\$ 986	\$ 43	\$ 164,425
Construction in progress	<u>64,594</u>	<u>51,513</u>	<u>40,879</u>	<u>75,228</u>
Total capital assets not being depreciated	<u>228,076</u>	<u>52,499</u>	<u>40,922</u>	<u>239,653</u>
<i>Capital assets being depreciated:</i>				
Buildings	160,313	31,639	727	191,225
Infrastructure.....	1,298,714	19,259	1,447	1,316,526
Improvements other than buildings	9,082	1,965	11	11,036
Machinery and equipment	<u>122,716</u>	<u>21,931</u>	<u>6,229</u>	<u>138,418</u>
Total capital assets being depreciated	<u>1,590,825</u>	<u>74,794</u>	<u>8,414</u>	<u>1,657,205</u>
Less accumulated depreciation for:				
Buildings	64,104	3,903	633	67,374
Infrastructure	796,783	30,790	1,447	826,126
Improvements other than buildings	6,895	251	11	7,135
Machinery and equipment	<u>77,375</u>	<u>9,325</u>	<u>5,648</u>	<u>81,052</u>
Total accumulated depreciation	<u>945,157</u>	<u>44,269</u>	<u>7,739</u>	<u>981,687</u>
Total capital assets being depreciated, net	<u>645,668</u>	<u>30,525</u>	<u>675</u>	<u>675,518</u>
Government activity capital assets, net	<u>\$ 873,744</u>	<u>\$ 83,024</u>	<u>\$ 41,597</u>	<u>\$ 915,171</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 271
Public safety				6,059
Public works				37,269
Health				135
Culture and recreation				<u>535</u>
Total				<u>\$ 44,269</u>

CITY OF MILWAUKEE
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Business-type activities	Balance 01-01-06	Additions	Deletions	Balance 12-31-06
		<i>(Thousands of Dollars)</i>		
Waterworks				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,568	\$ -	\$ -	\$ 1,568
Construction in progress	11,525	30,885	33,265	9,145
Total capital assets not being depreciated	<u>13,093</u>	<u>30,885</u>	<u>33,265</u>	<u>10,713</u>
<i>Capital assets being depreciated:</i>				
Buildings	22,852	173	2,332	20,693
Infrastructure	295,104	12,428	1,025	306,507
Machinery and equipment	197,870	7,538	4,146	201,262
Nonutility property	2,993	2,324	-	5,317
Total capital assets being depreciated	<u>518,819</u>	<u>22,463</u>	<u>7,503</u>	<u>533,779</u>
Less accumulated depreciation for:				
Buildings	14,199	721	1,374	13,546
Infrastructure	70,874	3,387	1,106	73,155
Machinery and equipment	79,870	8,412	4,036	84,246
Nonutility property	1,446	1,385	-	2,831
Total accumulated depreciation	<u>166,389</u>	<u>13,905</u>	<u>6,516</u>	<u>173,778</u>
Total capital assets being depreciated, net	<u>352,430</u>	<u>8,558</u>	<u>987</u>	<u>360,001</u>
Waterworks capital assets, net	<u>365,523</u>	<u>39,443</u>	<u>34,252</u>	<u>370,714</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	32,354	11,685	14,114	29,925
Total capital assets not being depreciated	<u>32,354</u>	<u>11,685</u>	<u>14,114</u>	<u>29,925</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	311,356	20,487	251	331,592
Machinery and equipment	3,247	258	-	3,505
Furniture and furnishings	22	-	-	22
Total capital assets being depreciated	<u>314,625</u>	<u>20,745</u>	<u>251</u>	<u>335,119</u>
Less accumulated depreciation for:				
Infrastructure	93,242	4,141	251	97,132
Machinery and equipment	987	290	-	1,277
Furniture and furnishings	17	4	-	21
Total accumulated depreciation	<u>94,246</u>	<u>4,435</u>	<u>251</u>	<u>98,430</u>
Total capital assets being depreciated, net	<u>220,379</u>	<u>16,310</u>	<u>-</u>	<u>236,689</u>
Sewer maintenance capital assets, net	<u>252,733</u>	<u>27,995</u>	<u>14,114</u>	<u>266,614</u>

CITY OF MILWAUKEE
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	Balance 01-01-06	Additions	Deletions	Balance 12-31-06
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,562	\$ -	\$ -	\$ 8,562
Construction in progress	<u>2,297</u>	<u>916</u>	<u>1,418</u>	<u>1,795</u>
Total capital assets not being depreciated	<u>10,859</u>	<u>916</u>	<u>1,418</u>	<u>10,357</u>
<i>Capital assets being depreciated:</i>				
Buildings	49,087	1,418	-	50,505
Improvements other than buildings	5,498	-	-	5,498
Machinery and equipment	<u>1,011</u>	<u>377</u>	<u>-</u>	<u>1,388</u>
Total capital assets being depreciated	<u>55,596</u>	<u>1,795</u>	<u>-</u>	<u>57,391</u>
Less accumulated depreciation for:				
Buildings	22,221	1,966	-	24,187
Improvements other than buildings	2,867	226	-	3,093
Machinery and equipment	<u>412</u>	<u>119</u>	<u>-</u>	<u>531</u>
Total accumulated depreciation	<u>25,500</u>	<u>2,311</u>	<u>-</u>	<u>27,811</u>
Total capital assets being depreciated, net	<u>30,096</u>	<u>(516)</u>	<u>-</u>	<u>29,580</u>
Parking capital assets, net	<u>40,955</u>	<u>400</u>	<u>1,418</u>	<u>39,937</u>
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	7,908	511	240	8,179
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>7,908</u>	<u>511</u>	<u>240</u>	<u>8,179</u>
<i>Capital assets being depreciated:</i>				
Buildings	12,416	647	-	13,063
Improvements other than buildings	19,569	116	-	19,685
Machinery and equipment	4,608	271	119	4,760
Furniture and Furnishings	<u>48</u>	<u>-</u>	<u>-</u>	<u>48</u>
Total capital assets being depreciated	<u>36,641</u>	<u>1,034</u>	<u>119</u>	<u>37,556</u>
Less accumulated depreciation for:				
Buildings	5,903	236	-	6,139
Improvements other than buildings	13,429	476	-	13,905
Machinery and equipment	3,452	382	128	3,706
Furniture and furnishings	<u>37</u>	<u>4</u>	<u>-</u>	<u>41</u>
Total accumulated depreciation	<u>22,821</u>	<u>1,098</u>	<u>128</u>	<u>23,791</u>
Total capital assets being depreciated, net	<u>13,820</u>	<u>(64)</u>	<u>(9)</u>	<u>13,765</u>
Other business-type activities, net	<u>21,728</u>	<u>447</u>	<u>231</u>	<u>21,944</u>
Business-type activity capital assets, net	<u>\$ 680,939</u>	<u>\$ 68,285</u>	<u>\$ 50,015</u>	<u>\$ 699,209</u>

CITY OF MILWAUKEE
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	Balance 01-01-06	Additions	Deletions	Balance 12-31-06
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 55,713	\$ 2,998	\$ 312	\$ 58,399
Construction in Progress	72,968	34,987	89,704	18,251
Total capital assets not being depreciated	<u>128,681</u>	<u>37,985</u>	<u>90,016</u>	<u>76,650</u>
<i>Capital assets being depreciated:</i>				
Buildings	337,227	92,089	3,005	426,311
Improvements other than buildings	259	340	-	599
Machinery and equipment	3,909	285	21	4,173
Total capital assets being depreciated	<u>341,395</u>	<u>92,714</u>	<u>3,026</u>	<u>431,083</u>
Less accumulated depreciation for:				
Buildings	194,469	16,072	302	210,239
Improvements other than buildings	83	23	-	106
Machinery and equipment	3,589	87	20	3,656
Total accumulated depreciation	<u>198,141</u>	<u>16,182</u>	<u>322</u>	<u>214,001</u>
Total capital assets being depreciated, net .	<u>143,254</u>	<u>76,532</u>	<u>2,704</u>	<u>217,082</u>
Component units capital assets, net	<u>\$ 271,935</u>	<u>\$ 114,517</u>	<u>\$ 92,720</u>	<u>\$ 293,732</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	\$ 143,598	\$ 82,968	\$ 12,795	\$ -	\$ 239,361
Delinquent property taxes	4,413	-	-	1,526	5,939
Unearned revenue	2,295	-	6,551	10,430	19,276
Long-term receivables	-	48,897	-	-	48,897
Unbilled special assessments	-	-	11,566	-	11,566
Total	<u>\$ 150,306</u>	<u>\$ 131,865</u>	<u>\$ 30,912</u>	<u>\$ 11,956</u>	<u>\$ 325,039</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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6. SHORT-TERM DEBT

During 2006, the City issued \$66,000,000 of General Obligation Cash Flow Promissory Notes, Series 2006 R3 (G.O. CFNs). The G.O. CFNs 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, 2006.

