



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2018

Office of the Comptroller

**Martin Matson
Comptroller**

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Martin Matson
Comptroller

Aycha Sawa, CPA, CIA
Deputy Comptroller



Toni Biscobing
Special Deputy Comptroller

Rocklan Wruck, CPA
Special Deputy Comptroller

Office of the Comptroller

July 24, 2019

Honorable Thomas M. Barrett, Mayor
The Members of the Common Council
Of the City of Milwaukee

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee (the "City") for the fiscal year ended December 31, 2018. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units separately. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's annual budget.

This report consists of management's representation concerning the finances of the City of Milwaukee. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Milwaukee and the component units are responsible for establishing and maintaining an internal control structure designed to ensure that the assets entrusted are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An independent firm of licensed certified public accountants, Baker Tilly Virchow Krause, LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2018, are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2018, are fairly presented in conformity with GAAP.

The GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A immediately follows the report of the independent auditors.

The CAFR is presented in three sections. The **Introductory Section** includes a list of principal officials, an organizational chart, and this letter of transmittal, which highlights significant aspects of the City and particular financial issues. The **Financial Section** includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, required supplementary information (RSI), combining financial statements and other financial schedules. The **Statistical Section** includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2018

THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The City, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of government. The Mayor, Comptroller, Treasurer, City Attorney, and 15 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The most recent City of Milwaukee general election for these positions was held in April 2016. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual City expenditure budget, subject to review and adoption by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce, and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, is responsible for establishing City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt, and financial reporting. The City Treasurer is responsible for the receipt, disbursement, and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in this report are the proprietary operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance, and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete, known as component units, are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units for fiscal year 2018: Century City Redevelopment Corporation, Redevelopment Authority of the City of Milwaukee and the Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and proprietary fund types (exclusive of the component units) are included in the City's annual budget. Annually, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires this submittal on or before September 28th. The Common Council must complete its review and adopt the budget on or before November 14th. The component units' respective Boards approve their separate budgets. Once adopted, a department's total appropriation cannot be amended without Common Council approval. Budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the object class level (i.e., salaries, operating expenditures, equipment) for each department. The budgetary control for capital and special revenue funds is set over the life of the project rather than the current fiscal year. The City of Milwaukee maintains an encumbrance accounting system as an additional method of accomplishing budgetary control. Budget-to-actual comparisons for the general fund, are provided in the Required Supplemental Information section of this report.

LOCAL ECONOMY

Geographically, Milwaukee consists of 96.9 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. It is located approximately 75 miles east of the State capital, Madison, WI. It is the 31st largest city in the United States with a 2018 Wisconsin Department of Administration estimated population of 595,555. Milwaukee is the largest city, by population, and the only city of the First Class within the State of Wisconsin. Milwaukee is the main cultural and economic center of the combined population of 2.04 million for the Milwaukee-Racine-Waukesha metropolitan area.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. 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.

CITY OF MILWAUKEE
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FOR THE YEAR ENDED DECEMBER 31, 2018

Milwaukee is the economic hub of the southeast region and entire state of Wisconsin. It is a premiere center for advanced manufacturing, fresh water research and development, clean and green technology, health care, biomedical technology and financial services. These core industries spur innovation, business formation and growth, a strong and growing entrepreneurial climate, and provide a boost to Milwaukee's national and global competitiveness. Milwaukee's transportation system is a gateway for tourism, conventions, commerce, business growth and economic development.

Once known almost exclusively as a manufacturing and brewing powerhouse, Milwaukee's economy has changed with the national shift to a service based economy. In the past few decades, major new additions to the City include the Milwaukee Riverwalk, the Wisconsin Center, Miller Park, the Calatrava (an internationally renowned addition to the Milwaukee Art Museum) and Pier Wisconsin, as well as major renovations to the University of Wisconsin – Milwaukee Panther Arena. Many new condominiums, lofts, and apartments have been completed or are under construction in neighborhoods on and near the lakefront and riverbanks.

Milwaukee plays an important role in international and domestic trade. Of vital importance to both the local and state economies, the Port of Milwaukee is an international seaport providing transportation and distribution services to commercial businesses in the area. The protected harbor permits year-round use of the port with access to the eastern seaboard via the St. Lawrence Seaway and to the Gulf of Mexico through the Mississippi River. The Port of Milwaukee processed over 2 million metric tons of cargo in 2018. The port is served by the Union Pacific and Canadian Pacific railways, and has convenient access to the interstate highway system. Principal inbound commodities include cement, machinery, steel, salt, barley and limestone. Outbound commodities include bottom ash, cement, bio-diesel, ethanol, butane, wheat, corn and soybeans. The Port is also home to U.S. Coast Guard and U.S. Naval Reserve stations. In 2018, the Port started its ongoing repair and replacement of 14 miles of rail track on Jones Island which includes the replacement of rail crossings. They also started the construction of a 10,500 square foot building for storage. The Harbor Commission also facilitates public access including cultural and recreational activities for the public by leasing property to the Milwaukee Art Museum, Milwaukee World Festivals, Discovery World at Pier Wisconsin, cruise ships and the Lake Express high-speed ferry.

Economic development is encouraged to promote the growth of employment opportunities for the citizens of Milwaukee and support private investment to grow the City's tax base. Four key development approaches are utilized: 1) direct financial assistance to small businesses that helps owners take advantage of opportunities to increase sales and employment; 2) use of tax incremental financing to provide public infrastructure improvements or other assistance to encourage private investments that will increase the tax base, employment or availability of commercial services in underserved areas; 3) partnerships with organizations that improve the business environment, either in a particular geographic area or a particular industry segment; and 4) management of projects to redevelop underutilized or vacant properties for eventual sale to private owners.

The City takes an active role in guiding economic development to serve the community in a number of ways: The City manages programs intended to assist in local business retention efforts, provides permit assistance to new businesses, and seeks out appropriate sites for these businesses. The City currently manages 30 active Business Improvement Districts, 7 Neighborhood Improvement Districts, 53 Tax Incremental Districts and various development projects promoting urban renewal throughout the City. The City of Milwaukee collaborates with surrounding governmental jurisdictions to promote economic development.

The City of Milwaukee continues an amazing revitalization including a downtown building boom. BMO Harris Bank is building a new 25 story office tower directly across from City Hall on Wells Street. Northwestern Mutual changed the City's skyline with the construction of a 32-story office tower, and completed a 33-story upscale apartment tower. The office tower, at one million square feet, is the largest office structure in the state of Wisconsin.

In 2018, the City completed the construction of the Milwaukee Streetcar and began operations in November 2018. Ridership has exceeded the projections thus far. The lakefront line is being constructed and an expansion is currently being planned for the current streetcar line as well.

The Milwaukee Bucks, the NBA basketball team just completed its 2018-2019 season in the new Fiserv Forum arena, which has been called the best state-of-the-art facility in the country. The Milwaukee Bucks also created the Deer District, an entertainment destination created just to the east of the arena, with an outdoor plaza and many amenities.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2018

A new high-rise, known as the Couture, is still being planned along Milwaukee's lakefront. The project will include a 44-story, \$122 million mixed-use development with apartments and retail. It is expected to create more than 2,000 jobs, and similar to other downtown projects, has an emphasis on hiring residents during construction.

Throughout the City, over 14,000 new housing units have been constructed in the last decade. In 2018 alone, 1,720 housing units have been added, of which 60 apartment units are in Victory Manor for military veterans. The City sold 500 foreclosed houses in 2018. The City has made substantial progress from its 2014 goal of renovating and improving 10,000 homes in the next decade. Thus far, the City has improved 500 homes and more are underway.

There has been an incredible collaborative effort with the Compete Milwaukee program. This involves connecting underemployed city residents with on the job training in city departments. There have been over 90 placements in 2018. Since 2015, 85% of Compete Milwaukee workers have found employment totaling \$3.4 million in their wages. Additionally, 1,327 jobs were created as a result of other initiatives in the City.

The City and private sector interests have joined in a formal partnership to chart a course for development and recreational opportunities in the area around the Milwaukee harbor – the neighborhood that includes the Port of Milwaukee, the University of Wisconsin-Milwaukee's School of Freshwater Science, and the headquarters of Rockwell International.

Tourism is also a major contributor to the local economy. Milwaukee's arts, entertainment, professional sports, restaurants, parks, conventions, and businesses attract millions of visitors a year. There are 20 major annual festivals hosted in Milwaukee. Summerfest is promoted as the world's largest music festival and attracts about one million attendees each year. Milwaukee's ethnic festivals include the nation's largest Native American, Polish, Italian, and 3-day German festivals along with the world's largest Irish festival.

The educational opportunities in Milwaukee offer a wide variety of choices within the City. The City's educational institutions include Alverno College, Cardinal Stritch University, Marquette University, the Medical College of Wisconsin, Milwaukee Area Technical College, Milwaukee School of Engineering, Mount Mary University, University of Wisconsin-Milwaukee, and Wisconsin Lutheran College. Additionally, Direct Supply has also opened a new technology center on the MSOE campus.

ECONOMIC OUTLOOK

For the year 2018, the City's unemployment rate averaged approximately 3.6% (see Table 13 in Statistical Section); compared to the State of Wisconsin average of 3% and the United States average of 3.9% (from U.S. Department of Labor, Bureau of Labor Statistics). Milwaukee's rate thus decreased one percentage point from 4.6% in 2017.

Retaining the City's high "investment grade" bond ratings is of prime importance and serves to maintain low borrowing costs. The low costs of borrowing, both for capital and cash flow purposes, produces direct benefits to the taxpayer. The City continues to maintain high investment grade ratings of AA from Fitch and Standard & Poor's, for the City's most recent 2018 General Obligation Bonds and Notes. By definition, the bond ratings are a measure of the quality and safety of a bond based on the issuers' financial condition. Rating services perform evaluations on each debt issue to indicate the likelihood that a debt issuer will be able to meet scheduled interest and principal repayments. Typically, AAA is the highest (best) rating with D being the lowest (worst). The AA rating indicates the City's bonds are considered high credit quality investment grade issues. As the ratings indicate, the City's capacity to meet its financial commitments on outstanding obligations is strong. The rating agencies indicate that the ratings reflect a combination of moderate overall debt burden, rapid debt repayment, manageable capital needs, and a diverse tax base. The City also assists in keeping the overall debt burden affordable by controlling the level of annual debt issued. The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City ever issued any new debt for the purpose of paying the principal or interest on current debt, in an effort to prevent default.

The 2018 property tax rate for 2019 purposes decreased to \$10.59 from \$10.75 compared to the prior year's per \$1,000 of assessed value. The 2019 budgetary City property tax levy of approximately \$276.3 million represents a \$7.5 million increase compared to the \$268 million in 2018. The estimated assessed value used for 2019 budget purposes increased to approximately \$27 billion from \$26 billion. Property tax revenue funding as a portion of total General Fund budgetary expenditures for 2018 was 27.3% compared to 29% for 2017 as depicted in Exhibit E-1.

CITY OF MILWAUKEE
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FOR THE YEAR ENDED DECEMBER 31, 2018

Property tax increases are limited by state legislation. The 2019 budget estimates intergovernmental revenues of \$270 million which is an increase of \$2 million from 2018. The largest amount of state aids comes in the form of State Shared Revenue. It is expected to be \$219 million in 2019, which is the same as 2018. The state transportation aids (the second largest category) total \$28.8 million for 2019, a \$300,000 decrease from 2018. Another large state aid is the Expenditure Restraint Payment. The intent of this program is to reward communities who control their General Fund expenditures and is estimated at about \$9.8 million for 2019. Due to stagnant or declining State aids in recent years, revenue diversification and enhancement are essential to retaining existing service levels. However, State restrictions on the type of charges for service that are available to municipalities erode the ability to diversify revenue. The two largest 2019 revenues in the Charges for Services category are the solid waste fee, including the extra cart fee, of \$40 million and the stormwater management fee of \$22.3 million. The snow and ice fee is estimated in 2019 to generate a total of \$9.5 million. Total Charges for Services are estimated to remain the same at about \$129 million in 2019.

The City remains in good financial condition, as is depicted in Note 9 of the Notes to the Financial Statements. The General Fund maintains a Reserve for Tax Stabilization (a fund balance account) that accumulates the net of revenues and other financing sources less expenditures and other financing uses, and, less other fund reserves. For 2018, this reserve has a year-end balance of \$40 million compared to \$64 million for 2017. The 2019 budget includes a withdrawal of \$16 million, leaving the portion of the Reserve for Tax Stabilization available for future years at \$24 million.

MAJOR CAPITAL PROJECTS

The 2019 capital budget includes funds for various infrastructure and building projects. For 2019, the City capital improvements budget, not including proprietary funds and grants and aid funding, totals \$152.6 million, an increase of 7% or \$10 million from the 2018 budget of \$142.6 million. Funding of \$56 million for various tax incremental districts and development projects comprises 37% of the total capital budget for 2019. The Department of Public Works budget for bridges (\$5.5 million), street/paving construction (\$20.7 million), various building, equipment and forestry projects (\$6.2 million) and City Hall Foundation (\$7.5 million), with a total of \$69 million or approximately 45% of the total 2019 capital budget. Police projects (\$6.4 million), Fire projects (\$3.3 million) and Library projects (\$2.1 million) in the aggregate total \$11.8 million or 8% of the total capital budget.

The annual plan for capital projects budget includes a separate listing of large-scale projects for the ensuing year. These major projects identify all funding sources including City capital budgets and grantor share funds whose components total at least \$2 million. Some major projects planned for 2019 include improving the useful life of 31 miles of major streets and an investment of over \$11 million in City and Waterworks funding for 1,000 lead water service line replacements. The City has a Capital Improvements Committee to provide a continuing analysis and public focus on the City's investment and management of its public facilities and networks.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works proprietary Fund and component entities that maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, and repurchase agreements (all of which are permissible under State Statutes). The average interest earnings rate for City funds on short-term investments by the City Treasurer was the same at 0.85% in 2018 as in 2017. The City continued to use the State of Wisconsin Local Government Investment Pool to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. The investable balance generates interest earnings for the City, which is used to offset the property tax levy. The City's long-term pooled cash investment program is in accordance with State Statute 66.0603, and earned an annualized net investment rate of return of 1.24% on about \$73.4 million in investments.

During 2018, the City continued its prudent use of financing techniques and investment instruments to maximize its investment return while meeting ongoing cash flow needs. The City's use of cash flow borrowing in anticipation of State Shared and State Equalization Aid Revenues totaled \$290 million, compared to \$300 million in 2017. The financing was accomplished through offerings of \$110 million Revenue Anticipation Notes, \$180 million School Revenue Anticipation Notes for school purposes. The school purpose borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending its receipt of State Equalization Aid.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
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The City continued its use of the State of Wisconsin's Safe Drinking Water and Clean Water Funds to finance water and sewer system capital projects. Clean Water Fund loans of \$18.4 million were obtained during 2018, compared to \$19.5 million in 2017 for sewer projects. Safe Drinking Water loans of \$9.8 million were obtained during 2018 compared to \$20.3 million in 2017 for water projects. The Clean Water Fund and Safe Drinking Water Loan programs provide below market interest loans to communities to finance storm-water control projects and drinking water projects. For temporary borrowing purposes, the City had lines of credit in 2018 with \$47 million outstanding at year-end.

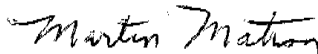
RISK MANAGEMENT

The City is self-insured for workers' compensation, health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City has found it is more economical to manage its risk internally, setting aside funds as needed for estimated current claim settlements and judgments through annual and supplemental appropriations as needed. The City also purchases and maintains limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required of City contractors, vendors, lessees and permit holders.

