



777 East Wisconsin Avenue  
Milwaukee, WI 53202

May 25, 2001

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

We have audited the general purpose financial statements of the City of Milwaukee, as of and for the year ended December 31, 2000, and have issued our report thereon dated May 25, 2001.

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

Specific areas to be communicated to you are as follows:

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

Our comments regarding these matters as they related to the fiscal 2000 audit of the City of Milwaukee are presented in the attachment to this letter. We are pleased to review these items with you.

Very truly yours,

**KPMG LLP**



City of Milwaukee

Report to the Common Council of the City of Milwaukee

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

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

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

**Significant Accounting Policies**

The significant accounting policies used by the City are described in Note 1 to the City's general purpose financial statements. There were no new accounting pronouncements that became effective in 2000.

**Management Judgments and Accounting Estimates**

There were no significant accounting estimates in the financial statements as of December 31, 2000.

**Significant (Unusual) Audit Adjustments**

No corrections to the general purpose financial statements were proposed that could, in our judgment, either individually or in the aggregate, have a significant effect on the City's financial reporting process.

**Disagreements with Management**

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

## City of Milwaukee

## Report to the Common Council of the City of Milwaukee

**Consultations with Other Accountants**

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

**Major Issues Discussed with Management Prior to Retention**

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

**Difficulties Encountered in Performing the Audit**

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

**Other Matters**

During our recent audits of the City's general purpose financial statements, we noted that the City's cash position declined during 2000 and the balance of the tax stabilization fund for subsequent years has continued to decline over the past four years as follows:

	<u>Cash and cash equivalents, general fund*</u>	<u>Tax stabilization fund for subsequent years, general fund*</u>
1997	\$ 32,766,000	\$ 33,485,000
1998	\$ 34,017,000	\$ 26,424,000
1999	\$ 34,662,000	\$ 18,137,000
2000	\$ 9,240,000	\$ 17,909,000

\*As reported in the City of Milwaukee Comprehensive Annual Financial Report.

We recommend the City address this declining cash and tax stabilization fund position by establishing cash and fund balance targets and plans to maintain those targets.