As of December 31, 2005, the City had outstanding \$182,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2006, the City repaid the outstanding balance and issued \$175,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 4.5% and will mature on August 30, 2007. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE
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 FOR THE YEAR ENDED DECEMBER 31, 2006

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2006 were as follows:

	Balance 01-01-06	Additions	Deductions	Balance 12-31-06	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 537,696	\$ 208,308	\$ 131,806	\$ 614,198	\$ 70,443
Milwaukee Public Schools	126,589	9,240	16,700	119,129	11,451
Accretion on capital appreciation bonds	-	2,966	-	2,966	-
Deferred amount on refundings	(9,049)	-	(1,318)	(7,731)	-
Unamortized premiums	30,328	8,033	8,303	30,058	-
Capital lease payable	174	-	174	-	-
Compensated absences	38,501	-	2,955	35,546	2,052
Claims and judgments	25,665	8,977	9,651	24,991	7,536
Total governmental activities	<u>\$ 749,904</u>	<u>\$ 237,524</u>	<u>\$ 168,271</u>	<u>\$ 819,157</u>	<u>\$ 91,482</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 27,950	\$ -	\$ 4,692	\$ 23,258	\$ 3,362
Deferred amount on refundings	(891)	-	(196)	(695)	-
Unamortized premiums	1,339	-	200	1,139	-
Revenue bonds	12,921	-	846	12,075	868
Compensated absences	1,031	13	10	1,034	1,034
Total Water Works	<u>42,350</u>	<u>13</u>	<u>5,552</u>	<u>36,811</u>	<u>5,264</u>
Sewer Maintenance					
General obligation bonds and notes	-	33,990	-	33,990	10,000
Revenue bonds	58,555	-	2,480	56,075	2,570
Unamortized premiums	2,457	2	245	2,214	-
Total sewer maintenance	<u>61,012</u>	<u>33,992</u>	<u>2,725</u>	<u>92,279</u>	<u>12,570</u>
Parking					
General obligation bonds and notes	13,953	874	2,080	12,747	2,079
Deferred amount on refundings	(271)	-	(39)	(232)	-
Unamortized premiums	372	-	59	313	-
Total parking	<u>14,054</u>	<u>874</u>	<u>2,100</u>	<u>12,828</u>	<u>2,079</u>
Other Enterprise Funds					
General obligation bonds and notes	4,222	395	477	4,140	480
Deferred amount on refundings	(65)	-	(10)	(55)	-
Unamortized premiums	90	-	13	77	-
Total Other Enterprise	<u>4,247</u>	<u>395</u>	<u>480</u>	<u>4,162</u>	<u>480</u>
Total business-type activities	<u>\$ 121,663</u>	<u>\$ 35,274</u>	<u>\$ 10,857</u>	<u>\$ 146,080</u>	<u>\$ 20,393</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 01-01-06	New Issues	Repayments	Balance 12-31-06	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Component Units					
Revenue bonds	\$ 109,055	\$ 5,422	\$ 2,776	\$ 111,701	\$ 1,040
Deferred amount on refundings	-	-	-	-	-
Unamortized premiums	-	-	-	-	-
Unamortized discounts	(124)	-	(6)	(118)	-
Notes payable	12,705	15,134	70	27,769	84
Advance from other organizations	300	-	-	300	300
Total component units	<u>\$ 121,936</u>	<u>\$ 20,556</u>	<u>\$ 2,840</u>	<u>\$ 139,652</u>	<u>\$ 1,424</u>

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, 2006, general obligation bonds totaling \$43,510,000 were issued 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 2006, \$130,184,000 has been borrowed and outstanding for forty-five tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$183,861,000. Tax increments received through 2006 total \$145,846,000. 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 \$119,129,000 of Milwaukee Public School long-term debt outstanding at December 31, 2006 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, 2006, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$887,636,000. These assets are excluded from the financial statements of the City.

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, 2006, the City did not issue revenue bonds.

CITY OF MILWAUKEE
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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, 2006, installment loans totaling \$106,253,000 were issued to provide the school district cashflow, finance building projects and purchase 2005's delinquent taxes.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

E. 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					
2007	\$ 81,894	\$ 33,143	\$ -	\$ -	\$ 115,037
2008	74,671	30,098	-	-	104,769
2009	67,835	26,577	-	-	94,412
2010	63,401	23,286	-	-	86,687
2011	58,164	20,160	-	-	78,324
2012-2016	230,950	65,668	-	-	296,618
2017-2021	124,277	30,157	-	-	154,434
2022-2026	32,135	8,646	-	-	40,781
Total	<u>\$ 733,327</u>	<u>\$ 237,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,062</u>
Business-type activities					
Water Works					
2007	\$ 3,362	\$ 1,118	\$ 868	\$ 307	\$ 5,655
2008	2,845	959	891	284	4,979
2009	1,989	850	915	260	4,014
2010	2,492	753	939	236	4,420
2011	2,966	634	964	211	4,775
2012-2016	9,538	1,298	5,214	653	16,703
2017-2020	66	6	2,284	60	2,416
Total	<u>\$ 23,258</u>	<u>\$ 5,618</u>	<u>\$ 12,075</u>	<u>\$ 2,011</u>	<u>\$ 42,962</u>
Sewer Maintenance					
2007	\$ 10,000	\$ 319	\$ 2,570	\$ 2,575	\$ 15,464
2008	22,170	931	2,650	2,487	28,238
2009	117	83	2,740	2,386	5,326
2010	119	78	2,840	2,274	5,311
2011	120	73	2,940	2,151	5,284
2012-2016	708	276	16,625	8,483	26,092
2017-2021	630	110	20,860	3,826	25,426
2022-2025	126	3	4,850	222	5,201
Total	<u>\$ 33,990</u>	<u>\$ 1,873</u>	<u>\$ 56,075</u>	<u>\$ 24,404</u>	<u>\$ 116,342</u>
Parking					
2007	\$ 2,079	\$ 593	\$ -	\$ -	\$ 2,672
2008	2,147	503	-	-	2,650
2009	1,569	407	-	-	1,976
2010	1,166	338	-	-	1,504
2011	1,098	282	-	-	1,380
2012-2016	3,777	716	-	-	4,493
2017-2021	872	90	-	-	962
2022	39	1	-	-	40
Total	<u>\$ 12,747</u>	<u>\$ 2,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,677</u>

CITY OF MILWAUKEE
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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					
2007	\$ 480	\$ 200	\$ -	\$ -	\$ 680
2008	483	179	-	-	662
2009	503	154	-	-	657
2010	424	131	-	-	555
2011	425	109	-	-	534
2012-2016	1,515	260	-	-	1,775
2017-2021	305	31	-	-	336
2022-2022	5	-	-	-	5
Total	<u>\$ 4,140</u>	<u>\$ 1,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,204</u>
Total Component Units					
2007	\$ 84	\$ 1,097	\$ 1,040	\$ 3,858	\$ 6,079
2008	7,019	1,028	8,941	3,562	20,550
2009	98	812	495	3,209	4,614
2010	105	805	515	3,184	4,609
2011	112	798	535	3,159	4,604
2012-2016	1,909	3,858	2,470	15,344	23,581
2017-2021	1,759	3,455	389	14,419	20,022
2022-2026	46	3,085	29,106	12,398	44,635
2027-2031	60	3,072	-	9,726	12,858
2032-2036	2,077	2,916	-	9,726	14,719
2037-2041	4,887	2,510	68,210	7,132	82,739
2042-2046	9,405	1,072	-	-	10,477
2047-2051	81	54	-	-	135
2052-2056	127	40	-	-	167
Total	<u>\$ 27,769</u>	<u>\$ 24,602</u>	<u>\$ 111,701</u>	<u>\$ 85,717</u>	<u>\$ 249,789</u>

F. 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, 2006 the City's legal debt margin was \$1,082,792,000. Of this amount, \$525,134,000 was for school purposes and \$557,658,000 was for City purposes.

G. Refundings

During December, 2006, the City issued general obligation current refunding bonds and notes to refund a portion of the 1996 refunding bonds in the amount of \$1,785,000. The new bonds and notes were issued with an interest rate between 4.25-5%. This refunding will reduce the future debt service payments by \$67,000.