ACKNOWLEDGEMENTS

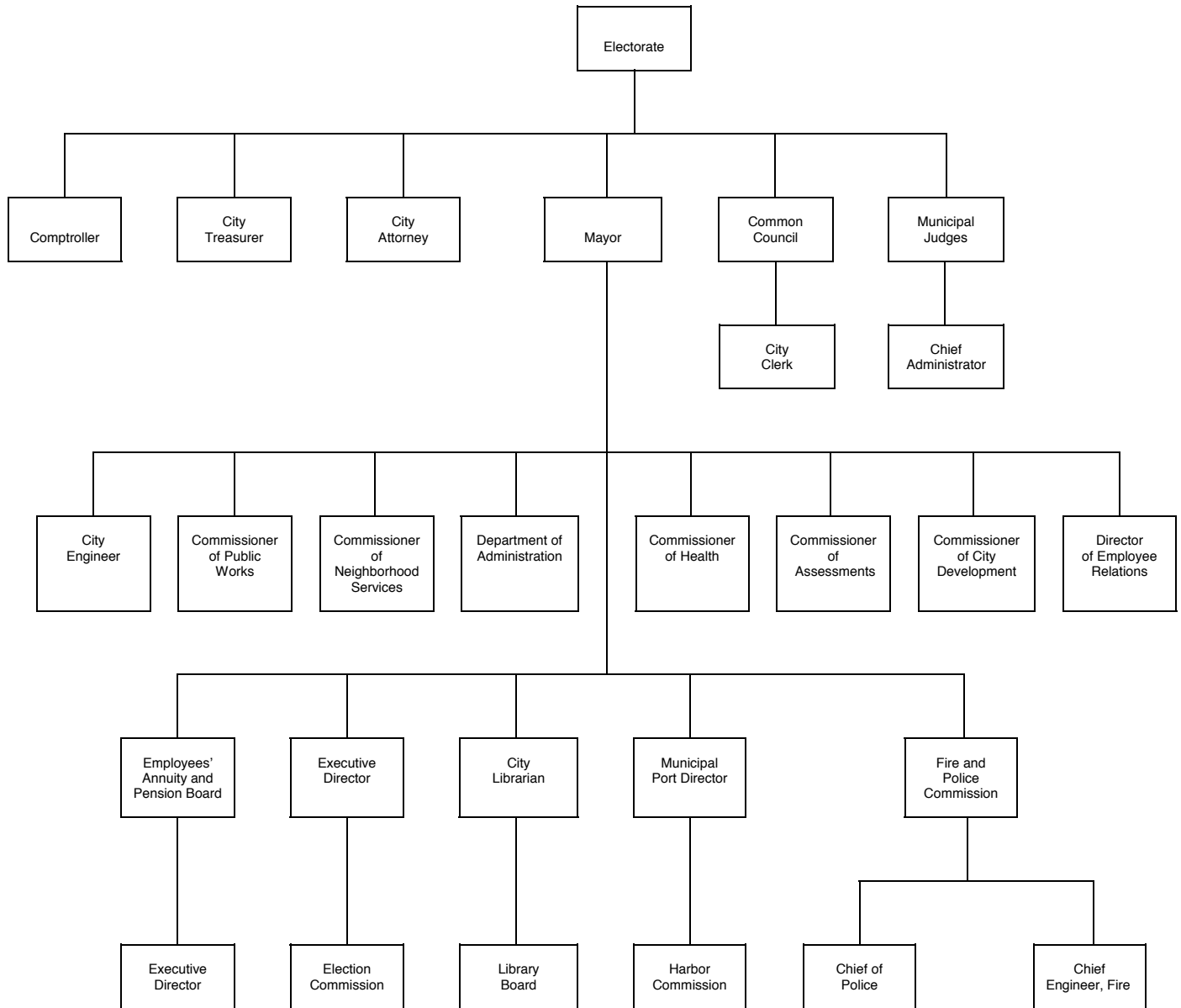
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment, and effort of each member of its General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, Baker Tilly, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this CAFR. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Sincerely,



Martin Matson
Comptroller

**CITY OF MILWAUKEE
ORGANIZATION CHART
DECEMBER 31, 2018**



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
 DECEMBER 31, 2018

ELECTED

Mayor	Thomas M. Barrett
Comptroller	Martin Matson
City Treasurer	Spencer Coggs
City Attorney	Grant F. Langley
Municipal Judge	Phillip M. Chavez
Municipal Judge	Valarie A. Hill
Municipal Judge	Derek C. Mosley

COMMON COUNCIL

President	Ashanti T. Hamilton
-----------------	---------------------

Aldermanic District

Alderman

First	Ashanti T. Hamilton
Second	Cavalier Johnson
Third	Nik Kovac
Fourth	Robert J. Bauman
Fifth	Nikiya Dodd
Sixth	Milele A. Coggs
Seventh	Khalif J. Rainey
Eighth	Robert G. Donovan
Ninth	Chantia Lewis
Tenth	Michael J. Murphy
Eleventh	Mark A. Borkowski
Twelfth	Jose G. Perez
Thirteenth	Terry L. Witkowski
Fourteenth	T. Anthony Zielinski
Fifteenth	Russell W. Stamper, II

FINANCE RELATED (Non-Elected)

Administration Director	Sharon D. Robinson
Budget & Management Director	Dennis Yaccarino
City Purchasing Director	Rhonda Kelsey
Commissioner of Assessments	Steve Miner
Chief Information Officer	Nancy A. Olson

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INDEPENDENT AUDITORS' REPORT

The Honorable Members
Common Council
City of Milwaukee, Wisconsin

Report on the Financial Statements

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, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Milwaukee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Authority of the City of Milwaukee, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, which represents one-hundred percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Redevelopment Authority of the City of Milwaukee, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, is based solely 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 Comptroller 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Milwaukee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Milwaukee's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of Milwaukee, Wisconsin, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City of Milwaukee adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. Our opinions are not modified with respect to this matter.

As discussed in Note 15 to the financial statements, net position as of December 31, 2017 has been restated to correct misstatements related to termination leave and capital expenditures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of funding progress, and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules and miscellaneous financial data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and miscellaneous financial data are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee's basic financial statements. The "Introductory Section" and "Statistical Section" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the City of Milwaukee'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 solely 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 effectiveness of the City of Milwaukee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Milwaukee's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 24, 2019

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the City of Milwaukee's (the "City") Comprehensive Annual Financial Report (CAFR) provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. The MD&A is an integral portion of the CAFR and information reported herein should be read in conjunction with the information presented in the letter of transmittal and the accompanying financial statements and disclosures, which follow this section. This section focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

Statement of Net Position

- Total net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) at the close of fiscal year 2018 was (\$92) million, a 113% decrease compared to the previous year's total of \$718 million. This decrease was caused mainly by the adoption of GASB 75, resulting in a \$755 million increase in the January 1, 2018 total OPEB liability. Of the (\$92) million net position, a (\$870) million deficit was related to governmental activities and \$778 million was related to business-type activities. The unrestricted portion of net position, related to governmental activities, totaled (\$1.9) billion. This deficit is caused in part, by the City's significant investments in private-purpose developments, which do not produce any direct financial return to the City. The City is also required to record long-term liabilities for certain future costs rather than recording them when they are payable.
- The vast majority of the City's net position is capital assets, most of which do not generate revenues by their use. Total net position is comprised of the following:
 - Capital assets, including property and equipment, net of related debt and accumulated depreciation: \$1.613 billion.
 - Restricted net position, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations: \$213 million.
 - Unrestricted net deficit: (\$1.918) billion.
- In 2018, the City implemented GASB 75, which requires recording the entire net other post-employment benefits (OPEB) liability. This pronouncement required the restatement of the January 1, 2018 fund balance and liability balances. Total OPEB liabilities, as previously reported in the 2017 CAFR (per GASB 45), along with the restated balances per GASB 75 are as follows.

Restatement of Total OPEB Liability
(Millions of Dollars)

	Prior GASB 45 Balance 12/31/2017	Restated GASB 75 Bal. 1/1/2018	Increase
Governmental Activities.....	\$ 459.4	\$ 1,148.8	\$ 689.4
Water Works.....	8.0	47.6	39.6
Sewer Maintenance.....	3.1	16.1	13.0
Parking.....	2.2	12.7	10.5
Port of Milwaukee.....	0.6	3.2	2.6
Total.....	<u>\$ 473.3</u>	<u>\$ 1,228.4</u>	<u>\$ 755.1</u>

Due to the requirements of this pronouncement, the beginning 1-1-18 (OPEB) liability increased \$755 million to \$1.228 billion. The 12-31-18 OPEB balance decreased \$15 million to \$1.213 billion. These obligations are based on an actuarial valuation as of January 1, 2017, projected to measurement dates of December 31, 2017 and December 31, 2018. See Note 15 for additional detail on 2018 restatements.

- The 2018 year-end, net pension liability is \$304 million compared to the 2017 total of \$353 million. This \$49 million decrease is due to a realized 2017 net investment return of 16.41% compared to the actuarial assumption of 8.00%. The 2018 liability is based on an actuarial valuation performed on January 1, 2017, rolled forward to December 31, 2017. See Note 8 in the financial statements for more disclosures regarding pension liability reporting.
- Total 2018 liabilities were \$3.373 billion (\$3.049 billion long-term and \$324 thousand short-term) nearly the same as the 2017 total of \$3.374 billion (\$3.036 billion long-term and \$338 thousand short-term). The long-term portion of total liabilities, including amounts due within one year, is shown below.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Unaudited)

Total Long-term Liabilities

(Millions of Dollars)

	<u>2018</u>	<u>2017</u>
Outstanding debt.....	\$ 1,441	\$ 1,373
OPEB.....	1,213	1,228
Pension.....	304	353
Compensated absences.....	50	50
Claims and judgments.....	41	32
Total.....	<u>\$ 3,049</u>	<u>\$ 3,036</u>

2017 OPEB restated from prior year.

Statement of Activities

- Governmental expenses were \$1.058 billion while combined program revenues were \$204 million, a difference of \$854 million. However, general revenues and transfers were \$739 million, resulting in a \$116 million decrease to net position for the year. Business-type activity expenses were \$221 million while combined program and general revenues were \$307 million, resulting in a surplus of \$87 million. Transfers out reduced this excess by \$38 million, resulting in a \$49 million increase of net position.
- Governmental revenues and transfers of \$943 million, which supported 89% of the total 2018 governmental expenses of \$1.058 billion, were comprised of the following.

Government type revenues

(Millions of Dollars)

	<u>Amount</u>	<u>Percentage of Total</u>	
		<u>Revenue</u>	<u>Expense</u>
Program revenues.....	\$ 204	22%	19%
Property and other taxes.....	317	34%	31%
State aids for the general fund.....	269	29%	25%
Miscellaneous revenues and transfers.....	153	15%	14%
Total.....	<u>\$ 943</u>	<u>100%</u>	<u>89%</u>

- Business-type activity program revenue of \$306 million, which supported 139% of the total 2018 business-type expenses of \$221 million, was comprised of the following.

Business type program revenues

(Millions of Dollars)

	<u>Amount</u>	<u>Percentage of Total</u>	
		<u>Revenue</u>	<u>Expense</u>
Water.....	\$ 102	33%	46%
Sewer.....	68	22%	31%
Parking.....	77	25%	35%
Port.....	8	3%	4%
MMSD sewer user charges.....	51	17%	23%
Total.....	<u>\$ 306</u>	<u>100%</u>	<u>139%</u>

Fund Financial Statements

- Total governmental fund, year-end 2018 fund balance was \$245 million, compared to the 2017 ending fund balance of \$255 million, a decrease of \$10 million or 4%.
- The 2018 General Fund, year-end fund balance totaled \$67 million, a \$30 million decrease compared to the 2017 balance of \$97 million. The 2018 ending Fund Balance is approximately 8% of the \$813 million combined General Fund expenditures and transfers for the year.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Unaudited)

Notes

- Outstanding General Obligation bonds and notes payable were \$1.029 billion at year-end 2018, an increase of \$48 million compared to the 2017 total of \$981 million. In addition, revenue bonds of \$158 million and state loans of \$166 million were outstanding at year-end. Total outstanding debt at the end of 2018, including unamortized premium, totaled \$1.440 billion, a \$67 million increase over the 2017 total of \$1.373 billion.

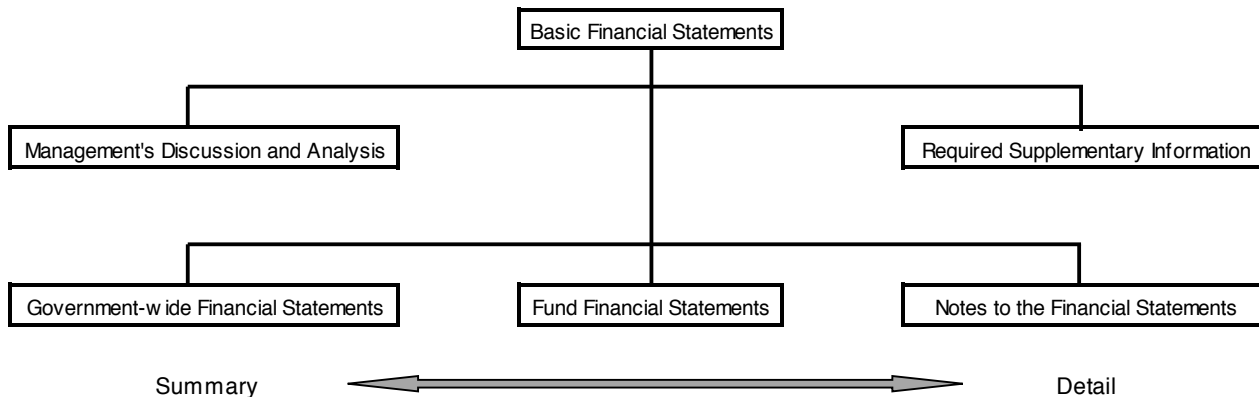
Required Supplementary Information

- General Fund operating revenues were \$13.3 million lower than budgeted while operating expenditures were \$3.8 million less than budgeted in 2018. Property taxes were \$7.7 million lower than budget while revenues other than property taxes were \$5.6 million less than budget. General government and public safety expenditures were \$2.0 million and \$1.5 million lower than budget, respectively, causing most of the expense variance.
- Total OPEB liability decreased \$15 million to \$1.213 billion as of December 31, 2018, compared to \$1.228 billion as of January 1, 2018. The \$15 million decrease was due to an increase in the discount rate to 3.71% from 3.31%.
- Due to a higher-than-expected net investment return, the 2018 pension liability decreased \$49 million to \$304 million compared to the 2017 pension liability of \$353 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.

Figure A-1
Components of the Financial Section



The basic financial statements include two kinds of statements.

- Government-wide financial statements that provide both long-term and current period information about the City's overall financial status.
- "Fund" specific financial statements that focus on individual components of City government, reporting the City's operations in more detail than the government-wide statements.
 - Governmental fund statements tell how general government services such as public safety were financed in the past year as well as what remains for future spending.
 - Proprietary fund statements offer current year and long-term financial information about business-type activities such as the water utility and the sewer maintenance systems.
 - Fiduciary fund statements provide financial information about certain operations—such as 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.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Unaudited)

A summary of the major features of the City's financial statements, including the portion of the City government covered and the types of information contained are depicted in table Figure A-2. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

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 position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net position * Statement of revenues, expenses, and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
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 an overview of the City's finances, 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 position 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.

Two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one measure of the City's financial health. Increases or decreases in the City's net position are one measure of its financial health. Other non-financial factors such as changes in the property tax base and the condition of the City's infrastructure (streets, sewers, etc.) are also needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are divided into three categories on these statements—governmental activities, business-type activities, and component units. A total 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.
- The *component units* include three other entities in its report: Redevelopment Authority of the City of Milwaukee, Neighborhood Improvement Development Corporation, and Century City Redevelopment Corporation. Although legally independent entities, these organizations are closely related to the City of Milwaukee in terms of their respective financial and public policy responsibilities.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant financial components of the municipality as opposed to the City as a whole. These individual funds are established for the purpose of executing specific activities and objectives in accordance with Federal, State and local laws and regulations. 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 expenditures or expenses.

The City reports financial activity and status according to three fund types: governmental, proprietary and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, applying 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 Position and the Statement of Activities) and governmental funds is described in the reconciliations in Exhibits A-2 and A-4.
- **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 utilize full accrual accounting. The City's proprietary funds focus on the business-type activities reported in the government-wide statements, providing additional detail including cash flows.
- **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 Position and Changes in Fiduciary Net Position in Exhibits C-1 and C-2. 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 the Government-wide and Fund financial statements (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. This required supplementary information is presented in Exhibits E-1. A *Schedule of Funding Progress* relating to retiree health and life insurance and pension is depicted in Exhibit E-2.

Combining Schedules, Individual Fund Statements and Schedules of Miscellaneous Financial Data

Combining schedules provide detail in connection with non-major governmental funds and non-major proprietary funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each non-major special revenue fund. Capital Projects are also presented in detail by major category (i.e., streets, sewers) within the Miscellaneous Financial Data Section. See Exhibits F-1 through I-9.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Summary of Statement of Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole. The net position and net expenses of governmental and business-type activities of the City are presented separately in Table 1. Table 1 focuses on the net position and Table 2a focuses on the changes in net position.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Unaudited)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 948,339	\$ 957,235	\$ 124,304	\$ 129,409	\$ 1,072,643	\$ 1,086,644
Capital assets	1,333,203	1,259,140	1,172,080	1,100,637	2,505,283	2,359,777
Total assets	2,281,542	2,216,375	1,296,384	1,230,046	3,577,926	3,446,421
Loss on refunding.....	-	-	31	112	31	112
Deferred outflow s for pensions.....	219,744	219,484	9,400	11,365	229,144	230,849
Long-term obligations	2,586,087	1,886,007	463,081	395,688	3,049,168	2,281,695
Other liabilities	268,943	289,912	55,132	48,189	324,075	338,101
Total liabilities	2,855,030	2,175,919	518,213	443,877	3,373,243	2,619,796
Deferred Inflow s of Resources:						
Gain on Refunding.....	649	904	-	-	649	904
Deferred inflow s for grants.....	-	-	699	579	699	579
Subsequent years property taxes.....	331,334	315,462	-	-	331,334	315,462
Pension and OPEB related.....	184,234	22,254	8,859	873	193,093	23,127
Total deferred inflow s.....	516,217	338,620	9,558	1,452	525,775	340,072
Net position:						
Net investment in capital assets.....	812,090	836,422	801,685	734,161	1,613,775	1,570,583
Restricted	202,334	161,592	10,461	2,209	212,795	163,801
Unrestricted	(1,884,385)	(1,076,694)	(34,102)	59,824	(1,918,487)	(1,016,870)
Total net position	\$ (869,961)	\$ (78,680)	\$ 778,044	\$ 796,194	\$ (91,917)	\$ 717,514

January 1, 2018 net position restated - see Note 15.

Net position of the City's governmental activities decreased to (\$870) million for 2018. The portion of net position restricted as to use totaled \$202 million. Net position invested in capital facilities (buildings, roads, bridges, etc.) totaled \$812 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net position deficit of \$1.884 billion at year-end does not imply that the City has inadequate financial resources to meet its current obligations. Rather, the deficit is caused, in part, by the full accrual of future expenses (expenditures) in the current year. The City's annual budgets, however, only include funding (revenue) for one year of multi-year liabilities such as property-casualty claims, employee leave balances and post-employment benefits. This difference between future expenditures and current year revenue is partly responsible for the deficit.

The net position of business-type activities was \$778 million in 2018. The City, generally, can use the net position of business-type activities only to finance the continuing operations of those specific proprietary activities.

Year-end 2018 long-term obligations for governmental activities were \$2.586 billion, an increase of 37% over the 2017 amount of \$1.886 billion. Most of this increase is attributable to the adoption of GASB 75. Year-end long-term obligations related to business-type activities were \$463 million, an increase of 17% over the 2017 amount of \$396 million. This \$67 million increase is also due mainly to GASB 75.

Total 2018 primary government assets, including capital assets, were \$3.578 billion, an increase of \$132 million or 3.8% from the 2017 amount of \$3.446 billion. At year-end 2018, Water Works and Sewer Maintenance Fund net capital assets comprised 92% of the City's total net capital assets for business-type activities. These two funds are the City's largest proprietary (business-type) funds. The Water Works capital assets consist primarily of water mains and related water facilities and plants; and the Sewer Maintenance Fund includes local sewer mains and connections.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Unaudited)

Changes in Net Position

Revenues less expenses yield the change in net position. Governmental Activity program and general revenues for 2018 totaled \$905 million. This composition of this revenue, by category, is reported on Table 2a while the percentage of each revenue category to the total is shown on Chart 4.

Governmental Activity expenses include a wide range of services. Governmental Activity 2018 expenditures were \$1.058 billion. The composition of these expenditures, by category, is reported on Table 2a while the percentage of each expense category to the total is shown on Chart 3.

Program-specific revenues (charges for services) generated about 15% (see Table 2b) of total governmental activity revenue. General revenues (taxes, State aids, grants, and miscellaneous) account for the remaining 85%.

Governmental Activity revenue for 2018 was \$153 million below expenditures, \$115 million below after a \$38 million transfer from business-type activities. Business-type activity revenue exceeded expenditures and transfers by \$49 million, net of the \$38 million transfer to governmental funds. Chart 1, *Expenses and Program Revenues – Governmental Activities*, and Chart 2, *Expenses and Program Revenues – Business-type Activities* depict the comparison of revenues vs. expenditures, by major function. Table 2a and the narrative that follows, report the operations of governmental and business-type activities separately.

Table 2a
Changes in Net Position
 (Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 137,580	\$ 136,216	\$ 263,809	\$ 256,489	\$ 401,389	\$ 392,705
Operating grants and contributions	65,545	44,328	-	-	65,545	44,328
Capital grants and contributions	569	240	41,788	26,066	42,357	26,306
General revenues:						
Property taxes and other taxes	316,655	307,828	-	-	316,655	307,828
State aids for General Fund	268,792	265,700	-	-	268,792	265,700
Miscellaneous	115,735	97,757	1,638	211	117,373	97,968
Total revenues	<u>904,876</u>	<u>852,069</u>	<u>307,235</u>	<u>282,766</u>	<u>1,212,111</u>	<u>1,134,835</u>
Expenses						
General government	309,828	274,652	-	-	309,828	274,652
Public safety	437,746	485,016	-	-	437,746	485,016
Public Works	192,613	206,205	-	-	192,613	206,205
Health	21,789	23,655	-	-	21,789	23,655
Culture and recreation	26,866	28,193	-	-	26,866	28,193
Conservation and development	47,904	65,175	-	-	47,904	65,175
Interest on long-term debt	21,451	22,097	-	-	21,451	22,097
Water	-	-	78,310	70,219	78,310	70,219
Sewer Maintenance	-	-	58,550	59,823	58,550	59,823
Parking	-	-	25,031	25,287	25,031	25,287
Port of Milwaukee	-	-	4,840	4,570	4,840	4,570
Metropolitan Sewerage District User Charges.....	-	-	53,772	49,853	53,772	49,853
Total expenses	<u>1,058,197</u>	<u>1,104,993</u>	<u>220,503</u>	<u>209,752</u>	<u>1,278,700</u>	<u>1,314,745</u>
Increase in net position before transfers	(153,321)	(252,924)	86,732	73,014	(66,589)	(179,910)
Transfers	37,801	36,854	(37,801)	(36,854)	-	-
Increase in net position	(115,520)	(216,070)	48,931	36,160	(66,589)	(179,910)
Net position – Beginning.....	(754,441)	137,390	729,113	760,034	(25,328)	897,424
Net position – Ending	<u>\$ (869,961)</u>	<u>\$ (78,680)</u>	<u>\$ 778,044</u>	<u>\$ 796,194</u>	<u>\$ (91,917)</u>	<u>\$ 717,514</u>

January 1, 2018 net position restated - see Note 15.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Unaudited)

Governmental Activities

Revenues for the City's governmental activities totaled \$905 million, while total expenses totaled \$1.058 billion for 2018, resulting in a deficit of \$153 million. Total revenues, excluding transfers, supported 85% of total expenses; 89% including transfers. Comparable data for 2017 indicates total revenues, excluding transfers supported 77% of expenses; 80% including transfers.

Revenue amounts for the current and prior year, by category, are summarized in Table 2b, below.

Table 2b
Governmental Activities Revenues
(Thousands of Dollars)

Category	2018		2017	
	Amount	% of Total	Amount	% of Total
Property taxes.....	\$ 316,655	35%	\$ 307,828	36%
State aids.....	268,792	30%	265,700	31%
Charges for services.....	137,580	15%	136,216	16%
Grants and contributions.....	66,114	7%	44,568	5%
Miscellaneous.....	115,735	13%	97,757	12%
Total.....	<u>\$ 904,876</u>	<u>100%</u>	<u>\$ 852,069</u>	<u>100%</u>

Total 2018 governmental activity expenditures decreased \$47 million or 4% compared to 2017. See the Notes to the Financial Statements and Table 2c for further detail.

Chart 1
2018 Expenses and Program Revenues – Governmental Activities

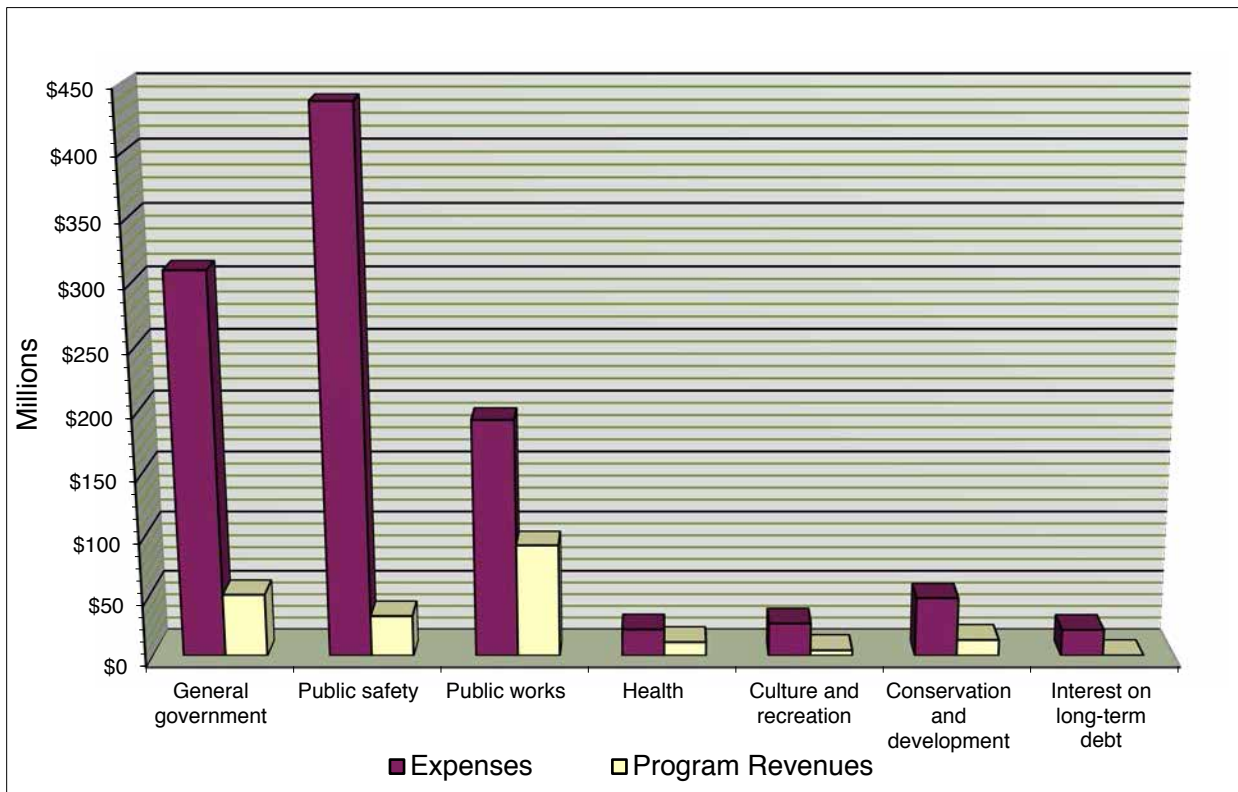


Table 2c presents the gross and net costs (total costs less the revenues generated by the activities) of each of the City's largest programs. Chart 1 above depicts total revenues and expenses for each activity. General government includes most City

CITY OF MILWAUKEE
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departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. "Net cost" shows the remaining costs, by function that are funded by non-program revenues such as City taxes and State aids. The cost of services not funded with direct program revenue for governmental activities decreased in 2018 to \$855 million from \$924 million in 2017, a 7% decrease.

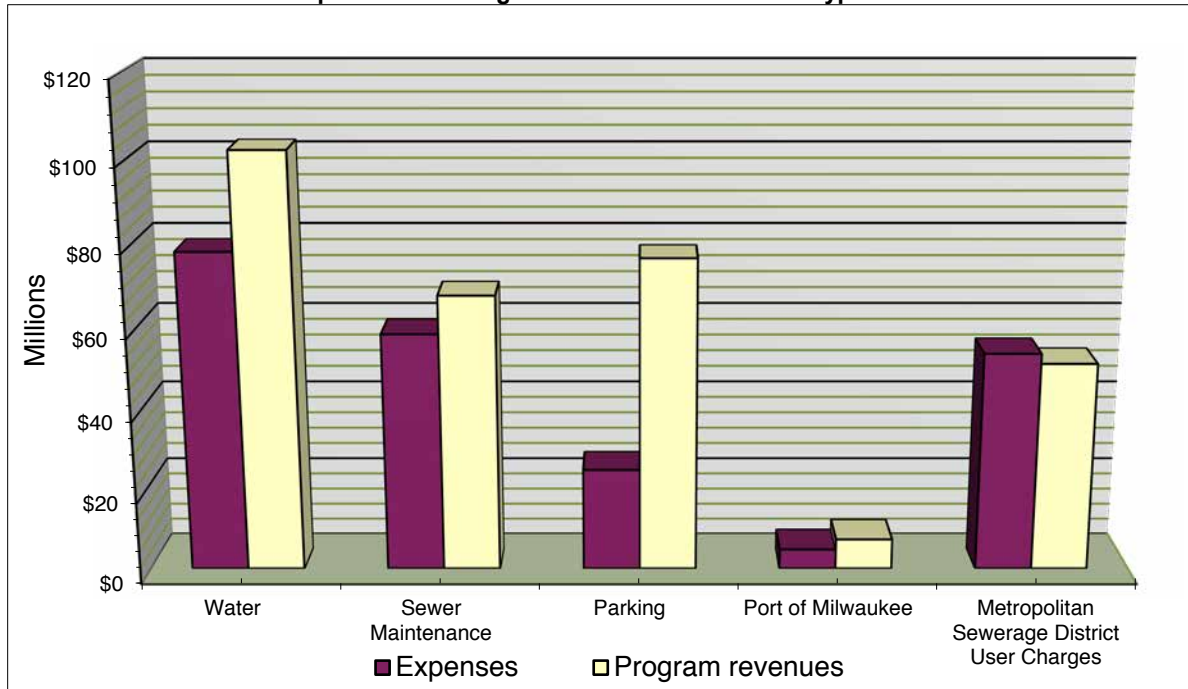
Table 2c
Governmental Activities - Cost of Services
 (Thousand of Dollars)

	Total Cost of Services				Net Cost of Services	
	2018	% of Total	2017	% of Total	2018	2017
General government	\$ 309,828	29%	\$ 274,652	25%	\$ 259,131	\$ 245,446
Public safety	437,746	41%	485,016	44%	404,752	449,320
Public works	192,613	18%	206,205	19%	101,179	119,779
Health	21,789	2%	23,655	2%	10,626	12,451
Culture and recreation	26,866	3%	28,193	2%	22,485	23,926
Conservation and development ..	47,904	5%	65,175	6%	34,879	51,190
Interest on long-term debt	21,451	2%	22,097	2%	21,451	22,097
Total Governmental Activities ..	\$ 1,058,197	100%	\$ 1,104,993	100%	\$ 854,503	\$ 924,209

Business-type Activities

Revenues for the City's business-type activities totaled \$307 million, while expenses and transfers out totaled \$258 million for 2018, resulting in a surplus of \$49 million (see Table 3b). Total revenues supported 139% of total expenses excluding transfers out and 119% including transfers out. Comparable data for 2017 indicates total revenues supported 135% of expenses excluding transfers out; 115% including transfers out. Chart 2 below depicts total revenues and expenses for each business-type activity.

Chart 2
2018 Expenses and Program Revenues – Business-type Activities



The two major proprietary or business-type activities for the City are water services (Water Works) and sewer maintenance. Operating revenues, expenses and income for Water Works and Sewer Maintenance are shown in Table 3a below.

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Table 3a
Major Enterprise Fund - Revenues and Expenses
(Thousands of Dollars)

	<u>Water Works</u>	<u>Sewer Maintenance</u>
Revenues.....	\$ 102,212	\$ 67,846
Expenses.....	78,310	58,550
Net operating income.....	\$ 23,902	\$ 9,296

Business-type revenues, expenses and net position for the current year compared to the previous year are outlined in Table 3b below.

Table 3b
Business-type Revenues, Expenses and Net Position
(Thousands of Dollars)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
Revenues.....	\$ 307,235	\$ 282,766	\$ 24,469	9%
Expenses/Transfers.....	258,304	246,606	11,698	5%
Net position prior to restatement.....	778,044	796,194	(18,150)	-2%
Restatement.....	-	(67,081)		
Net position.....	\$ 778,044	\$ 729,113	\$ 48,931	7%

See Note 15 for restatement details.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting consistent with finance-related legal requirements and external governmental accounting standards.

Governmental Funds

Governmental Funds are reported in the fund based financial statements with a focus on the annual inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with the succeeding year's requirements. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

At year-end 2018, the Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$245 million, a decrease of \$10 million or 4% from the 2017 balance of \$255 million. Current and prior year fund balances of the funds that comprise the Governmental Funds are shown in Table 4a.

Table 4a
Governmental Funds Change in Fund Balances
(Thousands of Dollars)

	<u>General</u>							<u>Total</u>
	<u>General</u>	<u>Obligation Debt Service</u>	<u>Public Debt Amortization</u>	<u>Economic Development</u>	<u>Capital Projects</u>	<u>Nonmajor</u>		
2018 ending balance.....	\$ 66,994	\$ 47,421	\$ 50,537	\$ 74,728	\$ 18,144	\$ (12,854)	\$ 244,970	
2017 ending balance.....	97,476	43,441	54,613	62,710	7,958	(11,326)	254,872	
Increase (decrease).....	\$ (30,482)	\$ 3,980	\$ (4,076)	\$ 12,018	\$ 10,186	\$ (1,528)	\$ (9,902)	
% increase/(decrease).....	-31%	9%	-7%	19%	128%	13%	-4%	

The City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects has occurred. This practice minimizes City borrowing costs and complies with Internal Revenue Service (IRS) regulations. Debt issued for capital projects totaled \$133 million in 2018 compared to \$99 million in 2017.