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, 2006, \$138,100,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

H. 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 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 OF MILWAUKEE
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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, 2006 is approximately \$74,680,000 for the City and \$517,000,000 for RACM.

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%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. 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, 2006, 2005, and 2004, were \$22,751,000, \$23,619,000, and \$21,693,000, 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. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. 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 4,320 employees are eligible to receive these benefits. For 2006, the City paid approximately \$27,054,000 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.

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

CITY OF MILWAUKEE
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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 2005, the group's 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 \$1,200,000 out of a total \$4,419,000 for group life insurance for 2006 is attributable to approximately 4,955 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 2006, approximately \$10,215,000 was paid for sick leave from all funds. At December 31, 2006 accumulated sick leave earned but not taken totaled approximately \$150,281,000 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 2006 terminal leave payments totaled \$1,601,000 to employees retiring during the year. As of December 31, 2006, the City has accrued approximately \$17,806,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$35,546,000 with the remainder accrued vacation leave of \$17,740,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$82,090,000 at December 31, 2006, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$14,700,000 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 \$14,700,000 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2006, 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	\$ -	\$ 438	\$ -	\$ -	\$ 438
	General Obligation Debt	2,647	4,483	-	-	7,130
	Capital Projects	2,227	-	-	-	2,227
	Nonmajor Governmental Funds	8,963	-	-	-	8,963
	Water Works	6,293	-	868	860	8,021
	Nonmajor Proprietary Funds ..	6,299	-	-	-	6,299
	Totals	<u>\$ 26,429</u>	<u>\$ 4,921</u>	<u>\$ 868</u>	<u>\$ 860</u>	<u>\$ 33,078</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.

Interfund transfers for the year ended December 31, 2006 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	\$ 7,640	Funding for debt payments
	Nonmajor Governmental Funds	4,595	Subsidize uncollected property taxes
	Water Works	7,461	Payment in Lieu of taxes
	Parking	967	Payment in Lieu of taxes
	Parking	15,200	Subsidy for operations
	Nonmajor Proprietary Funds	3,133	Excess earnings of Port
	Subtotal General Fund		<u>38,996</u>
Debt Service	General	66,000	Funding for cash flow debt
	General	1,627	Funding for debt payments
	Public Debt Amortization	10,849	Funding for debt payments
	Capital Projects	485	Tax Incremental District closeouts
	Nonmajor Governmental Funds	14,077	Funding for debt payments
	Sewer Maintenance	7,000	Subsidy for operations
	Parking	499	Subsidy for operations
Subtotal Debt Service		<u>100,537</u>	
Nonmajor Proprietary	General Fund	3	Subsidy for operations
	General Obligation Debt	688	Funding for debt payments
	Subtotal Nonmajor Proprietary		<u>691</u>
Total Interfund Transfers		<u>\$ 140,224</u>	

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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 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, 2006, consist of the following:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 2,773
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	11,481
Due from RACM for reimbursable expenditures	136
Due from MEDC for tax incremental district loans	2,560
Due from MEDC for reimbursable expenditures	13
Due from NIDC for home and Community Development Block grants	127
Due from NIDC for reimbursements for expenditures	<u>23</u>
 Total	 <u>\$ 17,113</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to HACM for project expenditures	\$ 52
Due to RACM for project expenditures	1,059
Due to NIDC for reimbursements for programmatic expenditures passed through the City	<u>146</u>
 Total	 <u>\$ 1,257</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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12. OPERATING LEASES

The City is the lessor for 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>	
2007	\$ 3,354
2008	3,167
2009	2,805
2010	3,184
2011	2,940
2012-2016	14,308
2017-2021	10,634
2022-2026	3,167
2027 and beyond	<u>8,498</u>
Total	<u>\$ 52,057</u>

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	\$ 16,690,000
Workers' compensation claims	4,640,000
Unemployment claims	1,201,000
Health insurance claims	2,460,000

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

	2005	2006
Beginning of year liability	\$ 28,936,000	\$ 25,665,000
Current year claims and changes in estimates	10,934,000	8,977,000
Claim payments	<u>(14,205,000)</u>	<u>(9,651,000)</u>
End of year liability	<u>\$ 25,665,000</u>	<u>\$ 24,991,000</u>

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 and the seventeen plaintiffs filed a suit 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 \$2,198,500 in compensatory and punitive damages. In addition, the court awarded economic damages, attorney fees and costs for a total award of \$4,167,684. On February 13, 2006, the City filed a notice to appeal to the Seventh Circuit Court of Appeals. The appeals court vacated the damages award, but upheld the liability finding. A settlement agreement has been reached for \$2,650,000 pending Common Council approval.

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employees' Retirement System (ERS) was prohibited by City ordinance from spending more than \$3 million to purchase and install a computer information system. It estimates that the total cost of ERS information system is approximately \$25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS.

On October 24, 2004, Frank Jude, Kirsten Antonissen, Katie Brown, and Lovell Harris attended a party in the city hosted by a Milwaukee police officer and to which a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities have charged several of the party-goers with civil rights violations, and those cases will proceed to trial in July 2007. The police chief fired many of the officers involved in the incident and the appeal of several of these terminations remains pending. The four above cases have been consolidated and all proceedings have been stayed pending the outcome of the federal criminal trial.

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 \$980,000 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.

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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.

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$44,185,000 and \$6,712,000, respectively, for various capital improvement projects at December 31, 2006.

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, 2006.

14. SUBSEQUENT EVENTS

On March 6, 2007, 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 March 27, 2008 with interest.

On June 27, 2007, the City issued \$7,090,000 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 2018 until 2024. Interest is payable on February 15 and August 15 commencing February 15, 2008.

On June 27, 2007, the City issued \$42,740,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on February 15 of each year beginning 2008 until 2017. Interest is payable on February 15 and August 15 commencing February 15, 2008.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (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	\$ 145,697	\$ 145,697	\$ 141,102	\$ (4,595)
Other taxes	4,736	4,736	5,202	466
Licenses and permits	11,018	11,018	13,729	2,711
Intergovernmental	272,233	272,247	272,417	170
Charges for services	69,690	69,690	73,528	3,838
Fines and forfeits	5,206	5,206	5,541	335
Other	<u>10,141</u>	<u>10,431</u>	<u>17,353</u>	<u>6,922</u>
Total Revenues	<u>518,721</u>	<u>519,025</u>	<u>528,872</u>	<u>9,847</u>
Expenditures:				
Current:				
General government	206,288	196,304	178,004	18,300
Public safety	238,398	251,097	250,672	425
Public works	85,598	86,515	86,482	33
Health	10,285	10,432	10,428	4
Culture and recreation	18,376	18,192	17,882	310
Conservation and development	<u>3,373</u>	<u>3,309</u>	<u>3,217</u>	<u>92</u>
Total Expenditures	<u>562,318</u>	<u>565,849</u>	<u>546,685</u>	<u>19,164</u>
Deficiency of Revenues over Expenditures	<u>(43,597)</u>	<u>(46,824)</u>	<u>(17,813)</u>	<u>29,011</u>
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	-	66,000	66,000
Transfers in	25,625	33,265	38,996	5,731
Transfers out	-	(3)	(67,630)	(67,627)
Contributions received	24,845	24,845	25,807	962
Contributions used	(23,849)	(28,377)	(25,412)	2,965
Use of fund balance - reserved for tax stabilization	<u>16,328</u>	<u>16,328</u>	<u>16,328</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>42,949</u>	<u>46,058</u>	<u>54,089</u>	<u>8,031</u>
Net Change in Fund Balance	(648)	(766)	36,276	37,042
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	<u>68,899</u>	<u>68,899</u>	<u>68,899</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 68,251</u>	<u>\$ 68,133</u>	<u>\$ 105,175</u>	<u>\$ 37,042</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 \$16.328 million at January 1, 2006. 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.

Combined and Individual Fund Statements and Schedules
Miscellaneous Financial Data
Statistical Section

Pages 94-151 Omitted

APPENDIX B

Draft Forms of Legal Opinions

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April 3, 2008

The City Comptroller and the Commissioners of
the Public Debt of the City of Milwaukee,
Wisconsin

We have examined a record of proceedings relating to the issuance of \$90,000,000 aggregate principal amount of General Obligation Cash Flow Promissory Notes, Series 2008 R5 (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on January 15, 2008.

The Notes constitute an issue of "promissory notes" under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, and are dated as of April 3, 2008. The Notes mature (without option of prior redemption) on December 15, 2008 and bear interest from their date at the rate of _____ percent (_____%) per annum, payable at maturity.