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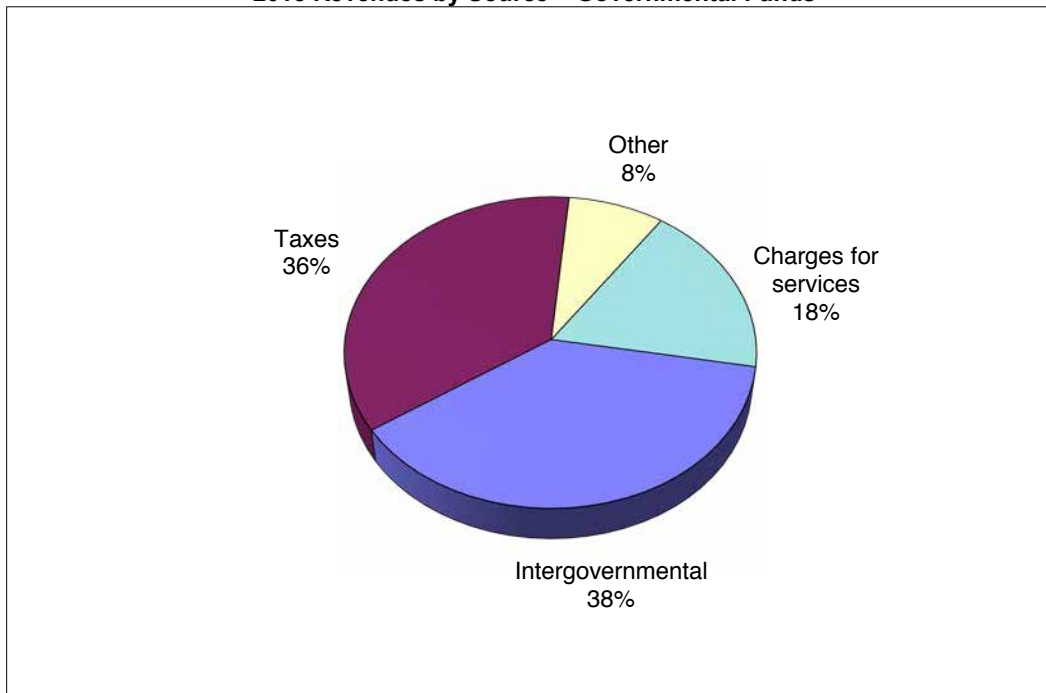
Revenues for governmental functions overall totaled \$880 million in the fiscal year ended December 31, 2018, an increase of \$18 million compared to the 2017 total of \$862 million. Other financing sources were \$555 million, a \$49 million increase from the 2017 total of \$506 million. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from proprietary funds; and transfers of loan repayments received by the Neighborhood Improvement Development Corporation component unit. Governmental revenues, by source, are shown on Table 4b below.

Table 4b
Governmental Fund Revenues by Source
(Thousands of Dollars)

	General						Nonmajor	Total
	General	Obligation Debt Service	Public Debt Amortization	Economic Development	Capital Projects			
Intergovernmental.....	\$ 268,792	\$ -	\$ -	\$ -	\$ 22,722	\$ 41,118	\$ 332,632	
Taxes.....	201,782	66,215	2,262	36,833	8,934	-	316,026	
Charges for services.....	137,580	12,236	-	9,657	-	-	159,473	
Other.....	50,495	3,938	3,367	-	11,206	2,726	71,732	
Total revenues.....	658,649	82,389	5,629	46,490	42,862	43,844	879,863	
Other sources.....	123,941	262,824	-	5,314	139,735	22,695	554,509	
Total revenues & sources.....	<u>\$ 782,590</u>	<u>\$ 345,213</u>	<u>\$ 5,629</u>	<u>\$ 51,804</u>	<u>\$ 182,597</u>	<u>\$ 66,539</u>	<u>\$ 1,434,372</u>	

Chart 3 below depicts revenue, by source, for all governmental funds.

Chart 3
2018 Revenues by Source – Governmental Funds



Expenditures for governmental funds totaled \$1.282 billion. Other financing uses totaled \$163 million, a \$31 million decrease compared to the 2017 total of \$194 million. Expenditures exceeded revenues in 2018, causing a gap of \$402 million. The excess of other financing sources over other financing uses of \$392 million helped to close the gap. However, the net change in fund

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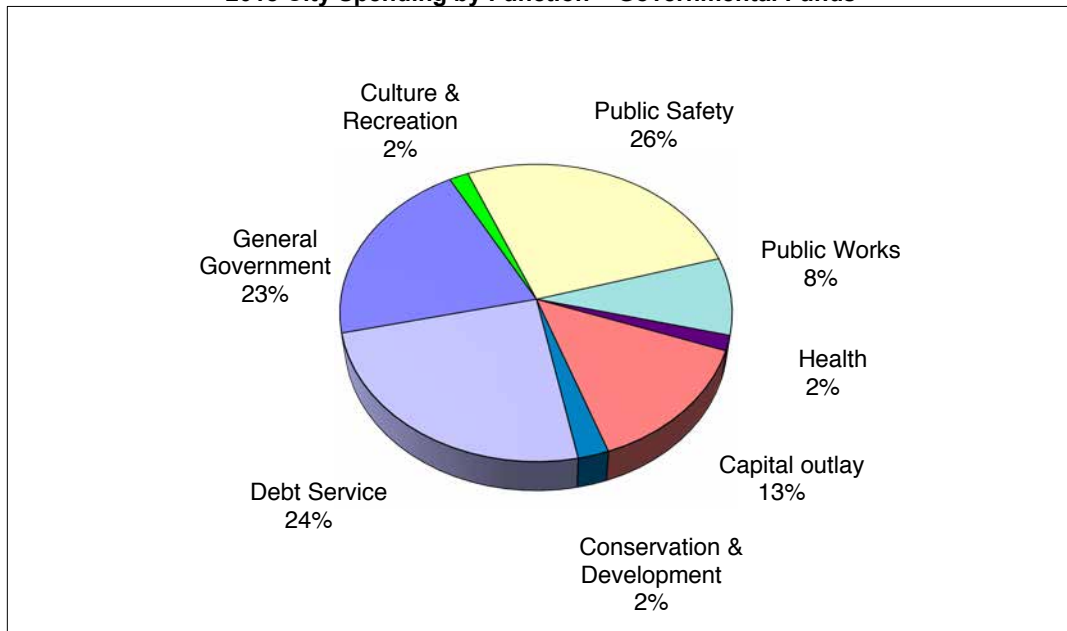
balances was a decrease of \$10 million for the year compared to a decrease of \$53 million in 2017. Governmental expenditures, by function, are shown on Table 4c below.

Table 4c
Governmental Fund Expenditures by Source
(Thousands of Dollars)

	General		Public Debt	Economic	Capital	Nonmajor	Total
	General	Obligation	Amortization	Development	Projects		
		Debt Service					
General government.....	\$ 292,790	\$ 1,124	\$ 5	\$ -	\$ -	\$ 3,310	\$ 297,229
Public safety.....	317,801	-	-	-	-	12,426	330,227
Public works.....	104,070	-	-	-	-	2,566	106,636
Health.....	9,872	-	-	-	-	9,826	19,698
Culture & recreation.....	19,668	-	-	-	-	2,106	21,774
Conservation & development..	4,862	-	-	10,147	-	12,699	27,708
Capital outlay.....	-	-	-	-	165,877	-	165,877
Debt service.....	-	312,433	-	-	-	-	312,433
Total expenditures.....	749,063	313,557	5	10,147	165,877	42,933	1,281,582
Other uses.....	64,009	27,676	9,700	29,639	6,534	25,134	162,692
Total expenditures & uses....	\$ 813,072	\$ 341,233	\$ 9,705	\$ 39,786	\$ 172,411	\$ 68,067	\$ 1,444,274

Chart 4 below depicts spending by function for all governmental funds.

Chart 4
2018 City Spending by Function – Governmental Funds



CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund decreased \$30.5 million or 31%. Revenues and other financing sources totaled approximately \$782.6 million and expenditures and other financing uses totaled approximately \$813.1 million - detailed in Table 5 below. General Fund revenues increased \$21.0 million due mostly to increases of \$9 million in property taxes, \$1.6 million in licenses and permits, \$3.1 million in intergovernmental, \$1.4 million in charges for services and \$7.3 million in other combined with a decrease of \$1.4 million in other taxes.

Expenditures increased \$52 million to \$749 million, compared to the 2017 total of \$697 million. This \$52 million is comprised of increases in general government, public safety, public works and culture & recreation expenditures of \$45 million, \$3 million, \$3 million and \$1 million, respectively. The increase in expenditures is due mainly to increases in fringe benefit costs such as pension (up \$28 million), health insurance (up \$10 million) and workers compensation (up \$1 million). Total expenditures exceeded total revenues by \$90 million or 14%.

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 \$41 million not including the \$19 million transfer out of fund balance to fund expenditures. This \$19 million fund balance withdrawal was a \$8.6 million decrease from the 2017 transfer out of \$27.6 million.

Total General Fund revenues for 2018 were \$659 million. The largest revenue category is intergovernmental at \$269 million, representing 41% of the total. The second largest revenue source is Property Taxes with \$199 million or 30%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 21% or \$138 million. These three categories comprise 92% of the total 2018 revenues.

Table 5 below presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 5
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			
	2018	2017	Percent Change		2018	2017	Percent Change
Revenues:				Expenditures:			
Property taxes	\$ 198,951	\$ 190,337	4.5%	General government.....	\$ 292,790	\$ 247,401	18.3%
Other taxes	2,831	4,234	-33.1%	Public safety.....	317,801	315,139	0.8%
Licenses and permits	17,232	15,597	10.5%	Public works.....	104,070	100,724	3.3%
Intergovernmental	268,792	265,700	1.2%	Health.....	9,872	10,353	-4.6%
Charges for services	137,580	136,216	1.0%	Culture and recreation	19,668	18,789	4.7%
Fines and forfeits	3,297	3,357	-1.8%	Conservation and			
Contributions received	3,205	3,022	6.1%	development	4,862	4,579	6.2%
Other	26,761	19,384	38.1%	Other	-	-	
Total Revenues	658,649	637,847	3.3%	Total Expenditures	749,063	696,985	7.5%
Excess of Revenues				Other Financing Uses			
over Expenditures	(90,414)	(59,138)	52.9%	Transfers out	64,009	2,119	2920.7%
Other Financing Sources				Total Expenditures			
Debt proceeds	62,330	6,462	864.6%	Other Financing Uses ..	\$ 813,072	\$ 699,104	16.3%
Transfers in	61,611	44,339	39.0%	Net Change in			
Total Revenues and				Fund Balance	\$ (30,482)	\$ (10,456)	191.5%
Other Financing Sources ..	782,590	688,648	13.6%				

During 2018, the City issued and repaid \$110 million of Revenue Anticipation Notes (RANS) to finance the operating budget pending receipt of State Shared Revenues. During 2018, \$290 million of RANS were issued and repaid, including notes issued for the Milwaukee Public Schools.

The City maintains two separate debt service funds, the General Obligation Debt Service Fund and the Public Debt Amortization Fund (PDAF).

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The General Obligation Debt Service Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding general obligation debt. The 2018 fund balance of the General Obligation Debt Service Fund increased \$4 million to \$47 million compared to the 2017 balance of \$43 million (see Table 4a).

Total revenues of the General Obligation Debt Service Fund increased \$1.5 million to \$82.4 million in 2018 from \$80.9 million in 2017. Revenues combined with *Other Financing Sources* totaled \$345 million (see table 4b) while expenditures combined with *Other Financing Uses* totaled \$341 million (see Table 4c); resulting in an increase in Fund Balance for year-end 2018 of \$4 million (see Table 4a).

The PDAF is governed by State Statutes Section 67.101 whereby accumulated funds can be used for the retirement of the public debt. The 2018 PDAF fund balance was \$50.5 million, a \$4.1 million decrease from the 2017 balance of \$54.6 million – see Table 4a.

The Economic Development Fund is used to record Tax Incremental District (TID) non-capital transactions (i.e. receipt of taxes and other revenues, payment of debt service, refunds of excess revenue to overlying taxing jurisdictions). The fund is also used to record Business Improvement District (BID) and Neighborhood Improvement District (NID) assessments and payouts. The 2018 fund balance of the Economic Development fund increased \$12 million to \$74.7 million from the 2017 total of \$62.7 million.

The Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. In 2018, total debt proceeds amounted to \$133 million as compared to \$99 million in 2017, a 34% increase. Total revenues increased \$5 million to \$43 million in 2018 from \$38 million 2017; expenditures decreased \$6 million, to \$166 million in 2018 compared to \$172 million in 2017. The issuance of bonds and notes during 2018 for capital purposes combined with revenues and transfers exceeded the current year's expenditures and transfers out resulting in a positive fund balance of \$18 million, a \$10 million increase compared to the 2017 fund balance of \$8 million (Table 4a).

Nonmajor fund activity is explained in the *Proprietary Funds* section below.

Proprietary Funds

The proprietary fund statements provide information on both short and long-term financial status, focusing on net position and the change in net position resulting from operations. Major proprietary funds include Water Works and Sewer Maintenance. Nonmajor Proprietary funds include Parking, Port of Milwaukee and Metropolitan Sewerage District User Charge.

At the end of the fiscal year, the total net position for all proprietary funds was \$778 million, an increase of \$49 million from the 2017 balance of \$729 million. This \$49 million increase is a combination of, increases of \$11 million in Water Works, \$7 million in the Sewer Maintenance fund and \$31 million in the Nonmajor Proprietary funds. The Nonmajor Proprietary funds increase of \$31 million is a combination of an increase of \$33 million in Parking combined with a decrease of \$2 million in Metropolitan Sewerage District User Charge (see Table 6b for detail).

In 2018, operating revenues of the proprietary funds totaled \$263.8 million (a 2.8% increase) while total operating expenses increased \$11.2 million to \$186.6 million. The Water Works is the largest proprietary activity of the City, comprising approximately 38% of the total operating revenues. The Sewer Maintenance Fund comprises 25% of the total operating revenues. Both funds primarily bill customers based on water consumption.

For 2018, Water Works operating revenues increased \$2.8 million or 2.9%, caused mainly by a rise in water sales. Increased sewer maintenance fees caused Sewer Maintenance operating revenues to increase \$1.4 million or 2.2%. The combined revenue of all other proprietary funds (labeled Nonmajor Funds in Table 6a, detail presented in Table 6b) increased \$3.0 million or 3.2% compared to 2017. This \$3.0 million revenue increase is the result of increases of \$1.5 million, \$600 thousand and \$900 thousand in the Parking, Port and Sewerage District User Charge funds, respectively.

The Water Works incurred total operating expenses of \$78.2 million for 2018, an increase of \$8.4 million compared to 2017 total of \$69.8 million. This increase was mostly caused by an increase in transmission & distribution expense. Sewer Maintenance operating expenses totaled \$25.3 million in 2018, a decrease of \$2.9 million compared to the 2017 total of \$28.2 million. This decrease was caused mainly by a reduction in services, supplies and materials expense.

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The 2018 combined operating expenses of all other proprietary funds increased \$5.6 million or 7.2% from the 2017 total of \$77.4 million. Table 6b below presents a summary of revenues and expenditures and changes in net position of the nonmajor proprietary funds. This \$5.6 million expense increase is the result of increases of \$1.4 million, \$300 thousand and \$3.9 million in the Parking, Port and Sewerage District User Charge funds, respectively. The Parking increase was caused mainly by an increase in services, supplies and materials expense while the Sewerage District User Charge increase was due mostly to increased sewer user charges billed by the Metropolitan Milwaukee Sewerage District.

Table 6a
Proprietary Funds - Summary of Revenues, Expenses and Changes in Net Position
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Funds	Total
Operating revenues.....	\$ 100,661	\$ 66,585	\$ 96,563	\$ 263,809
Operating expenses.....	<u>78,233</u>	<u>25,292</u>	<u>83,033</u>	<u>186,558</u>
Operating income.....	22,428	41,293	13,530	77,251
Nonoperating revenues (expenses).....	<u>325</u>	<u>(31,753)</u>	<u>1,587</u>	<u>(29,841)</u>
Income before contributions & transfers.....	22,753	9,540	15,117	47,410
Capital contributions and transfers.....	<u>(11,539)</u>	<u>(2,387)</u>	<u>15,447</u>	<u>1,521</u>
Increase (decrease) in net position.....	11,214	7,153	30,564	48,931
Net position 2017.....	473,547	283,307	39,340	796,194
Restatement (see Note 15).....	<u>(40,508)</u>	<u>(13,253)</u>	<u>(13,320)</u>	<u>(67,081)</u>
Net position 2018.....	<u>\$ 444,253</u>	<u>\$ 277,207</u>	<u>\$ 56,584</u>	<u>\$ 778,044</u>

Table 6b
Nonmajor Proprietary Funds - Summary of Revenues, Expenses and Changes in Net Position
(Thousands of Dollars)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total
Operating revenues.....	\$ 39,045	\$ 6,205	\$ 51,313	\$ 96,563
Operating expenses.....	<u>24,577</u>	<u>4,684</u>	<u>53,772</u>	<u>83,033</u>
Operating income.....	14,468	1,521	(2,459)	13,530
Nonoperating revenues (expenses).....	<u>526</u>	<u>1,061</u>	<u>-</u>	<u>1,587</u>
Income before contributions & transfers.....	14,994	2,582	(2,459)	15,117
Capital contributions and transfers.....	<u>18,174</u>	<u>(2,727)</u>	<u>-</u>	<u>15,447</u>
Increase (decrease) in net position.....	33,168	(145)	(2,459)	30,564
Net position 2017.....	20,200	19,186	(46)	39,340
Restatement (see Note 15).....	<u>(10,657)</u>	<u>(2,663)</u>	<u>-</u>	<u>(13,320)</u>
Net position 2018.....	<u>\$ 42,711</u>	<u>\$ 16,378</u>	<u>\$ (2,505)</u>	<u>\$ 56,584</u>

General Fund Budgetary Highlights

For the year ended December 31, 2018, the General Fund budgetary-basis actual revenues were \$13 million lower than budgeted revenues. Revenue categories for property taxes, other taxes, charges for services and revenues, experienced an unfavorable (less than budgeted) variance of \$15 million. However, all other categories including other licenses & permits, intergovernmental and fines & forfeitures exceeded the final budget by a total of \$2 million. Actual total revenues increased \$21 million to \$637 million in 2018 from \$616 million in 2017. Intergovernmental revenues increased \$3 million to \$269 million from \$266 million in 2017. The intergovernmental category includes financing from the State for shared taxes, local street aids, and payment for municipal services.

Operating expenditures were \$3.8 million less than budgeted. This favorable variance is due mainly to savings in the general government and public safety categories.

Final budget other financing sources were \$126 million, an increase of \$71 million compared to the original budget of \$55 million. This increase was due to the issuance of general obligation notes to finance the fiscal requirements of the City.

The original 2018 budget for expenditures includes the adopted budget plus the encumbrances carried over from 2017 less the encumbrances carried over to 2019. The final budget includes the original budget, as defined above, plus appropriations

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authorized for carryover from 2017 by the Common Council less those appropriations authorized for carryover to 2019. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this account to specific departments during the year to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in the Required Supplementary Information Section, Exhibit E-1 shows both the original 2018 General Fund expenditure budget of \$699 million and the final budget of \$732 million, which is a 6.9% increase compared to the final 2017 budget of \$685 million. The final revenue budget of \$651 million is a 4.3% increase compared to the final 2017 revenue budget of \$624 million. Table 7 below presents a summary of 2018 General Fund budget to actual revenues, expenses and changes in fund balance.

Table 7
General Fund - Budgetary Comparison Summary
(Thousands of Dollars)

	Original Budget	Final Budget	Budgetary Basis Actual	Variance Positive (Negative)
Operating revenues.....	\$643,678	\$ 650,738	\$637,446	\$ (13,292)
Operating expenses.....	698,650	731,617	727,855	3,762
Deficiency of revenues over expenditures.....	(54,972)	(80,879)	(90,409)	(9,530)
Other financing sources (uses).....	55,124	126,028	78,927	(47,101)
Net change in fund balance.....	152	45,149	(11,482)	(56,631)
Fund balance 2017.....	78,476	78,476	78,476	
Fund balance 2018.....	<u>\$ 78,628</u>	<u>\$ 123,625</u>	<u>\$ 66,994</u>	<u>\$ (56,631)</u>

The General Fund Schedule of Expenditures - Budget and Actual (Exhibit I-9) compares current year actual to budgeted expenditures, by department.

The General Fund's beginning Fund Balance of \$97 million, as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit A-3), differs from the General Fund's budgetary Fund Balance of \$78 million, reported in the Budgetary Comparison Schedule (Exhibit E-1,) by the \$19 million withdrawal from the Fund Balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2018 total \$2.5 billion (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 \$145 million or 6%. Governmental activities' capital assets increased \$74 million or 6% from 2017. Business-type activity capital assets increased \$71 million or 6% at the end of 2018. A schedule comparing the assets by type for 2018 and 2017 for both governmental and business-type activities is shown in Table 8 below. The net change in assets, as detailed in Note 4 to the Financial Statements, reports that 2018 additions were \$155 million and deletions were \$93 million for governmental activities. January 1, 2018 construction in progress and infrastructure along with the associated accumulated depreciation amounts were restated for a net amount of \$12 million (see Note 15). The two largest business-type activities are the Sewer Maintenance Fund and the Water Works Fund. The Sewer Maintenance Fund had a net increase in capital assets of \$11 million. Of the Sewer Maintenance Fund's net assets at year-end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 62% of its total capital assets with 33% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of \$22 million.

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Table 8
Net Capital Assets
(Thousands of Dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Primary Government</u>	
					<u>2018</u>	<u>2017</u>
Capital assets not being depreciated:						
Land	\$ 165,681	\$ 165,735	\$ 19,252	\$ 17,321	\$ 184,933	\$ 183,056
Construction in progress	112,050	117,441	50,400	44,003	162,450	161,444
Intangible right of ways	1,342	1,342	-	-	1,342	1,342
Capital assets being depreciated:.....						
Buildings	376,832	324,890	133,183	95,900	510,015	420,790
Infrastructure.....	1,837,394	1,799,706	1,195,692	1,154,107	3,033,086	2,953,813
Improvements other than buildings.	12,175	12,175	10,903	10,970	23,078	23,145
Machinery and equipment	239,612	213,173	298,840	290,121	538,452	503,294
Intangible software.....	13,930	11,327	-	-	13,930	11,327
Nonutility property	-	-	3,918	3,917	3,918	3,917
Accumulated depreciation	(1,425,813)	(1,386,649)	(540,108)	(515,702)	(1,965,921)	(1,902,351)
Total	\$ 1,333,203	\$ 1,259,140	\$ 1,172,080	\$ 1,100,637	\$ 2,505,283	\$ 2,359,777

January 1, 2018 construction in progress and infrastructure totals restated - see Note 15.

Debt

At year-end, the City owed \$1 billion in general obligation bonds and notes, \$166 million in State loans, and \$158 million in revenue bonds outstanding. Debt totals, excluding unamortized premium, are itemized in Table 9.

During 2018, \$343 million of general obligation bonds and notes and \$29 million of State loans were issued. Of the \$343 million of new GOB issuances, \$324 million related to governmental activities and \$19 million was for business-type activities. All 2018 State loan issuances were for business-type activities.

The City continues to maintain high investment grade ratings from the two major rating agencies. A rating of "AA-" from Standard and Poor's Corporation, and "AA" from Fitch's Rating Agency Inc., were received on the City's general obligation bonds and notes.

The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2018, \$21.6 million of notes were issued to fund delinquent taxes. Delinquent tax collections, along with related interest and penalties, are used to pay the debt service requirements of the notes.

Table 9
Outstanding Debt
General Obligation Bonds & Notes, State Loans and Revenue Bonds
(Thousands of Dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Primary Government</u>	
					<u>2018</u>	<u>2017</u>
General obligation bonds and notes						
(backed by the City)	\$ 994,923	\$ 942,330	\$ 34,172	\$ 38,875	\$ 1,029,095	\$ 981,205
State loans	-	-	166,243	114,308	166,243	114,308
Revenue bonds						
(backed by specific fee revenues)	-	-	158,360	200,156	158,360	200,156
Total	\$ 994,923	\$ 942,330	\$ 358,775	\$ 353,339	\$ 1,353,698	\$ 1,295,669

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the City of Milwaukee for 2018 was 3.6%, compared to 4.6% for 2017. The City of Milwaukee per capita income for 2017 (the most recent fiscal year available) was \$45,099, compared to \$43,621 for 2016. Table 13, in the Statistical Section, contains demographic and economic statistics for the last ten calendar years.

The 2019 adopted City Budget is about \$1.54 billion with a General Fund budget of \$747 million. The General Fund budget decreased \$1 million from the 2018 budget of \$748 million. In 2019, the City expects to spend \$109 million for health insurance and related costs compared to \$107 million budgeted for 2018, a \$2 million increase.

The Public Works portion of the 2019 budget includes \$11.4 million to replace 1,000 lead water service lines. In addition, 31 miles of streets and 14 miles of sewers will be improved or replaced. The Public Safety budget maintains an average annual sworn police force of 1,864 members and the hiring of 86 new police officer recruits. The Health portion of the 2019 budget includes \$7.6 million in funding for the Lead Poisoning Prevention Program.

The City of Milwaukee's share of the Tax Rate decreased to \$10.59 (per \$1,000 of Assessed Value) from the 2018 rate of \$10.75. The total City 2018 property tax levy increased \$7.5 million to \$281.0 million, compared to \$273.5 million in 2017, while the assessed valuation of all property within the City increased \$1.4 billion. The 2018 property tax levy (which funds the 2019 budget) is shown in Table 10 below along with a comparison to the 2017 levy.

Table 10
Tax Levy by Purpose
(Thousands of Dollars)

	<u>Levy Year *</u>		<u>Increase</u>
	<u>2018</u>	<u>2017</u>	<u>(decrease)</u>
General city purposes.....	\$ 119,704	\$ 107,192	\$ 12,512
Employee retirement.....	86,619	94,189	(7,570)
Capital improvements.....	1,114	889	225
Debt.....	68,559	66,216	2,343
Contingent fund.....	5,000	5,000	-
Total levy.....	<u>\$ 280,996</u>	<u>\$ 273,486</u>	<u>\$ 7,510</u>

*Levy year funds the next year's budget.

The 2019 General City Purpose budget includes \$634 million in estimated revenue, an increase of \$12.0 compared to 2018. The sources of funds for the 2019 General City Purpose budget, by category, compared to the 2018 budget is shown in Table 11.

Table 11
Sources of Funds for General City Purposes Budget
(Thousands of Dollars)

	<u>Budget Year*</u>		<u>Increase</u>
	<u>2019</u>	<u>2018</u>	<u>(decrease)</u>
Tax levy.....	\$ 119,704	\$ 107,192	\$ 12,512
Taxes and PILOTS.....	17,984	17,591	393
Licenses and permits.....	16,125	15,937	188
Intergovernmental revenue.....	270,081	268,191	1,890
Charges for services.....	129,077	129,145	(68)
Transfers.....	32,000	36,123	(4,123)
Other.....	49,145	48,150	995
Total sources.....	<u>\$ 634,116</u>	<u>\$ 622,329</u>	<u>\$ 11,787</u>

*Budget is funded by the prior year's levy.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the City's finances and to demonstrate the City's accountability for the taxes and other funding received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET POSITION
December 31, 2018
(Thousands of Dollars)

Exhibit 1

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 322,878	\$ 49,794	\$ 372,672	\$ 90,914
Receivables (net):				
Taxes	251,671	-	251,671	-
Accounts	36,164	49,501	85,665	188
Unbilled accounts	4,257	18,500	22,757	-
Special assessments	7,414	-	7,414	-
Notes and loans	90,837	-	90,837	9,481
Accrued interest	553	155	708	981
Due from component units	8,625	-	8,625	-
Due from primary government	-	-	-	121
Due from other governmental agencies	211,760	1,679	213,439	66,433
Inventory of materials and supplies	9,324	3,801	13,125	-
Inventory of property for resale	26	-	26	7,900
Prepaid items	4,830	814	5,644	36
Other assets	-	60	60	-
Total Noncapital Assets	<u>948,339</u>	<u>124,304</u>	<u>1,072,643</u>	<u>176,054</u>
Capital assets:				
Capital assets not being depreciated:				
Land	165,681	19,252	184,933	10,593
Construction in progress	112,050	50,400	162,450	-
Intangible right of ways	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings	376,832	133,183	510,015	75,621
Infrastructure	1,837,394	1,195,692	3,033,086	333
Improvements other than buildings	12,175	10,903	23,078	4,264
Machinery and equipment	239,612	298,840	538,452	6
Intangible software.....	13,930	-	13,930	565
Nonutility property	-	3,918	3,918	-
Accumulated depreciation	<u>(1,425,813)</u>	<u>(540,108)</u>	<u>(1,965,921)</u>	<u>(24,940)</u>
Total Capital Assets	<u>1,333,203</u>	<u>1,172,080</u>	<u>2,505,283</u>	<u>66,442</u>
Total Assets	<u>2,281,542</u>	<u>1,296,384</u>	<u>3,577,926</u>	<u>242,496</u>
Deferred Outflows of Resources:				
Loss on refunding.....	-	31	31	-
Deferred outflows for pensions	<u>219,744</u>	<u>9,400</u>	<u>229,144</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>219,744</u>	<u>9,431</u>	<u>229,175</u>	<u>-</u>

CITY OF MILWAUKEE
STATEMENT OF NET POSITION
 December 31, 2018
 (Thousands of Dollars)

Exhibit 1 (Continued)

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable	\$ 63,766	\$ 28,962	\$ 92,728	\$ 1,838
Accrued expenses	32,941	1,497	34,438	1,129
Accrued interest payable	9,833	1,420	11,253	-
Internal balances	(21,432)	21,432	-	-
Due to component units	121	-	121	-
Due to other governmental agencies	2,873	-	2,873	1,811
Unearned revenues.....	841	1,821	2,662	371
Revenue anticipation notes payable	180,000	-	180,000	-
Other liabilities	-	-	-	2,463
Due to primary government:				
Due within one year	-	-	-	692
Due in more than one year	-	-	-	7,933
Long-term obligations:				
Due within one year	146,776	27,076	173,852	4,128
Due in more than one year	<u>2,439,311</u>	<u>436,005</u>	<u>2,875,316</u>	<u>173,082</u>
Total Liabilities	<u>2,855,030</u>	<u>518,213</u>	<u>3,373,243</u>	<u>193,447</u>
Deferred Inflows of Resources:				
Gain on refunding.....	649	-	649	-
Deferred inflows for grants.....	-	699	699	-
Subsequent years property taxes.....	331,334	-	331,334	-
Deferred inflows for pensions	127,836	4,953	132,789	-
Deferred inflows for OPEB	<u>56,398</u>	<u>3,906</u>	<u>60,304</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>516,217</u>	<u>9,558</u>	<u>525,775</u>	<u>-</u>
NET POSITION				
Net investment in capital assets.....	812,090	801,685	1,613,775	24,884
Restricted for:				
Debt service	88,125	10,461	98,586	-
Other purposes	114,209	-	114,209	11,691
Unrestricted	<u>(1,884,385)</u>	<u>(34,102)</u>	<u>(1,918,487)</u>	<u>12,474</u>
Total Net Position	<u>\$ (869,961)</u>	<u>\$ 778,044</u>	<u>\$ (91,917)</u>	<u>\$ 49,049</u>

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

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 December 31, 2018
 (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	\$ 309,828	\$ 27,538	\$ 23,159	\$ -
Public safety	437,746	19,862	13,132	-
Public works	192,613	87,817	3,048	569
Health	21,789	1,332	9,831	-
Culture and recreation	26,866	1,023	3,358	-
Conservation and development	47,904	8	13,017	-
Interest on long-term debt	21,451	-	-	-
Total Governmental Activities	<u>1,058,197</u>	<u>137,580</u>	<u>65,545</u>	<u>569</u>
Business-type Activities:				
Water	78,310	100,661	-	1,551
Sewer Maintenance	58,550	66,585	-	1,261
Parking	25,031	39,045	-	37,762
Port of Milwaukee	4,840	6,205	-	1,214
Metropolitan Sewerage District				
User Charges	53,772	51,313	-	-
Total Business-type Activities	<u>220,503</u>	<u>263,809</u>	<u>-</u>	<u>41,788</u>
Total Primary Government	<u>\$ 1,278,700</u>	<u>\$ 401,389</u>	<u>\$ 65,545</u>	<u>\$ 42,357</u>
Component units:				
Redevelopment Authority	\$ 22,713	\$ 5,011	\$ 2,162	\$ -
Neighborhood Improvement Development				
Corporation	533	195	103	-
Century City Redevelopment Corporation	750	356	-	-
Total Component Units	<u>\$ 23,996</u>	<u>\$ 5,562</u>	<u>\$ 2,265</u>	<u>\$ -</u>
General revenues:				
Property taxes and other taxes				
State aid for General Fund				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning, as restated (note 15).....				
Net Position - Ending				

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

Net (Expenses) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (259,131)		\$ (259,131)	
(404,752)		(404,752)	
(101,179)		(101,179)	
(10,626)		(10,626)	
(22,485)		(22,485)	
(34,879)		(34,879)	
(21,451)		(21,451)	
<u>(854,503)</u>		<u>(854,503)</u>	
-	\$ 23,902	23,902	
-	9,296	9,296	
-	51,776	51,776	
-	2,579	2,579	
-	(2,459)	(2,459)	
-	85,094	85,094	
<u>(854,503)</u>	<u>85,094</u>	<u>(769,409)</u>	
			\$ (15,540)
			(235)
			<u>(394)</u>
			<u>(16,169)</u>
316,655	-	316,655	-
268,792	-	268,792	-
115,735	1,638	117,373	17,114
37,801	(37,801)	-	-
<u>738,983</u>	<u>(36,163)</u>	<u>702,820</u>	<u>17,114</u>
(115,520)	48,931	(66,589)	945
<u>(754,441)</u>	<u>729,113</u>	<u>(25,328)</u>	<u>48,104</u>
<u>\$ (869,961)</u>	<u>\$ 778,044</u>	<u>\$ (91,917)</u>	<u>\$ 49,049</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
 DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and investments	\$ 65,346
Receivables (net):	
Taxes	152,120
Accounts	34,870
Unbilled accounts	4,257
Special assessments	-
Notes and loans	41
Accrued interest	409
Due from other funds	73,956
Due from component units	72
Due from other governmental agencies	196
Advances to other funds	6,325
Inventory of materials and supplies	9,324
Inventory of property for resale	26
Prepaid items	3,670
Total Assets	<u>\$ 350,612</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 32,185
Accrued expenses	32,403
Due to other funds	-
Due to component units	29
Due to other governmental agencies	49
Unearned revenue.....	37
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>64,703</u>
Deferred Inflows of Resources:.....	<u>218,915</u>
Fund Balances:	
Nonspendable	19,476
Restricted.....	-
Committed.....	3,066
Assigned	26,450
Unassigned.....	<u>18,002</u>
Total Fund Balances	<u>66,994</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 350,612</u>