In our opinion, the Notes are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Notes and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes, however, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Notes. These requirements relate to the use and investment of the proceeds of the Notes, the payment of certain amounts to the United States, the security and source of payment of the Notes and the use of the property financed with the proceeds of the Notes. The City has covenanted to comply with these requirements.

Interest on the Notes is not exempt from Wisconsin income taxes.

Respectfully submitted,

LG/be

April 3, 2008

The City Comptroller and the
Commissioners of the Public Debt of the
City of Milwaukee, Wisconsin

We have examined a record of proceedings relating to the issuance of \$37,125,000 aggregate principal amount of General Obligation Promissory Notes, Series 2008 N6 (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on January 15, 2008.

The Notes constitute an issue of "promissory notes" under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, and are dated as of April 3, 2008. The Notes mature (without option of prior redemption) on March 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on March 15, 2009 and semiannually thereafter on March 15 and September 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009	\$13,325,000	%
2010	7,750,000	
2011	2,235,000	
2012	2,680,000	
2013	2,450,000	
2014	2,345,000	
2015	1,585,000	
2016	1,585,000	
2017	1,585,000	
2018	1,585,000	

In our opinion, the Notes are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Notes and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes, however, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the

opinion that the Notes are not “private activity bonds” within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Notes. These requirements relate to the use and investment of the proceeds of the Notes, the payment of certain amounts to the United States, the security and source of payment of the Notes and the use of the property financed with the proceeds of the Notes. The City has covenanted to comply with these requirements.

Interest on the Notes is not exempt from Wisconsin income taxes.

Respectfully submitted,

LG/be

April 3, 2008

The City Comptroller and the
Commissioners of the Public Debt of the
City of Milwaukee, Wisconsin

We have examined a record of proceedings relating to the issuance of \$6,925,000 aggregate principal amount of General Obligation Corporate Purpose Bonds, Series 2008 B7 (the "Bonds") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on December 15, 2005, January 18, 2006, October 24, 2006, December 12, 2006 and January 15, 2008.

The Bonds constitute an issue of "corporate purpose bonds" under Section 67.05 of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, and are dated as of April 3, 2008. The Bonds mature on March 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on March 15, 2009 and semiannually thereafter on March 15 and September 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$1,385,000	%
2020	1,385,000	
2021	1,385,000	
2022	1,385,000	
2023	1,385,000	

The Bonds are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on March 15, 2018 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

In our opinion, the Bonds are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds, however, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Bonds, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted to comply with these requirements.

Interest on the Bonds is not exempt from Wisconsin income taxes.

Respectfully submitted,

LG/be

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APPENDIX C

Master Continuing Disclosure Certificate

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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

By: _____
Comptroller

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

Pursuant to the Securities and Exchange Commission interpretive letter to the Texas Municipal Advisory Council (the "MAC") dated September 7, 2004, the Issuer elects to transmit filings to the MAC as provided at <http://www.disclosureusa.org> for submission to the NRMSIRs and any applicable SID.

Disclosure USA
www.disclosureusa.org

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2005.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

**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

By: _____
Comptroller

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:

\$90,000,000 General Obligation Cash Flow Promissory Notes, Series 2008 R5
\$37,125,000 General Obligation Promissory Notes, Series 2008 N6
\$6,925,000 General Obligation Corporate Purpose Bonds, Series 2008 B7

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER

Date of Issues:

April 3, 2008

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this 3rd day of April, 2008.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

WMM:RSL

APPENDIX D

Official Notices of Sale and Bid Forms

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**OFFICIAL NOTICE OF SALE AND
OFFICIAL BID FORM**

FOR

\$90,000,000

**CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION
CASH FLOW PROMISSORY NOTES, SERIES 2008 R5**

Sale Data:

SALE DATE AND TIME:

Thursday, March 13, 2008
10:00 a.m. Central Time

PLACE OF ACCEPTANCE FOR SEALED BIDS:

City of Milwaukee
Office of the City Comptroller
City Hall, Room 404
200 E. Wells St.
Milwaukee, Wisconsin 53202

Bids will also be accepted electronically
via PARITY

OFFICIAL NOTICE OF SALE

\$90,000,000

CITY OF MILWAUKEE, WISCONSIN GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2008 R5

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed bids and electronic bids until 10:00 A.M., Central Time, on Thursday, the

13TH DAY OF MARCH 2008

at the Office of the City Comptroller, in said City, for the purchase of Ninety Million Dollars (\$90,000,000) General Obligation Cash Flow Promissory Notes, Series 2008 R5 (the "Notes"). Sealed bids should be delivered to Room 404, 200 E. Wells St., Milwaukee, Wisconsin. Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 405, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event PARITY is not accessible during the 30 minutes prior to the time bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the City's Public Debt Commission scheduled for 4:15 P.M. Central Time on March 13, 2008. *Information regarding the Notes is furnished solely to provide limited summary information, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in the Official Statement, including Appendices.*

Details of the Notes

The expected Date of Delivery is April 3, 2008 (the "Expected Date of Delivery"). The Notes will be dated as of the Expected Date of Delivery, will bear interest payable at maturity, and will mature on December 15, 2008. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to redemption prior to maturity.

Bid Parameters

Partial Bids: Bidders may bid for all of the Notes or part of the Notes. No bid for less than \$10,000,000 principal amount of the Notes at a particular interest rate will be entertained, and all bids must be in multiples of \$1,000,000. **Coupons:** Bidders are required to name the interest rate or rates the Notes are to bear. Such rates shall be no greater than 6%, and be in multiples of one-eighth of one percent or one-twentieth of one percent. **Minimum Price:** No bid at less than par value plus accrued interest, if any, will be considered.

Good Faith Deposit

Bids must be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified check or a cashier's check drawn on a state or national bank or trust company, or a Financial Surety Bond, in the amount of one-half of one percent (0.50%) of the par value of the maximum amount of Notes bid for, payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder(s) as liquidated damages should such bidder(s) fail to provide an Issue Price certificate and/or take up and pay for the Notes when ready. The deposit of the successful bidder(s) will be retained by the City and deducted from the purchase price at the time of closing. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Wisconsin and pre-qualified by the Commissioners of the Public Debt. Any such bond must be submitted to the City or its Financial Advisor prior to the opening of the bids. In order to be considered eligible under a Financial Surety Bond, a bidder bears the responsibility for it being listed on a list of bid participants received by the Office of the Comptroller prior to the deadline for receipt of bids. Any transmission of the list of bid participants by facsimile transmission is at the bidder's own risk. The City accepts no responsibility for facsimile equipment being used and cannot and does not guarantee that facsimile equipment will always be working or available for the receipt of a list of bid participants.

If all, or any part, of the Notes are awarded to a bidder(s) utilizing a Financial Surety Bond, that purchaser(s) is required to submit its Deposit to the City in the form of a cashier's check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) not later than 12:00 Noon, Central Time on the next business day after the official award. The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid(s) to be accepted. In the event of an award of less than all of the Notes included in a bid, the City shall, promptly, issue to such successful bidder(s) a check representing the amount of good faith deposit in excess of one-half of one percent of the amount of the Notes awarded. All bids shall remain firm until 10:00 P.M. Central Time. A meeting of the Public Debt Commission of the City is scheduled for 4:15 P.M. Central Time on the sale date at which time the official award of the Notes will be made or all bids rejected.

Award

The Notes will be awarded to the qualified bidder or combination of bidders offering the lowest true interest cost to the City. The City's computation of true interest cost of each bid will be controlling. True interest cost can be estimated as follows: the present value rate necessary to discount, to the Purchase Price (hereinafter defined), the future debt service payments from the payment dates to the Expected Date of Delivery, calculated on the basis of a 360-day year of twelve 30-day months, and with semi-annual compounding. The "Purchase Price" is principal, plus premium, plus accrued interest to the Expected Date of Delivery. The City reserves the right to reject any or all bids or to waive any irregularity in any bid.

In awarding the Notes, the City may accept a bid in a principal amount less than the principal amount a bid, and in a principal amount less than the \$10,000,000 minimum bid requirement. If only part of the Notes bid for are awarded to a bidder, the premium offered, if any, shall be prorated. If any two or more bids shall be equal, and not all of the equal bids can be accepted, then the City shall determine by lot, which bid(s) to accept.

The winning bid or bids will be reported to PARITY, but the City assumes no responsibility or liability for results posted on such website.

Submission of Bids

Sealed proposals for the purchase of said Notes must be made using the Official Bid Form, or if submitted electronically via the PARITY, in accordance with the requirements prescribed by this Notice of Sale. For bidders submitting their electronic bid via PARITY, please refer to your contract/agreement with PARITY regarding any requirements for participation. If more than one bid, either through the same method or through more than one method, including using more than one electronic method, shall be submitted by the same bidder for any part of the Notes, each such bid shall be considered a separate proposal for purchase of such part.

Any prospective bidder intending to submit an electronic bid must submit its electronic bid via PARITY through their competitive bidding application BidComp. By submitting an electronic bid, a Bidder agrees:

1. The City may regard the electronic transmission of the bid via the electronic service (including information about the purchase price for the Issue and interest rate or rates to be borne by the Issue and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on behalf of the Bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Bid Form, this Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the Bidder shall be bound by the terms of such contract.
2. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Notice of Sale, the terms set forth in the Bid Form and this Notice of Sale shall control.
3. That the Bidder is solely responsible for making necessary arrangements to access electronic bidding services. The City shall not have any duty or obligation to provide or assume such access. None of the electronic bidding services is an agent of the City. The City shall have no liability whatsoever based on the Bidders use of the electronic service, including, but not limited to any failure by the electronic service to correctly or timely transmit information provided by the Bidder.

The City assumes no responsibility or liability for bids submitted through PARITY. The City also assumes no responsibility for the accuracy of information on the City's Notes presented by, nor of calculations performed by, nor of

restrictions on the entry of bids enforced by, PARITY. If any provisions in this Official Notice of Sale conflict with information provided by PARITY, this Official Notice of Sale shall control. The City's computation of true interest cost of each bid will be controlling.

An electronic bid shall be deemed an irrevocable offer to purchase the Notes on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facility being the sole risk of the prospective bidder.

For purposes of both the sealed bid process and the electronic bid process, the time as maintained by the City shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

Bids may be submitted electronically via PARITY pursuant to this notice, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this notice, the terms of this notice shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 404-8102. The fee for use of PARITY may be obtained from PARITY, and such fee shall be the responsibility of the bidder.

Payment and Delivery of the Notes

Payment for the Notes shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Notes will be delivered on or about April 3, 2008, or as soon thereafter as the Notes may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

The Notes, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. A certificate for each interest rate will be issued to DTC and immobilized in its custody. Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of \$5,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their ownership of the Notes purchased. The successful bidder(s) shall be required to deposit the Notes with DTC as a condition to delivery of the Notes. The City will make payment of the principal and interest on the Notes to DTC or its nominee as registered owner of the Notes. Transfer of said payments to participants of DTC will be the responsibility of DTC; transfer of said payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by rules and procedures of DTC and the participants. No assurance can be given by the City that DTC, its participants and other nominees of beneficial owners will make prompt transfer of said payments. The City assumes no liability for failures of DTC, its participants or other nominees to promptly transfer said payments to beneficial owners of the Notes. Notices, if any, given by the City to DTC are redistributed in the same manner as are payments. The City assumes no liability for the failure of DTC, its participants or other nominees to promptly transfer said notices to the beneficial owners of the Notes. The City is not responsible for supervising the activities or reviewing the records of DTC, its participants or other persons acting through such participants. In the event that the securities depository relationship with DTC for the Notes is terminated and the City does not appoint a successor depository, the City will prepare, authenticate and deliver, at its expense, Notes in fully registered certificated notes in the denomination of \$5,000 or any integral multiple thereof in the aggregate principal amount of Notes of the same interest rate then outstanding as directed by the registered owners of the Notes.

Issue Price Certificate

In order for the City to comply with certain conditions of the Internal Revenue Code relating to the exclusion of interest on the Notes from gross income for Federal tax purposes, the successful bidder will be required to complete, execute, and deliver to the City a certification regarding "Issue Price". Each bidder, by submitting its bids, agrees to complete, execute and deliver such certificate if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts, necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

Minority Participation

The Commission has been disappointed with the degree of minority underwriter participation in the bidding for City Notes and Bonds. The Commission, under its stated policy, strongly desires that a minimum of 5% of the Notes are underwritten by firms which are certified by the State of Wisconsin as being minority-owned. The Commission urges prospective bidders to utilize the list of firms so certified by the State of Wisconsin that is available from the City Comptroller upon request, and to include such firms in their bidding group. The Commission further strongly desires certified minority-owned firms to submit bids directly and to assemble bidding groups for the submission of bids. Minority participation in bids is strongly encouraged by the Commission, but is not a requirement for submitting a bid. Minority-owned firms that are not yet certified by the State of Wisconsin and wish to be, may contact the State of Wisconsin Department of Development.

Notice Regarding Negotiated Sales: Bidders who are interested in participating in future negotiated sales of the City are encouraged to read the "Special Notice Regarding Negotiated Underwritings" that is included in the enclosure entitled "Minority Owned Underwriting Firms".

Authorization, Security, and Conditions of Delivery

The Notes have been approved by a resolution adopted by the Common Council of the City. The Notes will be direct general obligations of the City, payable from taxes levied on all taxable property within said City, subject to taxation by said City, without limitation as to rate or amount. The Notes are being issued pursuant to the provisions of Section 67.12(12), Wisconsin Statutes, for the purpose of financing the operating budget of the City on an interim basis pending receipt of State shared revenue payments due in November, 2008. As additional security for repayment of the Notes and interest thereon, the City has pledged, and will irrevocably segregate upon receipt, State shared revenue payments due in November, 2008 in an amount sufficient with interest thereon to pay the principal and interest due on the Notes at maturity and the City has irrevocably pledged all other General Fund Revenues included in the budget for calendar year 2008 which are due the City and not yet paid as of the date of delivery of, and payment for, the Notes and which are not otherwise applied.

The Notes are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, which opinion, together with the completed Notes, will be furnished to the successful bidder(s) at the expense of the City. The form of such opinion appears as Appendix B in the Official Statement.

The successful bidder(s) will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of said Notes. The Preliminary Official Statement is in a form which the City "deems final" as of March 6, 2008 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder(s) will also be furnished with up to one hundred copies of the Final Official Statement (pro rata) issued in conjunction with this offering within seven business days after the award of the Notes in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Notes, but neither the failure to include such numbers on any Notes nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Note or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Notes, to provide in a timely manner and notice of certain events with respect to the Notes. Notice of the occurrence of certain events with respect to the Notes will be provided to each nationally recognized municipal securities information repository, to the Municipal Securities Rulemaking Board and to the Wisconsin State Information Repository, if created.

The successful bidder(s) may, at its option, refuse to accept the Notes if prior to their delivery, any income tax law of the United States of America shall provide that the interest on such Notes is includable or shall be includable at a future

date in gross income for federal income tax purposes, and in such case the deposit made by them will be returned and they will be relieved of their contractual obligations arising from the acceptance of their proposal.

The City understands that, from time to time, it is advantageous to take bond insurance into account when submitting a bid. Bond insurance is at the sole discretion and risk of the bidder(s). The use of bond insurance will require insurance related certifications by the bidder in the Issue Price certificate. The City will assist in the reoffering of the Notes with insurance by including bidder provided bond insurance information in the Final Official Statement. However, the City does not have the authority to enter into agreements with the bond insurer. **The successful bidder(s) do not have the option to refuse delivery of the Notes due to bond insurance related issues, including downgrade of the bond insurer prior to delivery.** Reprinting of the Final Official Statement due to bond insurance related issues that arise after the date of sale shall be at the sole expense of the bidder.

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

W. MARTIN MORICS
City Comptroller and Secretary
Public Debt Commission
City Hall, Room 404
200 E. Wells St.
Milwaukee, WI 53202

By order of the Commissioners of the
Public Debt of the City of Milwaukee

KENNETH C. KREI, Chairperson
MARGARET J. HENNINGSEN, Member
MICHELLE J. NATE, Member
COMMISSIONERS OF THE PUBLIC DEBT

March 6, 2008

OFFICIAL BID FORM
(Electronic Bids also accepted via Parity – See the Official Notice of Sale)

\$90,000,000
CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2008 R5

March 13, 2008

Commissioners of the Public Debt
 City Comptroller's Office
 City Hall, Room 404
 200 E. Wells St.
 Milwaukee, Wisconsin 53202

Commissioners:

We offer to purchase the General Obligation Cash Flow Promissory Notes, Series 2008 R5 (the "Notes") of the City of Milwaukee, Wisconsin, in the principal amount(s) set forth below, described in the Official Notice of Sale, dated March 6, 2008 of said Notes, which Notice is by reference incorporated herein, and made a part of the bid described herein.