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

General Obligation Debt Service	Public Debt Amortization	Economic Development	Capital Projects	Nonmajor Governmental Funds	Total
\$ 80,099	\$ 30,205	\$ 92,963	\$ 52,441	\$ 1,824	\$ 322,878
40,063	-	25,384	4,683	29,421	251,671
-	-	-	1,273	21	36,164
-	-	-	-	-	4,257
-	-	-	7,414	-	7,414
60,055	20,188	-	-	10,553	90,837
-	144	-	-	-	553
-	-	-	-	-	73,956
-	-	8,502	14	37	8,625
180,000	-	-	20,949	10,615	211,760
-	-	-	-	-	6,325
-	-	-	-	-	9,324
-	-	-	-	-	26
-	-	-	1,159	1	4,830
\$ 360,217	\$ 50,537	\$ 126,849	\$ 87,933	\$ 52,472	\$ 1,028,620
\$ 115	\$ -	\$ 180	\$ 26,104	\$ 5,182	\$ 63,766
-	-	-	377	161	32,941
4,068	-	-	1,689	46,767	52,524
-	-	-	92	-	121
-	-	-	527	2,297	2,873
-	-	-	176	628	841
180,000	-	-	-	-	180,000
-	-	-	6,325	-	6,325
184,183	-	180	35,290	55,035	339,391
128,613	-	51,941	34,499	10,291	444,259
-	-	-	1,159	1	20,636
47,421	50,537	89,768	15,485	8,113	211,324
-	-	-	20,817	-	23,883
-	-	-	-	-	26,450
-	-	(15,040)	(19,317)	(20,968)	(37,323)
47,421	50,537	74,728	18,144	(12,854)	244,970
\$ 360,217	\$ 50,537	\$ 126,849	\$ 87,933	\$ 52,472	\$ 1,028,620

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds (Exhibit A-1) \$ 244,970

Amounts reported for governmental activities in the statement of net assets (Exhibit 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	165,681	
Buildings, net of \$135,271 accumulated depreciation	241,561	
Infrastructure, net of \$1,121,762 accumulated depreciation	715,632	
Improvements other than buildings, net of \$10,258 accumulated depreciation	1,917	
Machinery and equipment, net of \$153,576 accumulated depreciation	86,036	
Intangible assets net of \$4,946 accumulated depreciation	10,326	
Construction in progress	<u>112,050</u>	
		1,333,203

Some revenues are unavailable in the funds because they are not available to pay current period's expenditures.

Taxes to be collected	15,358	
Grant revenues to be collected	22,095	
Notes and loans receivable to repay long-term bonds and notes	68,643	
Special assessments to be collected	<u>6,829</u>	
		112,925

Deferred inflows and outflows of resources related to pensions and Other Post Employment Benefits have not been included in governmental fund activity.

Deferred inflows for Other Post Employment Benefits	(56,398)	
Deferred inflows for pensions	(127,836)	
Deferred outflows for pensions	<u>219,744</u>	
		35,510

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 position.

Accrued interest payable	(9,833)	
Bonds and notes payable	(994,923)	
Gain on refunding	(649)	
Unamortized premiums	(75,271)	
Compensated absences	(46,698)	
Total other postemployment benefits liability	(1,134,360)	
Net pension liability	(292,505)	
Claims and judgments	<u>(42,330)</u>	
		<u>(2,596,569)</u>

Total net position of governmental activities (Exhibit 1) **\$ (869,961)**

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, 2018
 (Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 198,951
Other taxes	2,831
Special assessments	-
Licenses and permits	17,232
Intergovernmental	268,792
Charges for services	137,580
Fines and forfeits	3,297
Contributions received	3,205
Other	26,761
Total Revenues	<u>658,649</u>
Expenditures:	
Current:	
General government	292,790
Public safety	317,801
Public works	104,070
Health	9,872
Culture and recreation	19,668
Conservation and development	4,862
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>749,063</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(90,414)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	62,330
Proceeds from debt refundings	-
Loans receivable activities	-
Issuance premium	-
Transfers in	61,611
Transfers out	<u>(64,009)</u>
Total Other Financing Sources and Uses	<u>59,932</u>
Net Change in Fund Balances	(30,482)
Fund Balances - Beginning	<u>97,476</u>
Fund Balances - Ending	<u>\$ 66,994</u>

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

General Obligation Debt Service	Public Debt Amortization	Economic Development	Capital Projects	Nonmajor Governmental Funds	Total
\$ 66,215	\$ -	\$ 36,833	\$ 8,934	\$ -	\$ 310,933
-	2,262	-	-	-	5,093
-	-	-	1,724	-	1,724
-	-	-	-	-	17,232
-	-	-	22,722	41,118	332,632
12,236	-	9,657	-	-	159,473
-	-	-	-	-	3,297
-	-	-	-	-	3,205
<u>3,938</u>	<u>3,367</u>	<u>-</u>	<u>9,482</u>	<u>2,726</u>	<u>46,274</u>
<u>82,389</u>	<u>5,629</u>	<u>46,490</u>	<u>42,862</u>	<u>43,844</u>	<u>879,863</u>
1,124	5	-	-	3,310	297,229
-	-	-	-	12,426	330,227
-	-	-	-	2,566	106,636
-	-	-	-	9,826	19,698
-	-	-	-	2,106	21,774
-	-	10,147	-	12,699	27,708
-	-	-	165,877	-	165,877
271,569	-	-	-	-	271,569
40,619	-	-	-	-	40,619
245	-	-	-	-	245
<u>313,557</u>	<u>5</u>	<u>10,147</u>	<u>165,877</u>	<u>42,933</u>	<u>1,281,582</u>
<u>(231,168)</u>	<u>5,624</u>	<u>36,343</u>	<u>(123,015)</u>	<u>911</u>	<u>(401,719)</u>
50,000	-	-	132,915	21,644	266,889
57,273	-	-	-	-	57,273
(1,338)	-	-	-	(434)	(1,772)
31,626	-	-	-	-	31,626
123,925	-	5,314	6,820	1,051	198,721
<u>(26,338)</u>	<u>(9,700)</u>	<u>(29,639)</u>	<u>(6,534)</u>	<u>(24,700)</u>	<u>(160,920)</u>
<u>235,148</u>	<u>(9,700)</u>	<u>(24,325)</u>	<u>133,201</u>	<u>(2,439)</u>	<u>391,817</u>
3,980	(4,076)	12,018	10,186	(1,528)	(9,902)
<u>43,441</u>	<u>54,613</u>	<u>62,710</u>	<u>7,958</u>	<u>(11,326)</u>	<u>254,872</u>
<u>\$ 47,421</u>	<u>\$ 50,537</u>	<u>\$ 74,728</u>	<u>\$ 18,144</u>	<u>\$ (12,854)</u>	<u>\$ 244,970</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, 2018
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3)		\$ (9,902)
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 asset additions (\$213,066) less additions from Construction-in-Progress (\$90,738) exceeded depreciation expense (\$57,786) in the current period less loss on disposals (\$2,735).		61,807
Notes and loans receivable to repay long-term bonds and notes		(6,016)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		
Taxes accrued in prior years	629	
Capital grants and contributions	12,419	
Unbilled Special assessments	711	13,759
The issuance of long-term debt (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 discounts, 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.		
Debt issued:		
Bonds and notes issued	(324,162)	
Issuance premiums	(31,626)	
Gain on refunding	(649)	
Repayments:		
Principal retirement	271,569	
Amortization:		
Premiums	20,495	
Gain/Loss on refunding	904	(63,469)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally 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	246	
Total other postemployment benefits liability	14,477	
Net pension liability	47,046	
Deferred inflows for pensions	(105,582)	
Deferred outflows for pensions	260	
Deferred inflows for Other Post Employment Benefits	(56,398)	
Claims and judgments	(10,108)	
Accrued interest on bonds and notes	(1,640)	(111,699)
Changes in net position of governmental activities (Exhibit 2)		<u>\$ (115,520)</u>

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

CITY OF MILWAUKEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 25,175	\$ 1,290	\$ 7,560	\$ 34,025
Restricted cash and cash equivalents	2,554	13,215	-	15,769
Receivables (net):				
Accounts	18,259	16,464	14,778	49,501
Unbilled accounts	13,525	2,551	2,424	18,500
Accrued interest	-	155	-	155
Due from other funds	1,168	1,946	1,343	4,457
Due from other governmental agencies	-	1,434	245	1,679
Advances to other funds	82	-	-	82
Inventory of materials and supplies	3,467	334	-	3,801
Prepaid items	795	19	-	814
Other assets	60	-	-	60
	<u>65,085</u>	<u>37,408</u>	<u>26,350</u>	<u>128,843</u>
Total Current Assets				
	<u>65,085</u>	<u>37,408</u>	<u>26,350</u>	<u>128,843</u>
Noncurrent assets:				
Capital assets:				
Capital assets not being depreciated:				
Land	1,791	-	17,461	19,252
Construction in progress	42,188	-	8,212	50,400
Capital assets being depreciated:				
Buildings	31,110	-	102,073	133,183
Infrastructure	447,477	727,700	20,515	1,195,692
Improvements other than buildings	-	-	10,903	10,903
Machinery and equipment	276,038	6,875	15,927	298,840
Nonutility property	3,918	-	-	3,918
Accumulated depreciation	<u>(288,868)</u>	<u>(168,220)</u>	<u>(83,020)</u>	<u>(540,108)</u>
	<u>513,654</u>	<u>566,355</u>	<u>92,071</u>	<u>1,172,080</u>
Net Capital Assets				
	<u>513,654</u>	<u>566,355</u>	<u>92,071</u>	<u>1,172,080</u>
Total Noncurrent Assets				
	<u>513,654</u>	<u>566,355</u>	<u>92,071</u>	<u>1,172,080</u>
Total Assets	<u>578,739</u>	<u>603,763</u>	<u>118,421</u>	<u>1,300,923</u>
Deferred Outflows of Resources:				
Loss on refunding.....	-	31	-	31
Deferred outflows for pensions	5,597	2,009	1,794	9,400
	<u>5,597</u>	<u>2,040</u>	<u>1,794</u>	<u>9,431</u>
Total Deferred Outflows of Resources.....				
	<u>5,597</u>	<u>2,040</u>	<u>1,794</u>	<u>9,431</u>

CITY OF MILWAUKEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 15,063	\$ 3,942	\$ 9,957	\$ 28,962
Accrued expenses	966	249	282	1,497
Accrued interest payable	206	575	130	911
Compensated absences	1,988	529	524	3,041
Advances from other funds	-	-	82	82
Due to other funds	3,289	5,467	17,133	25,889
Unearned revenue.....	-	1,127	694	1,821
General obligation debt payable - current	3,258	404	1,687	5,349
Total Current Liabilities	<u>24,770</u>	<u>12,293</u>	<u>30,489</u>	<u>67,552</u>
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable	2,411	16,274	-	18,685
Accrued interest payable	-	509	-	509
Total Current Liabilities Payable from Restricted Assets	<u>2,411</u>	<u>16,783</u>	<u>-</u>	<u>19,194</u>
Noncurrent Liabilities:				
General obligation debt payable	6,081	9,504	13,548	29,133
Revenue bonds & State loans payable	47,297	269,931	-	317,228
Other post employment benefits liability	47,021	15,868	15,678	78,567
Net pension liability	6,569	2,355	2,154	11,078
Total Noncurrent Liabilities	<u>106,968</u>	<u>297,658</u>	<u>31,380</u>	<u>436,006</u>
Total Liabilities	<u>134,149</u>	<u>326,734</u>	<u>61,869</u>	<u>522,752</u>
Deferred Inflows of Resources:				
Deferred inflows for grants	699	-	-	699
Deferred inflows for pensions	2,897	1,073	983	4,953
Deferred inflows for OPEB	2,338	789	779	3,906
Total Deferred Inflows of Resources	<u>5,934</u>	<u>1,862</u>	<u>1,762</u>	<u>9,558</u>
NET POSITION				
Net investment in capital assets.....	454,607	270,242	76,836	801,685
Restricted for Debt Service	2,405	8,056	-	10,461
Unrestricted	(12,759)	(1,091)	(20,252)	(34,102)
Total Net Position	<u>\$ 444,253</u>	<u>\$ 277,207</u>	<u>\$ 56,584</u>	<u>\$ 778,044</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 NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales	\$ 81,507	\$ -	\$ -	\$ 81,507
Statutory sewer user fee	-	-	50,004	50,004
Sewer maintenance fee	-	66,585	-	66,585
Rent	-	-	13,620	13,620
Fire protection service	9,457	-	-	9,457
Parking meters	-	-	4,610	4,610
Parking permits	-	-	4,694	4,694
Vehicle towing	-	-	6,116	6,116
Parking forfeitures	-	-	16,210	16,210
Other	9,697	-	1,309	11,006
Total Operating Revenues	<u>100,661</u>	<u>66,585</u>	<u>96,563</u>	<u>263,809</u>
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges ..	-	-	47,792	47,792
Employee services	-	8,007	10,150	18,157
Administrative and general	12,149	-	-	12,149
Depreciation	18,685	8,271	3,035	29,991
Transmission and distribution	25,110	-	-	25,110
Services, supplies, and materials	-	9,014	22,056	31,070
Water treatment	11,821	-	-	11,821
Water pumping	6,936	-	-	6,936
Billing and collection	3,532	-	-	3,532
Total Operating Expenses	<u>78,233</u>	<u>25,292</u>	<u>83,033</u>	<u>186,558</u>
Operating Income	<u>22,428</u>	<u>41,293</u>	<u>13,530</u>	<u>77,251</u>
Nonoperating Revenues (Expenses):				
Investment income	215	253	-	468
Grant revenue	4,337	1,252	1,214	6,803
Interest expense	(77)	(8,159)	(610)	(8,846)
Other	(4,150)	(25,099)	983	(28,266)
Total Net Nonoperating Revenues (Expenses) ...	<u>325</u>	<u>(31,753)</u>	<u>1,587</u>	<u>(29,841)</u>
Income before Contributions and Transfers	22,753	9,540	15,117	47,410
Capital contributions	1,551	9	37,762	39,322
Transfers in	-	-	589	589
Transfers out	(13,090)	(2,396)	(22,904)	(38,390)
Change in Net Position	11,214	7,153	30,564	48,931
Total Net Position - Beginning, as restated (note 15)	<u>433,039</u>	<u>270,054</u>	<u>26,020</u>	<u>729,113</u>
Total Net Position - Ending	<u>\$ 444,253</u>	<u>\$ 277,207</u>	<u>\$ 56,584</u>	<u>\$ 778,044</u>

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

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 94,480	\$ 66,371	\$ 97,091	\$ 257,942
Receipts from interfund services provided	6,702	-	-	6,702
Payments to suppliers	(38,259)	(9,516)	(72,471)	(120,246)
Payments to employees	(23,508)	(6,478)	(9,343)	(39,329)
Payments from other funds	-	1,641	2,851	4,492
Payments to other funds	<u>3,070</u>	<u>5,467</u>	<u>2,939</u>	<u>11,476</u>
Net Cash Provided by Operating Activities.....	<u>42,485</u>	<u>57,485</u>	<u>21,067</u>	<u>121,037</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	4,457	1,057	1,211	6,725
Other nonoperating expenses	(4,457)	(25,034)	-	(29,491)
Transfers from other funds	-	-	589	589
Transfers to other funds	<u>(13,090)</u>	<u>(2,396)</u>	<u>(22,904)</u>	<u>(38,390)</u>
Net Cash Used by Noncapital Financing Activities	<u>(13,090)</u>	<u>(26,373)</u>	<u>(21,104)</u>	<u>(60,567)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	20,168	24,240	3,603	48,011
Acquisition of property, plant, and equipment	(37,009)	(19,965)	(3,475)	(60,449)
Retirement of bonds, notes, and revenue bonds	(11,984)	(27,547)	(3,045)	(42,576)
Interest paid	(1,385)	(9,572)	(167)	(11,124)
Other	<u>353</u>	<u>-</u>	<u>700</u>	<u>1,053</u>
Net Cash Used for Capital and Related Financing Activities	<u>(29,857)</u>	<u>(32,844)</u>	<u>(2,384)</u>	<u>(65,085)</u>
CASH FLOWS FROM INVESTING ACTIVITY:				
Investment income	<u>215</u>	<u>232</u>	<u>-</u>	<u>447</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(247)	(1,500)	(2,421)	(4,168)
Cash and Cash Equivalents - Beginning	<u>27,976</u>	<u>16,005</u>	<u>9,981</u>	<u>53,962</u>
Cash and Cash Equivalents - Ending	<u>\$ 27,729</u>	<u>\$ 14,505</u>	<u>\$ 7,560</u>	<u>\$ 49,794</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash	\$ 25,175	\$ 1,290	\$ 7,560	\$ 34,025
Restricted Cash	<u>2,554</u>	<u>13,215</u>	<u>-</u>	<u>15,769</u>
	<u>\$ 27,729</u>	<u>\$ 14,505</u>	<u>\$ 7,560</u>	<u>\$ 49,794</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 22,428	\$ 41,293	\$ 13,530	\$ 77,251
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	18,685	8,271	3,035	29,991
Nonoperating income	308	-	-	308
Effect of changes in assets, liabilities, deferred inflows and deferred outflows:				
Receivables	148	(214)	529	463
Due from other funds	(5,273)	1,641	789	(2,843)
Inventories	(53)	(113)	-	(166)
Prepaid items	26	(1)	-	25
Other assets	65	-	-	65
Accounts payable	2,287	(388)	(2,517)	(618)
Accrued liabilities	-	218	382	600
Compensated absences	(59)	(54)	(28)	(141)
Net other postemployment benefits obligation	1,738	(203)	(199)	1,336
Net pension liability	2,185	(478)	(531)	1,176
Due to other funds	-	5,467	5,001	10,468
Deferred pension outflows	-	367	113	480
Deferred pension inflows	-	890	184	1,074
Deferred OPEB inflows	-	789	779	1,568
Net Cash Provided by Operating Activities	<u>\$ 42,485</u>	<u>\$ 57,485</u>	<u>\$ 21,067</u>	<u>\$ 121,037</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 \$1,198,469.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$1,272,000 with a net value of \$0.