The Notes shall bear interest at the following rate(s) per annum (a 252 day term on a 360 day basis), and we will pay you par value and accrued interest to the date of delivery (plus a premium, if any), as shown:

	<u>Principal Amount</u> <u>(\$10,000,000 minimum) ⁽¹⁾</u>	<u>Interest</u> <u>Rate ⁽²⁾</u>	<u>Premium</u> <u>(if any)</u>
Bid A:	\$ _____	_____._____%	\$ _____
Bid B:	\$ _____	_____._____%	\$ _____
Bid C:	\$ _____	_____._____%	\$ _____
Bid D:	\$ _____	_____._____%	\$ _____
Bid E:	\$ _____	_____._____%	\$ _____

(1) Each Bid shall be a minimum of \$10,000,000, and in multiples of \$1,000,000.

(2) Interest rate must be no greater than 6.00%, and in multiples of 1/8 or 1/20 of one percent.

This bid is made for prompt acceptance and subject to the conditions of the Official Notice of Sale. As required by said Notice, enclosed herewith is a certified check or a cashier's check drawn on a state or national bank or trust company, or a Financial Surety Bond, for one-half of one percent (0.50%) of the maximum amount of the Notes bid for as a good faith deposit, payable to the City Treasurer of the City of Milwaukee, which deposit is to be promptly returned to us if our bid is not accepted, but otherwise to be applied in accordance with said Notice. We understand that in the event the Commission awards to us part of the Notes subject to the bids described herein, it will refund a pro rata share of the selected good faith deposit.

By 3:00 p.m. Central Time on the day after receiving the award, we will provide to the City the following information for each member of the underwriting syndicate: Names, initial participation, and minority status. In addition, prior to closing, we agree to provide final participation for each member.

By: _____

Phone Number: _____

 Company Name

No addition, alteration or change is to be made to the form of this bid.

RECEIPT

Return of Good Faith Deposit is hereby acknowledged: _____

By: _____

In order to assist the Commission in minority underwriting participation, please list minority underwriting firms who have participated in your bidding group and their initial percentages:

Please attach a list of account members –

If we receive the award of the Notes, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting of the Notes so awarded and the amount of each firm’s participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the City all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award of the Notes. Immediately upon receiving the Final Official Statement from you, we agree to file with, and provide a sufficient number of copies of the Final Official Statement, to Disclosure USA for submission to the nationally recognized municipal securities information repositories (“NRMSIRs”). Thereafter, additional copies of the Final Official Statement may be obtained from the NRMSIR’s

**OFFICIAL NOTICE OF SALE AND
OFFICIAL BID FORM**

FOR

\$44,050,000

**CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION NOTES AND BONDS**

comprised of

\$37,125,000

**GENERAL OBLIGATION PROMISSORY NOTES
SERIES 2008 N6**

and

\$6,925,000

**GENERAL OBLIGATION CORPORATE PURPOSE BONDS
SERIES 2008 B7**

Sale Data:

SALE DATE AND TIME:

Thursday, March 13, 2008
10:30 a.m. Central Time

PLACE OF ACCEPTANCE FOR SEALED BIDS:

City of Milwaukee
Office of the City Comptroller
City Hall, Room 404
200 E. Wells St.
Milwaukee, Wisconsin 53202

Bids will also be accepted electronically
via PARITY

OFFICIAL NOTICE OF SALE
CITY OF MILWAUKEE, WISCONSIN

\$37,125,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2008 N6
AND
\$6,925,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2008 B7

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed bids and electronic bids until 10:30 A.M., Central Time, on Tuesday, the

13th DAY OF MARCH, 2008

at the Office of the City Comptroller, in said City, for the purchase of Thirty Seven Million One Hundred Twenty Five Thousand Dollars (\$37,125,000) General Obligation Promissory Notes, Series 2008 N6 (the "Notes") and Six Million Nine Hundred Twenty Five Thousand Dollars (\$6,925,000) General Obligation Corporate Purpose Bonds, Series 2008 B7 (the "Bonds"). Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 405, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event PARITY is not accessible during the 30 minutes prior to the time bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the City's Public Debt Commission scheduled for 4:15 P.M. Central Time on March 13, 2008. *Information regarding the Notes and the Bonds (the "Obligations") is furnished solely to provide limited summary information, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in the Official Statement, including Appendices.*

Details of the Obligations

The expected Date of Delivery is April 3, 2008 (the "Expected Date of Delivery"). The Obligations will be dated as of the Expected Date of Delivery, and will bear interest payable commencing on March 15, 2009 and semiannually thereafter on September 15 and March 15. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Notes mature on March 15, in each of the years and in the principal amounts as follows:

<u>Maturing</u> <u>(March 15)</u>	<u>Amount</u>	<u>Maturing</u> <u>(March 15)</u>	<u>Amount</u>
2009	\$13,325,000	2014	\$2,345,000
2010	7,750,000	2015	1,585,000
2011	2,235,000	2016	1,585,000
2012	2,680,000	2017	1,585,000
2013	2,450,000	2018	1,585,000

The Notes are not subject to redemption prior to maturity.

The Bonds mature on March 15, in each of the years and in the principal amounts as follows:

<u>Maturing</u> <u>(March 15)</u>	<u>Amount</u>	<u>Maturing</u> <u>(March 15)</u>	<u>Amount</u>
2019	\$1,385,000	2022	\$1,385,000
2020	1,385,000	2023	1,385,000
2021	1,385,000		

The Bonds are subject to redemption prior to their maturity at the option of the City on any date on or after March 15, 2018, at 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.

Bid Parameters

No bid for less than all of the Obligations will be considered. **Coupons:** Bidders are required to name the interest rate or rates the Obligations are to bear. The rates shall be less than, or equal to 6.00%; the rates for Bonds maturing in 2019 and thereafter, shall be equal to, or greater than the rate on the prior maturity, including the 2018 maturity of the Notes; and the rates shall be in multiples of one-eighth of one percent or one-twentieth of one percent. There shall be only one rate for Obligations maturing on the same date. **Minimum Price:** No bid at less than par value plus accrued interest, if any, will be considered.

Good Faith Deposit

Bids must be accompanied by a Good Faith Deposit (“Deposit”) in the form of a certified check or a cashier’s check drawn on a state or national bank or trust company, or a Financial Surety Bond, in the amount of Four Hundred Thousand Dollars (\$400,000) for the Obligations, payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder as liquidated damages should such bidder fail to provide an Issue Price certificate and/or take up and pay for the Obligations when ready. The deposit of the successful bidder will be retained by the City and deducted from the purchase price at the time of closing. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Wisconsin and pre-qualified by the Commissioners of the Public Debt. Any such bond must be submitted to the City or its Financial Advisor prior to the opening of the bids. In order to be considered eligible under a Financial Surety Bond, a bidder bears the responsibility for it being listed on a list of bid participants received by the Office of the Comptroller prior to the deadline for receipt of bids. Any transmission of the list of bid participants by facsimile transmission is at the bidder’s own risk. The City accepts no responsibility for facsimile equipment being used and cannot and does not guarantee that facsimile equipment will always be working or available for the receipt of a list of bid participants.

If the Obligations are awarded to a bidder utilizing a Financial Surety Bond, that purchaser is required to submit its Deposit to the City in the form of a cashier’s check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) not later than 12:00 Noon, Central Time on the next business day after the official award. The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid to be accepted. All bids shall remain firm until 10:00 P.M. Central Time. A meeting of the Public Debt Commission of the City is scheduled for 4:15 P.M. Central Time on the sale date at which time the official award of the Obligations will be made or all bids rejected.

Award

The Obligations will be awarded to the qualified bidder offering the lowest true interest cost to the City. The City’s computation of true interest cost of each bid will be controlling. True interest cost can be estimated as follows: the present value rate necessary to discount, to the Purchase Price (hereinafter defined), the future debt service payments from the payment dates to the Expected Date of Delivery, calculated on the basis of a 360-day year of twelve 30-day months, and with semi-annual compounding. The “Purchase Price” is principal, plus premium, plus accrued interest to the Expected Date of Delivery. The City reserves the right to reject any or all bids or to waive any irregularity in any bid.

The winning bid will be reported to PARITY, but the City assumes no responsibility or liability for auction results posted on such website.

Submission of Bids

Sealed proposals for the purchase of the Obligations must be made using the Official Bid Form or, if submitted electronically via the PARITY, in accordance with the requirements prescribed by this Notice of Sale. For bidders submitting their electronic bid via PARITY, please refer to your contract/agreement with PARITY regarding any requirements for participation. If more than one bid, either through the same method or through more than one method, including using more than one electronic method, shall be submitted by the same bidder for the Obligations, each such bid shall be considered a separate proposal for the purchase of the Obligations.

Any prospective bidder intending to submit an electronic bid must submit its electronic bid via PARITY through their competitive bidding application BidComp. By submitting an electronic bid, a Bidder agrees:

1. The City may regard the electronic transmission of the bid via the electronic service (including information about the purchase price for the Issue and interest rate or rates to be borne by the Issue and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on behalf of the Bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Bid Form, this Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the Bidder shall be bound by the terms of such contract.
2. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Notice of Sale, the terms set forth in the Bid Form and this Notice of Sale shall control.
3. That the Bidder is solely responsible for making necessary arrangements to access electronic bidding services. The City shall not have any duty or obligation to provide or assume such access. None of the electronic bidding services is an agent of the City. The City shall have no liability whatsoever based on the Bidders use of the electronic service, including, but not limited to any failure by the electronic service to correctly or timely transmit information provided by the Bidder.

The City assumes no responsibility or liability for bids submitted through PARITY. The City also assumes no responsibility for the accuracy of information on the Obligations presented by, nor of calculations performed by, nor of restrictions on the entry of bids enforced by, PARITY. If any provisions in this Official Notice of Sale conflict with information provided by PARITY, this Official Notice of Sale shall control. The City's computation of true interest cost of each bid will be controlling.

An electronic bid shall be deemed an irrevocable offer to purchase the Obligations on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facility being the sole risk of the prospective bidder.

For purposes of both the sealed bid process and the electronic bid process, the time as maintained by the City shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

Bids may be submitted electronically via PARITY® pursuant to this notice, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this notice, the terms of this notice shall control. For further information about PARITY®, potential bidders may contact PARITY® at (212) 404-8102. The fee for use of PARITY may be obtained from PARITY, and such fee shall be the responsibility of the bidder.

Payment and Delivery of the Obligations

Payment for the Obligations shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Obligations will be delivered on or about April 3, 2008, or as soon thereafter as the Obligations may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

The Obligations, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Obligations. A certificate for each interest rate will be issued to DTC and immobilized in its custody. Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of \$5,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their ownership of the Obligation purchased. The successful bidder shall be required to deposit the Obligations with DTC as a condition to delivery of the Obligations. The City will make payment of the principal and interest on the Obligations to DTC or its nominee as registered owner of the Obligations. Transfer of said payments to participants of DTC will be the responsibility of DTC; transfer of said payments to beneficial owners by DTC participants will be the responsibility of such participants

and other nominees of beneficial owners all as required by rules and procedures of DTC and the participants. No assurance can be given by the City that DTC, its participants and other nominees of beneficial owners will make prompt transfer of said payments. The City assumes no liability for failures of DTC, its participants or other nominees to promptly transfer said payments to beneficial owners of the Obligations. Notices, if any, given by the City to DTC are redistributed in the same manner as are payments. The City assumes no liability for the failure of DTC, its participants or other nominees to promptly transfer said notices to the beneficial owners of the Obligations. The City is not responsible for supervising the activities or reviewing the records of DTC, its participants or other persons acting through such participants. In the event that the securities depository relationship with DTC for the Obligations is terminated and the City does not appoint a successor depository, the City will prepare, authenticate and deliver, at its expense, Notes and Bonds in fully registered certificated notes in the denomination of \$5,000 or any integral multiple thereof in the aggregate principal amount of Obligations of the same interest rate then outstanding as directed by the registered owners of the Obligations.

Issue Price Certificate

In order for the City to comply with certain conditions of the Internal Revenue Code relating to the exclusion of interest on the Obligations from gross income for Federal tax purposes, the successful bidder will be required to complete, execute, and deliver to the City a certification regarding "Issue Price". Each bidder, by submitting its bids, agrees to complete, execute and deliver such certificate if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts, necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

Minority Participation

The Commission has been disappointed with the degree of minority underwriter participation in the bidding for City Notes and Bonds. The Commission, under its stated policy, strongly desires that a minimum of 5% of the Obligations are underwritten by firms which are certified by the State of Wisconsin as being minority-owned. The Commission urges prospective bidders to utilize the list of firms so certified by the State of Wisconsin that is available from the City Comptroller upon request, and to include such firms in their bidding group. The Commission further strongly desires certified minority-owned firms to submit bids directly and to assemble bidding groups for the submission of bids. Minority participation in bids is strongly encouraged by the Commission, but is not a requirement for submitting a bid. Minority-owned firms that are not yet certified by the State of Wisconsin and wish to be, may contact the State of Wisconsin Department of Development.

Notice Regarding Negotiated Sales: Bidders who are interested in participating in future negotiated sales of the City are encouraged to read the "Special Notice Regarding Negotiated Underwritings" that is included in the enclosure entitled "Minority Owned Underwriting Firms".

Authorization, Security, and Conditions of Delivery

The Obligations have been approved by resolutions adopted by the Common Council of the City and are issued for the financing of various public improvement projects, fiscal requirements of the City, and refunding outstanding obligations of the City. The Obligations will be direct general obligations of the City, payable from taxes levied on all taxable property within said City, subject to taxation by said City, without limitation as to rate or amount.

The Obligations are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, which opinion, together with the completed Obligations, will be furnished to the successful bidder at the expense of the City. The form of such opinion appears as Appendix B in the Official Statement.

The successful bidder will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Obligations. The Preliminary Official Statement is in a form which the City "deems final" as of March 6, 2008 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder will also be furnished with up to one hundred copies of the Final Official Statement issued in conjunction with this offering within seven business days after the award of the Obligations in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Obligations, but neither the failure to include such numbers on any Obligation nor any

error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Obligations in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Obligation or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Obligations the City will provide an executed copy of its Continuing Disclosure Certificate. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Obligations, to provide in a timely manner and notice of certain events with respect to the Obligations. Notice of the occurrence of certain events with respect to the Obligations will be provided to each nationally recognized municipal securities information repository, to the Municipal Securities Rulemaking Board and to the Wisconsin State Information Repository, if created.

The successful bidder may, at its option, refuse to accept the Obligations if prior to their delivery, any income tax law of the United States of America shall provide that the interest on such Obligations is includable or shall be includable at a future date in gross income for federal income tax purposes, and in such case the deposit made by them will be returned and they will be relieved of their contractual obligations arising from the acceptance of their proposal.

The City understands that, from time to time, it is advantageous to take bond insurance into account when submitting a bid. Bond insurance is at the sole discretion and risk of the bidder. The use of bond insurance will require insurance related certifications by the bidder in the Issue Price certificate. The City will assist in the reoffering of the Obligations with insurance by including bidder provided bond insurance information in the Final Official Statement. However, the City does not have the authority to enter into agreements with the bond insurer. **The successful bidder does not have the option to refuse delivery of the Obligations due to bond insurance related issues, including downgrade of the bond insurer prior to delivery.** Reprinting of the Final Official Statement due to bond insurance related issues that arise after the date of sale shall be at the sole expense of the bidder.

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

W. MARTIN MORICS
City Comptroller and Secretary
Public Debt Commission
City Hall, Room 404
200 E. Wells St.
Milwaukee, WI 53202

By order of the Commissioners of the
Public Debt of the City of Milwaukee

KENNETH C. KREI, Chairperson
MARGARET J. HENNINGSEN, Member
MICHELLE J. NATE, Member
COMMISSIONERS OF THE PUBLIC DEBT

March 6, 2008

OFFICIAL BID FORM
(Electronic Bids also accepted via Parity – See the Official Notice of Sale)

CITY OF MILWAUKEE, WISCONSIN
\$37,125,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2008 N6

AND
\$6,925,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2008 B7

March 13, 2008

Commissioners of the Public Debt
 City Comptroller's Office
 City Hall, Room 404
 200 E. Wells St.
 Milwaukee, Wisconsin 53202

Commissioners:

For all but no part of \$44,050,000 notes and bonds comprised of the \$37,125,000 General Obligation Promissory Notes, Series 2008 N6 (the "Notes") and the \$6,925,000 General Obligation Corporate Purpose Bonds, Series 2008 B7 (the "Bonds"), we offer to pay a price of \$_____ (not less than \$44,050,000), plus accrued interest from April 3, 2008, the dated date, to the date of delivery. The Notes and Bonds shall bear interest as follows:

<u>Series 2008 N6 (Notes)</u>		<u>Series 2008 B7 (Bonds)</u>	
March 15, 2009	____.____%*	March 15, 2019	____.____%*+
March 15, 2010	____.____%*	March 15, 2020	____.____%*+
March 15, 2011	____.____%*	March 15, 2021	____.____%*+
March 15, 2012	____.____%*	March 15, 2022	____.____%*+
March 15, 2013	____.____%*	March 15, 2023	____.____%*+
March 15, 2014	____.____%*		
March 15, 2015	____.____%*		
March 15, 2016	____.____%*		
March 15, 2017	____.____%*		
March 15, 2018	____.____%*		

* Rates must be less than, or equal to 6.00%, and in multiples of 1/8 or 1/20 of one percent.
 + Rates must be equal to, or greater than, the rate on the prior maturity (including the Notes).