During the year, the Parking Fund added a contibuted parking structure in the amount of \$37,762,000.

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

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit C-2

	Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 4,626	\$ -
Private donations	-	2,489
Total Contributions	<u>4,626</u>	<u>2,489</u>
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	65
Total Additions	<u>4,626</u>	<u>2,554</u>
Deductions		
Benefits	4,376	-
Fees remitted from Trust	-	1,157
Other	-	364
Total Deductions	<u>4,376</u>	<u>1,521</u>
Change in Net Position	250	1,033
Net Position - Beginning	<u>1,508</u>	<u>3,616</u>
Net Position - Ending	<u>\$ 1,758</u>	<u>\$ 4,649</u>

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

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
 DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit D-1

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
ASSETS				
Current Assets:				
Cash and investments.....	\$ 7,201	\$ 1,672	\$ 226	\$ 9,099
Restricted cash and investments	80,709	1,106	-	81,815
Receivables (net):				
Accounts	68	120	-	188
Notes and loans	9,317	164	-	9,481
Accrued interest	965	16	-	981
Due from primary government	121	-	-	121
Due from other governmental agencies	66,433	-	-	66,433
Inventory of property for resale	7,364	536	-	7,900
Prepaid items	36	-	-	36
	<u>172,214</u>	<u>3,614</u>	<u>226</u>	<u>176,054</u>
Total Noncapital Assets				
Capital assets:				
Capital assets not being depreciated:				
Land and land improvements	10,593	-	-	10,593
Capital assets being depreciated:				
Buildings	75,621	-	-	75,621
Infrastructure	333	-	-	333
Improvements other than buildings	4,264	-	-	4,264
Machinery and equipment	6	-	-	6
Intangible assets.....	565	-	-	565
Accumulated depreciation	(24,940)	-	-	(24,940)
	<u>66,442</u>	<u>-</u>	<u>-</u>	<u>66,442</u>
Total Capital Assets, Net of Depreciation				
Total Assets	<u>238,656</u>	<u>3,614</u>	<u>226</u>	<u>242,496</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit D-1 (Continued)

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities:				
Accounts payable	\$ 1,724	\$ 93	\$ 21	\$ 1,838
Accrued expenses	1,129	-	-	1,129
Due to other governmental agencies	1,632	-	179	1,811
Unearned revenue.....	132	239	-	371
Other liabilities	1,958	505	-	2,463
Total Current Liabilities	<u>6,575</u>	<u>837</u>	<u>200</u>	<u>7,612</u>
Due to primary government:				
Due within one year	641	51	-	692
Due in more than one year	7,933	-	-	7,933
Total Due to Primary Government	<u>8,574</u>	<u>51</u>	<u>-</u>	<u>8,625</u>
Long-term obligations:				
Due within one year	4,128	-	-	4,128
Due in more than one year	173,082	-	-	173,082
Total Noncurrent Liabilities	<u>177,210</u>	<u>-</u>	<u>-</u>	<u>177,210</u>
Total Liabilities	<u>192,359</u>	<u>888</u>	<u>200</u>	<u>193,447</u>
NET POSITION				
Net investment in capital assets.....	24,884	-	-	24,884
Restricted	11,031	660	-	11,691
Unrestricted	10,382	2,066	26	12,474
Total Net Position	<u>\$ 46,297</u>	<u>\$ 2,726</u>	<u>\$ 26</u>	<u>\$ 49,049</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, 2018
(Thousands of Dollars)

Exhibit D-2

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Redevelopment Authority				
Prevention and elimination of blight	\$ 22,713	\$ 5,011	\$ 2,162	\$ -
Neighborhood Improvement Development Corp.				
Housing improvements	533	195	103	-
Century City Redevelopment Corporation				
Rental income	<u>750</u>	<u>356</u>	<u>-</u>	<u>-</u>
 Total Component Units	 <u>\$ 23,996</u>	 <u>\$ 5,562</u>	 <u>\$ 2,265</u>	 <u>\$ -</u>
General revenues:				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position - Beginning.....				
Net Position - Ending				

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

Net (Expense) Revenue and Changes in Net Position			
Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
\$ (15,540)	\$ -	\$ -	\$ (15,540)
-	(235)	-	(235)
<u>-</u>	<u>-</u>	<u>(394)</u>	<u>(394)</u>
<u>(15,540)</u>	<u>(235)</u>	<u>(394)</u>	<u>(16,169)</u>
<u>6,937</u>	<u>229</u>	<u>9,948</u>	<u>17,114</u>
<u>6,937</u>	<u>229</u>	<u>9,948</u>	<u>17,114</u>
(8,603)	(6)	9,554	945
<u>54,900</u>	<u>2,732</u>	<u>(9,528)</u>	<u>48,104</u>
<u>\$ 46,297</u>	<u>\$ 2,726</u>	<u>\$ 26</u>	<u>\$ 49,049</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) 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 unit's columns in the government-wide financial statements include 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:

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.

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.

Century City Redevelopment Corporation - The Century City Redevelopment Corporation (CCRC) is a nonprofit organization created to perform redevelopment activities within the City. CCRC is managed by a Board of Directors made up of members from City government and daily operations are managed by City employees. In 2018, operations of CCRC were discontinued with the remaining cash balance transferred to RACM in 2019.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: RACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; and CCRC, 841 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Housing Authority of the City of Milwaukee (HACM), Milwaukee Economic Development Corporation (MEDC), Employ Milwaukee, Business Improvement Districts, Neighborhood Improvement Districts, Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District (MMSD), World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities do not meet the criteria established by GASB Statements 14, 61, 69 and 80, as component units of the City.

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 are available from its administrative office.

CITY OF MILWAUKEE
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Related Organizations

Housing Authority of the City of Milwaukee

The Housing Authority of the City of Milwaukee (HACM) is responsible for the construction and management of safe, affordable, and quality housing with services that enhance residents' self-sufficiency. HACM is governed by a seven-member Board of Commissioners who are appointed by the Mayor and confirmed by the Common Council. The City does not have the ability to remove HACM commissioners at will. HACM determines its own budget, issues debt, and establishes and revises rents or charges without the approval of the City. The City is not legally obligated for any HACM obligations or debt.

Employ Milwaukee

Employ Milwaukee (fka Milwaukee Area Workforce Investment Board or MAWIB) was established to provide job training, employment services, and workforce development within Milwaukee County. Employ Milwaukee (the Agency) acts as Milwaukee County's recipient, dispenser, and administrator of funding provided under the Workforce Innovation and Opportunity Act. The City of Milwaukee Mayor is the chief local elected officer responsible for oversight of the Agency. The directors of Employ Milwaukee are appointed by the Mayor. The City is not legally obligated for any Agency obligations or debt nor is the City entitled to access funds of the Agency.

Business Improvement Districts

Business Improvement Districts (BIDs) are formed and operated in accordance with Wis. Stat. § 66.1109. BID board members are appointed from the business owners within a district. The City collects special property assessments, in accordance with the BID boards, and returns these assessments to the BIDs to fund their annual operating plans. The City is not legally obligated for any BID obligations or debt.

Neighborhood Improvement Districts

Neighborhood Improvement Districts (NIDs) are formed and operated in accordance with Wis. Stat. § 66.1110. NID board members are elected by the residential and commercial property owners within a district. The City collects special property assessments, in accordance with the NID boards, and returns these assessments to the NIDs to fund their annual operating plans. The City is not legally obligated for any NID obligations or debt.

B. Basis of Presentation

In June 2015, the GASB issued statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Standard was implemented January 1, 2018.

Government-wide Statements. The government-wide statement of net position 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 non-exchange 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 proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

CITY OF MILWAUKEE
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Proprietary fund operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of rents, sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting these criteria are reported as nonoperating expenses. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange 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 Service – 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 receives one-third of all interest on general City and Fund investments. Fund earnings are required to be used for the purpose of public debt retirement. The Public Debt Amortization Fund, governed by Section 67.101 of the Wisconsin Statutes. See Note 7 for further discussion.

Economic Development Fund – This fund is used to account for all non-capital TID transactions, including debt service payments. This fund is also used to account for revenues and expenditures related to owner-financed development projects in commercial (Business Improvement Districts) and residential (Neighborhood Improvement Districts) areas

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 proprietary 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 66.0821, permits 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.

Additionally, the City reports the following fiduciary fund types:

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 – Measurement Focus

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 2018 that will be collected in 2019 are recorded as receivable and deferred inflows of resources. Deferred inflows of resources arise 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

CITY OF MILWAUKEE
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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.

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 a cash equivalent, since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

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 Position/Balance Sheet.

Wisconsin Statute Section 66.0603 permits the City to invest funds not immediately needed in any of the following:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association 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, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace 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 that matures or that 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.

CITY OF MILWAUKEE
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- 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 inflows 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 inflows. 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.

G. Accounts Receivable

Accounts receivable are presented net of allowances. The amount of the General Fund allowance as of December 31, 2018 was approximately \$502,000. Accounts receivable are expected to be collected within one year. However, the collection of some receivables may take longer.

Delinquent accounts for business type activities are presented in accounts receivable net of allowances. The amounts of the Water, Sewer, and Nonmajor Proprietary funds allowances as of December 31, 2018 were approximately \$784,000, \$505,000, and \$804,015 respectively.

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 collectability 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 approximately \$24,624,000 as of December 31, 2018.

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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 inflows 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 therefore inventories are classified as non-spendable in fund balance.

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 and are classified as non-spendable in fund balance.

M. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at replacement 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.

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 are 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	5-100 years
Land.....	5,000	N/A
Land Improvements.....	5,000	N/A
Intangible right of ways.....	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	3-40
Works of Art, Historical Treasures.....	5,000	N/A
Intangible software.....	100,000	5-20

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 expenditure when the liability is liquidated with expendable available financial resources.

CITY OF MILWAUKEE
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O. Compensated Absences

The liability for compensated absences reported in the government-wide, and proprietary 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 includes 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. Debt Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Long-term debt payable are reported net of the applicable debt premium or discount. Debt issuance costs are expensed in the current period.

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

R. Fund Balance-Governmental Funds

The fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City's Common Council. The Common Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Common Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. It is the policy of the City that the City Comptroller will have the authority to assign funds intended for a specific purpose but have not received formal approval by the Common Council. The Comptroller records funds as assigned fund balance based on intentions for use of the funds and can redeploy assigned resources to an alternative fund balance category based on intended use of the funds.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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Unassigned – All other spendable amounts.

When expenditure is incurred for purposes for which restricted, committed, assigned, or unassigned amounts are available, it is the policy of the City to consider restricted amounts to have been reduced first followed by committed, assigned and then unassigned fund balance unless the order of fund balance usage is dictated by legal, borrowing or other requirements.

S. Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in three components as follows:

Net Investment in Capital Assets – 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 "Net investment in capital assets."

T. 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 position.

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 entity-wide proprietary funds, transfers are reported after nonoperating revenues and expenses.

U. 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, 2018

V. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for Deferred Outflows of Resources. This section represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for inclusion within this category, both of which are reported in the government-wide statement of net position (Exhibit 1).

- Loss on refunding is a deferred expense resulting from the difference between the carrying value of refunded debt and the refunding debt. The loss is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension deferred outflows are a deferred expense related to: differences between expected and actual experience, the net difference between projected and actual earnings on pension plan investments and changes of assumptions. Deferred outflows due to liabilities are amortized over the average expected service lives of all employees of 3.93 years. Deferred outflows due to the net difference between projected and actual earnings are amortized over 5.00 years.

In addition to liabilities, the Statement of Net Position reports a separate section for Deferred Inflows of Resources. This section represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for inclusion within this category, all reported in the government-wide statement of net position (Exhibit 1).

- Gain on refunding is a deferred revenue resulting from the difference between the carrying value of refunded debt and the refunding debt. The gain is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows for grants is the amount of grant funds received prior to meeting the eligibility requirements. This deferred inflow will be recognized as revenue when the funds are spent.
- Subsequent years property taxes is the amount of the current year property tax levy. This deferred inflow is recognized as revenue in the subsequent year.
- Pension deferred inflows are a reduction in pension expense due to: differences between expected and actual experience, the net difference between projected and actual earnings on pension plan investments and changes of assumptions. Deferred inflows due to liabilities are amortized over the average expected service lives of all employees of 3.93 years. Deferred inflows due to the net difference between projected and actual earnings are amortized over 5.00 years.
- OPEB deferred inflows are related to the differences between expected and actual non-investment experience and plan assumption changes. These deferred inflows will be recognized as a reduction to OPEB expense over 6.96 years.

W. Pension Obligations

Plan Description - The City participates in the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability, and death benefits to plan members and beneficiaries.

Funding Policy – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation. The City is required to contribute an actuarial contribution based on separate calculated rates for police officers, firefighters, and general City employees.

Measurement Focus and Basis of Accounting – The System is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the accounting period in which the underlying earnings, on which the contributions are based, are paid. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. Investment transactions and the related gains and losses are recorded on a trade date basis. Dividend and interest income are accrued as earned. Investments are reported at fair value. See Note 8 for a detailed explanation of pension benefits and the System.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

X. OPEB Obligations

Plan Description – The City provides a single-employer defined benefit healthcare plan, and life insurance administered by both the City and Milwaukee’s Employees’ Retirement System. There are different premium cost-sharing arrangements depending on employee type, age and date of retirement.

Funding Policy – The contribution of plan members and the City are established and may be amended by the City. The required City contribution for medical and life insurance for retirees is based on a pay-as-you-go basis.

Measurement Focus and Basis of Accounting – Benefits are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. See Note 8 for a detailed explanation of OPEB benefits.

Y. New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities and the reporting of such activities. This Statement will be effective for the year end December 31, 2019 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement will be effective for the year-end December 31, 2020 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement requires additional essential information related to debt be disclosed in notes to financial statements. This Statement will be effective for the year-end 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. This statement will be effective for the year-end 2020 financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. This statement will be effective for the year-end 2019 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required not disclosures. This statement will be effective for the year-end 2021 financial statements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

2. DEPOSITS AND INVESTMENTS

A. Primary Government

The description of the City's deposit and investment policies are discussed in Note 1. D. and E.

As of December 31, 2018, the City's deposits and investments are as follows:

	Fair Value	Investment Maturities (in Years)			Greater than 10	Credit Rating
		Less than 1	1-5	6-10		
<i>(Thousands of Dollars)</i>						
Governmental and Business-type activities:						
<i>Investment type</i>						
Pooled Deposits and Investments	\$ 260,878	\$ 215,348	\$ 43,640	\$ 985	\$ 905	see below
Other Deposits	90	90	-	-	-	not rated
Segregated Deposits and Investments						
Interest Checking	8,669	8,669	-	-	-	not rated
Wisconsin Local Government						
Investment Pool	52,397	52,397	-	-	-	not rated
Municipal Bonds	19,710	752	2,148	16,810	-	see below
Treasuries (Fiscal Agent)	28,351	28,351	-	-	-	not rated
GNMA Bonds	2,577	-	-	2,577	-	Aaa
	<u>\$ 372,672</u>	<u>\$ 305,607</u>	<u>\$ 45,788</u>	<u>\$ 20,372</u>	<u>\$ 905</u>	
Fiduciary activities:						
<i>Investment type</i>						
Pooled Deposits and Investments	\$ 208,567	\$ 208,567	\$ -	\$ -	\$ -	see below
Segregated Deposits and Investments						
Wisconsin Local Government						
Investment Pool	882	882	-	-	-	not rated
	<u>\$ 209,449</u>	<u>\$ 209,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Credit Ratings

The Governmental and Business-type municipal bond holdings of \$19,710,000 were rated by S&P Global as follows: Aaa (33%), Aa1 (12.4%), Aa2 (35.6%), Aa3 (16.8%) and A1 (2.2%).