This bid is made for prompt acceptance and subject to the conditions of the Official Notice of Sale. As required by said Notice, enclosed herewith is a certified check or a cashier's check drawn on a state or national bank or trust company, or a Financial Surety Bond, in the amount of \$400,000 for as a good faith deposit, payable to the City Treasurer of the City of Milwaukee, which deposit is to be promptly returned to us if our bid is not accepted, but otherwise to be applied in accordance with said Notice.

By 3:00 p.m. Central Time on the day after receiving the award, we will provide to the City the following information for each member of the underwriting syndicate: Names, initial participation, and minority status. In addition, prior to closing, we agree to provide final participation for each member.

By: _____

Phone Number: _____

 Company Name

No addition, alteration or change is to be made to the form of this bid.

RECEIPT

Return of Good Faith Deposit is hereby acknowledged: _____

By: _____

In order to assist the Commission in minority underwriting participation, please list minority underwriting firms who have participated in your bidding group and their initial percentages:

Please attach a list of account members –

If we receive the award of the Notes and Bonds, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting of the Notes and Bonds and the amount of each firm’s participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the City all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award of the Notes and Bonds. Immediately upon receiving the Final Official Statement from you, we agree to file with, and provide a sufficient number of copies of the Final Official Statement, to Disclosure USA for submission to the nationally recognized municipal securities information repositories (“NRMSIRs”). Thereafter, additional copies of the Final Official Statement may be obtained from the NRMSIR’s

MINORITY OWNED UNDERWRITING FIRMS As of February 2007¹

Note: The following list of minority owned underwriting firms as certified by the State of Wisconsin Department of Commerce, Bureau of Minority Business Development is provided for the information of potential proposers.

Mr. Michael Yap
Americal Securities, Inc.
290 7th Avenue
San Francisco, CA 94118
(415) 666-0633
amcalsec@aol.com

Mr. Elton Johnson, Jr.
Amerivet Securities, Inc.
P.O. Box 1074
Ingelwood, CA 90308
(310) 641-6284
amerivet@aol.com

Ms. Deborah Moore
Apex Securities, Inc.
333 Clay Street, Suite 1310
Houston, TX 77002
(713) 650-1122
moored@rfp-co.com

Mr. Nathaniel H. Christian
Blaylock & Partners, L.P.
399 Park Avenue, 15th Floor
New York, NY 10022
(212) 715-6623
nchristian@blaylocklp.com

Mr. Bufus Outlaw
Boe Securities
1500 JFK Boulevard, #439
Philadelphia, PA 19102-0000
(215) 568-5500
boutlaw@boegroup.com

Mr. Martin Cabrera, Jr.
Cabrera Capital Markets, Inc.
10 South LaSalle Street, Suite 1050
Chicago, IL 60603
(312) 236-8888
mc@cabreracapital.com

Shawn Baldwin
Capital Management Group Securities, LLC
542 North Dearborn Street
Chicago, IL 60606
(312) 578-0470
sbaldwin@cmgfunds.com

Mr. Samuel D. Ewing, Jr.
Ewing Capital, Inc.
2722 Unicorn Lane, N.W.
Washington, DC 20015
(202) 364-3996
ewingcap@ewing.com

Mr. Claude Gregory
Financial & Realty Service, LLC
8455 Colesville Road, Suite 1225
Silver Spring, MD 20910
(301) 650-9112
clauderegory@frsllc.com

Ms. Sherlin Lee
First Honolulu Securities, Inc
900 Fort Street, #950
Honolulu, HI 96813
(808) 523-9422
Fhon7964@aol.com

Mr. Leopoldo Guzman, President
Guzman & Co.
101 Aragon Ave
Coral Gables, FL 33134
(305) 374-3600
guzman@guzman.com

Ms. Lenda P. Washington
GRW Capital Corporation
501 L Street NW, Suite 2
Washington, DC 20001
(202) 628-4141
lwashington@grwcc.com

Ms. Susan Chamberlain
Holland Capital Management, L.P.
One North Wacker Drive, Suite 700
Chicago, IL 60606
(312) 553-4830
schamberlain@hollandcap.com

Mr. Eric H. Pookrum
Innova Securities, Inc.
3703 Woodsman Court
Suitland, MD 20746-1376
(301) 967-7368
stnappes@aol.com

Mr. Jeffrey White
J.A. White & Associates
2425 Hollingshed Rd.
Irmo, SC 29212
(803) 407-1399
jawhite@jwhite.com

Mr. Ronald Jackson
Jackson Partners & Assoc., Inc.
381 Park Avenue South, #621
New York, NY 10016
(800) 932-9863
ipartner@aol.com

Ms. Deborah D. Wilson
Jackson Securities, Inc.
100 Peachtree Street NW #2250
Atlanta, GA 30303-1912
(404) 522-5766

Ms. Deloris Sims
Legacy Bank, Inc.
2102 West Fond du Lac Avenue
Milwaukee, WI 53206-1533
(414) 343-3002
dsims@legacybanccorp.com

Mr. Albert Grace Jr.
Loop Capital Markets, LLC
200 W. Jackson Ste 1600
Chicago, IL 60606
(312) 356-5856
alg@loopcap.com

Mr. Robert Campbell
Mr. Stanley Grayson
M.R. Beal & Company
110 Wall Street, 6th Floor
New York, NY 10005
(212) 983-3930
bbeal@mrbeal.com

Ms. Patricia Winans
MAGNA Securities Corp.
420 Lexington Ave., Suite 2220
New York, NY 10170
(212) 547-3740
patwinans@magnasecurities.com

Ms. Belinda Pedroso
The Malachi Group, Inc.
12 Piedmont Center, Suite 410
Atlanta, GA 30305
(404) 237-3031
bpedroso@themalachigroup.com

Mr. Kevin E. Davis
May Davis Group
Two N. Charles Street, Suite 840
Baltimore, MD 21201
(410) 547-0984
psenese@maydavis.com

Mr. Julius Joseph
MEGA Marketing
4222 W. Capitol Drive
Milwaukee, WI 53216
(414) 442-5500

¹ Source: Retrieved from the State of Wisconsin – Department of Administration (www.doa.state.wi.us/deo/mbe/) on February 2, 2007.

Mr. Byron Taylor
Melvin Securities, L.L.C.
111 West Jackson Blvd. Suite 2110
Chicago, IL 60604
(312) 341-0050
btaylor@melvinsecurities.com

Mr. Philip Y. Leung
Montrose Securities International
44 Montgomery Street, Suite 3350
San Francisco, CA 94101
(415) 399-9955
pleung@montroseintl.com

Ms. Linda Stewart
North Milwaukee State Bank
5630 West Fond du Lac Avenue
Milwaukee, WI 53216
(414) 466-2344, x235

Aditya Mukerji
Redwood Securities Group, Inc.
600 California Street, Suite 1650
San Francisco, CA 94108-2408
(415) 352-3700
mukerji@redsec.com

Mr. Eric L. Small
SBK - Brooks Investment Corp.
840 Terminal Tower
Cleveland, OH 44113
(216) 861-6950
sbkbrooks@aol.com

Ms. Suzanne Shank
Siebert Brandford Shank & Co. LLC
660 Woodward Avenue
Detroit, MI 48226
(313) 496-4500
sshank@sbsco.com

Mr. Harvey de Krafft
Sturdivant & Co., Inc.
Plaza 1000 at Main Street, Suite 200
Voorhees, NJ 08043
(856) 715-1331
hdekrafft@sturdivant-co.com

Mr. Matthew Greene
Utendahl Capital Partners, L.P.
30 Broad Street, 42nd Floor
New York, NY 10004
(212) 797-2660
mgreene@utendahl.com

Mr. Christopher Williams
The Williams Capital Group, L.P.
650 Fifth Avenue, 10th Floor
New York, NY 10019
(212) 830-4500
williams@willcap.com