CITY OF MILWAUKEE
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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 Proprietary 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 Position/Balance Sheet.

As of December 31, 2018, the City had the following investments and maturities in the Pool:

	<i>(Thousands of Dollars)</i>					
	Fair Value	Less than 1	1-5	6-10	Greater than 10	Credit Rating
Pooled Deposits and Investments						
Bank Demand Deposits	\$ 46,040	\$ 46,040	\$ -	\$ -	\$ -	not rated
Other Deposits	712	712	-	-	-	not rated
Deposits and Investments						
Interest Checking	125,714	125,714	-	-	-	not rated
Wisconsin Local Government Investment Pool	202,270	202,270	-	-	-	not rated
U.S. Bank Investment Portfolio						
Money Market.....	15,600	15,600	-	-	-	not rated
Corporate Bond.....	48,186	10,378	36,823	985	-	see below
U.S. Government Securities.....	996	-	996	-	-	Aaa
FHLB Bond.....	991	-	991	-	-	Aaa
FHLMC Bond.....	884	-	884	-	-	Aaa
FNMA Bond.....	1,971	-	1,971	-	-	Aaa
GNMA Bond.....	905	-	-	-	905	Aaa
Treasury Note.....	22,876	20,901	1,975	-	-	Aaa
Certificates of Deposits	2,300	2,300	-	-	-	not rated
	<u>\$ 469,445</u>	<u>\$ 423,915</u>	<u>\$ 43,640</u>	<u>\$ 985</u>	<u>\$ 905</u>	

Investment Portfolio Ratings

Corporate bond holdings of \$48,186,000 were rated by Moody's as follows: A1 (26.6%), Aa1 (9.0%), Aa2 (25.2%), Aa3 (23.3%), Aaa (14.5%), and A2 (1.4%).

Custodial Credit Risk – Deposits

Deposits in each local area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

As of December 31, 2018, none of the City's bank balances was subject to custodial credit risk as they were all insured or collateralized.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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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 \$68,000,000 with maturities greater than one year.

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the inability 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.

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The City has the following recurring fair value measurements valued using a matrix pricing model (Level 1 inputs) as of December 31, 2018:

1. Pooled deposits and investments of:
 - a. Corporate Bonds of \$30.4 million.
 - b. U.S. Treasury of \$22.9 million.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

The City has the following recurring fair value measurements valued using a matrix pricing model (Level 2 inputs) as of December 31, 2018:

1. Municipal bonds of \$19.7 million.
2. U.S. Treasury securities of \$28.3 million.
3. GNMA of \$2.6 million
4. Pooled deposits and investments of:
 - a. Corporate Bonds of \$17.8 million.
 - b. U.S. Government Securities of \$996 thousand.
 - c. FLHB of \$991 thousand.
 - d. FHLMC of \$884 thousand.
 - e. FNMA bonds of \$2 million.
 - f. GNMA bonds of \$905 thousand.

B. Component Units

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 deposits and investments as of December 31, 2018:

	Investment Maturities (in Years)			Moody's Credit Rating
	<i>(Thousands of Dollars)</i>			
	Fair value	Less than 1	1-5	
Component Units:				
Bank Demand Deposits.....	\$ 12,153	\$ 12,153	\$ -	not rated
Local Government Investment Pool.....	227	227	-	not rated
U.S. Treasury Money Market Fund.....	1,232	1,232	-	Aaa
U.S. Treasury Notes.....	1,712	565	1,147	Aaa
U.S. Agencies.....	1,981	995	986	Aaa
U.S. Government Mortgage	59	-	59	Aaa
Municipal Bonds	1,134	352	782	Aa3
Corporate Bonds	302	180	122	Aa1
Certificates of Deposit.....	1,018	1,018	-	AA
Money Market.....	71,096	71,096	-	N/A
Other.....	-	-	-	not rated
	<u>\$ 90,914</u>	<u>\$ 87,818</u>	<u>\$ 3,096</u>	

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Custodial Credit Risk

Deposits in each local area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

As of December 31, 2018 Component Unit bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	Uninsured and Uncollateralized
	<i>(Thousands of Dollars)</i>	
Redevelopment Authority.....	\$ 11,995	\$ 10,319
Neighborhood Improvement Development Corporation.....	2,593	1,715

As of December 31, 2018 Component Unit investment balances exposed to Custodial Credit Risk are as follows:

	Investment Balance	Uninsured and Uncollateralized
	<i>(Thousands of Dollars)</i>	
Redevelopment Authority.....	\$ 6,420	\$ 5,120

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows the accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

The Component Units of City has the following recurring fair value measurements valued using a matrix pricing model (Level 2 inputs) as of December 31, 2018:

1. U.S. Treasury notes of \$1.7 million
2. U.S. Agency bonds of \$2.0 million
3. U.S Government mortgage of \$59 thousand
4. Municipal bonds of \$1.1 million
5. Corporate bonds of \$302 thousand

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, 2018, 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>			
2013 and prior	\$ 5,805	\$ 983	\$ 6,788
2014	2,937	376	3,313
2015	4,775	630	5,405
2016	7,896	1,052	8,948
2017	<u>18,060</u>	<u>2,463</u>	<u>20,523</u>
Total delinquent property taxes receivable	<u>\$ 39,473</u>	<u>\$ 5,504</u>	44,977
Property taxes receivable on foreclosed property			45,708
Less: Allow ance for uncollectible taxes			<u>(41,163)</u>
Net delinquent property taxes receivable, including tax deeded property.....			<u>\$ 49,522</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 01/01/18*	Additions	Deletions	Balance 12/31/18
		<i>(Thousands of Dollars)</i>		
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 165,735	\$ -	\$ 54	\$ 165,681
Construction in progress	165,791	36,997	90,738	112,050
Intangible right of ways	<u>1,342</u>	<u>-</u>	<u>-</u>	<u>1,342</u>
Total capital assets not being depreciated	<u>332,868</u>	<u>36,997</u>	<u>90,792</u>	<u>279,073</u>
<i>Capital assets being depreciated:</i>				
Buildings	324,890	54,587	2,645	376,832
Infrastructure.....	1,762,694	84,244	9,544	1,837,394
Improvements other than buildings	12,175	-	-	12,175
Machinery and equipment	213,173	34,635	8,196	239,612
Intangible softw are.....	<u>11,327</u>	<u>2,603</u>	<u>-</u>	<u>13,930</u>
Total capital assets being depreciated	<u>2,324,259</u>	<u>176,069</u>	<u>20,385</u>	<u>2,479,943</u>
Less accumulated depreciation for:				
Buildings	127,907	9,719	2,355	135,271
Infrastructure	1,097,544	33,762	9,544	1,121,762
Improvements other than buildings	10,002	256	-	10,258
Machinery and equipment	146,959	12,422	5,805	153,576
Intangible softw are	<u>3,319</u>	<u>1,627</u>	<u>-</u>	<u>4,946</u>
Total accumulated depreciation	<u>1,385,731</u>	<u>57,786</u>	<u>17,704</u>	<u>1,425,813</u>
Total capital assets being depreciated, net	<u>938,528</u>	<u>118,283</u>	<u>2,681</u>	<u>1,054,130</u>
Government activity capital assets, net	<u>\$ 1,271,396</u>	<u>\$ 155,280</u>	<u>\$ 93,473</u>	<u>\$ 1,333,203</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government	\$ 1,682			
Public safety	7,709			
Public works	47,042			
Health	177			
Culture and recreation	<u>1,176</u>			
Total	<u>\$ 57,786</u>			

* Beginning balances were restated for expenditures that should have been capitalized. Additionally, beginning Infrastructure of \$37,012 was reclassified to construction in progress. See Note 15 for additional details.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Business-type activities	Balance 01/01/18*	Additions	Deletions	Balance 12/31/18
		<i>(Thousands of Dollars)</i>		
Water Works				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,791	\$ -	\$ -	\$ 1,791
Construction in progress	<u>37,618</u>	<u>40,686</u>	<u>36,116</u>	<u>42,188</u>
Total capital assets not being depreciated	<u>39,409</u>	<u>40,686</u>	<u>36,116</u>	<u>43,979</u>
<i>Capital assets being depreciated:</i>				
Buildings	30,280	869	39	31,110
Infrastructure	424,000	24,166	689	447,477
Machinery and equipment	268,152	25,856	17,970	276,038
Nonutility property	<u>3,917</u>	<u>1</u>	<u>-</u>	<u>3,918</u>
Total capital assets being depreciated	<u>726,349</u>	<u>50,892</u>	<u>18,698</u>	<u>758,543</u>
Less accumulated depreciation for:				
Buildings	19,984	975	39	20,920
Infrastructure	113,640	6,020	689	118,971
Machinery and equipment	139,283	11,552	3,056	147,779
Nonutility property	<u>1,060</u>	<u>138</u>	<u>-</u>	<u>1,198</u>
Total accumulated depreciation	<u>273,967</u>	<u>18,685</u>	<u>3,784</u>	<u>288,868</u>
Total capital assets being depreciated, net	<u>452,382</u>	<u>32,207</u>	<u>14,914</u>	<u>469,675</u>
Water Works capital assets, net	<u>491,791</u>	<u>72,893</u>	<u>51,030</u>	<u>513,654</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	125	-	125	-
Total capital assets not being depreciated	<u>125</u>	<u>-</u>	<u>125</u>	<u>-</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	710,174	18,798	1,272	727,700
Machinery and equipment	<u>6,054</u>	<u>1,033</u>	<u>212</u>	<u>6,875</u>
Total capital assets being depreciated	<u>716,228</u>	<u>19,831</u>	<u>1,484</u>	<u>734,575</u>
Less accumulated depreciation for:				
Infrastructure	157,687	7,973	1,272	164,388
Machinery and equipment	<u>3,746</u>	<u>298</u>	<u>212</u>	<u>3,832</u>
Total accumulated depreciation	<u>161,433</u>	<u>8,271</u>	<u>1,484</u>	<u>168,220</u>
Total capital assets being depreciated, net	<u>554,795</u>	<u>11,560</u>	<u>-</u>	<u>566,355</u>
Sewer Maintenance capital assets, net	<u>554,920</u>	<u>11,560</u>	<u>125</u>	<u>566,355</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance 01/01/18	Additions	Deletions	Balance 12/31/18
		<i>(Thousands of Dollars)</i>		
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	15,530	1,974	43	17,461
Construction in progress	<u>6,260</u>	<u>1,952</u>	<u>-</u>	<u>8,212</u>
Total capital assets not being depreciated	<u>21,790</u>	<u>3,926</u>	<u>43</u>	<u>25,673</u>
<i>Capital assets being depreciated:</i>				
Buildings	65,620	36,453	-	102,073
Infrastructure—port.....	19,933	582	-	20,515
Improvements other than buildings	10,970	112	179	10,903
Machinery and equipment	<u>15,915</u>	<u>164</u>	<u>152</u>	<u>15,927</u>
Total capital assets being depreciated	<u>112,438</u>	<u>37,311</u>	<u>331</u>	<u>149,418</u>
Less accumulated depreciation for:				
Buildings	51,401	1,549	-	52,950
Infrastructure—port.....	11,483	340	-	11,823
Improvements other than buildings	7,585	223	179	7,629
Machinery and equipment	<u>9,833</u>	<u>923</u>	<u>138</u>	<u>10,618</u>
Total accumulated depreciation	<u>80,302</u>	<u>3,035</u>	<u>317</u>	<u>83,020</u>
Total capital assets being depreciated, net	<u>32,136</u>	<u>34,276</u>	<u>14</u>	<u>66,398</u>
Other business-type activities, net	<u>53,926</u>	<u>38,202</u>	<u>57</u>	<u>92,071</u>
Business-type activity capital assets, net	<u>\$ 1,100,637</u>	<u>\$ 122,655</u>	<u>\$ 51,212</u>	<u>\$ 1,172,080</u>
Depreciation expense for business-type activities was charged to functions as follows:				
Water Utility				
Depreciation	\$ 18,547			
Depreciation charged to Sanitary Sewer	<u>138</u>			
	18,685			
Sewer Maintenance	8,271			
Other business-type activities	<u>3,035</u>			
Total	<u>\$ 29,991</u>			

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance 01/01/18	Additions	Deletions	Balance 12/31/18
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,200	\$ -	\$ 1,607	\$ 10,593
Total capital assets not being depreciated	<u>12,200</u>	<u>-</u>	<u>1,607</u>	<u>10,593</u>
<i>Capital assets being depreciated:</i>				
Buildings	85,786	-	10,165	75,621
Infrastructure	333	-	-	333
Improvements other than buildings	4,264	-	-	4,264
Machinery and equipment	159	-	153	6
Intangibles.....	<u>565</u>	<u>-</u>	<u>-</u>	<u>565</u>
Total capital assets being depreciated	<u>91,107</u>	<u>-</u>	<u>10,318</u>	<u>80,789</u>
Less accumulated depreciation for:				
Buildings	22,515	1,894	2,098	22,311
Infrastructure	135	15	-	150
Improvements other than buildings	1,762	289	-	2,051
Machinery and equipment	101	-	95	6
Intangibles.....	<u>366</u>	<u>56</u>	<u>-</u>	<u>422</u>
Total accumulated depreciation	<u>24,879</u>	<u>2,254</u>	<u>2,193</u>	<u>24,940</u>
Total capital assets being depreciated, net.....	<u>66,228</u>	<u>(2,254)</u>	<u>8,125</u>	<u>55,849</u>
Component units capital assets, net	<u><u>\$ 78,428</u></u>	<u><u>\$ (2,254)</u></u>	<u><u>\$ 9,732</u></u>	<u><u>\$ 66,442</u></u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

5. DEFERRED INFLOWS OF RESOURCES

Unavailable 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 balances in the governmental funds as of December 31, 2018 is as follows:

	General	General Obligation Debt Service	Economic Development	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>					
Subsequent years property taxes	\$ 211,323	\$ 68,558	\$ 43,439	\$ 8,014	\$ -	\$ 331,334
Delinquent property taxes	7,506	-	-	-	7,852	15,358
Unavailable grant revenue	-	-	-	19,656	2,439	22,095
Long-term receivables	86	60,055	8,502	-	-	68,643
Unbilled special assessments	-	-	-	6,829	-	6,829
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 218,915</u>	<u>\$ 128,613</u>	<u>\$ 51,941</u>	<u>\$ 34,499</u>	<u>\$ 10,291</u>	<u>\$ 444,259</u>

6. SHORT-TERM DEBT

During 2018, the City issued and repaid \$110,000,000 of Revenue Anticipation Notes, Series 2018 R3 (R3 Notes). The R3 Notes bear an interest rate of 4% and mature on May 16, 2019. The R3 Notes were issued to finance the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November 2018. On December 27, 2018, the R3 Notes were defeased.

As of December 31, 2018, the City had outstanding \$180,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2018, the City repaid the outstanding balance and issued \$180,000,000 short-term RANs for the same purpose. The new notes of \$180,000,000 (2018 M10) bear an interest rate of 4.00% and mature on September 30, 2019. The liability and related receivable to repay the revenue anticipation notes are recorded in the General Obligation Debt Service Fund.

Following is a summary of the Revenue Anticipation Notes activity (in thousands) during 2018:

Balance 01/01/18	Additions	Deletions	Balance 12/31/18
<u>\$ 180,000</u>	<u>\$ 290,000</u>	<u>\$ 290,000</u>	<u>\$ 180,000</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2018 were as follows:

	Balance 01/01/18*	Additions	Deductions	Balance 12/31/18	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 872,285	\$ 273,109	\$ 214,690	\$ 930,704	\$ 109,646
Milwaukee Public Schools	70,045	51,053	56,879	64,219	5,105
Unamortized premiums	64,140	31,626	20,495	75,271	-
Compensated absences	46,944	30,313	30,559	46,698	30,436
Total other postemployment benefits liability	1,148,837	84,972	99,449	1,134,360	-
Net pension liability	339,551	263,550	310,596	292,505	-
Claims and judgments	32,222	12,312	2,204	42,330	1,589
Total governmental activities	<u>\$2,574,024</u>	<u>\$ 746,935</u>	<u>\$ 734,872</u>	<u>\$2,586,087</u>	<u>\$ 146,776</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 7,486	\$ 10,400	\$ 8,857	\$ 9,029	\$ 3,258
Unamortized premiums	341	-	31	310	-
State loans	33,506	9,769	2,692	40,583	1,971
Revenue bonds	9,560	-	435	9,125	440
Compensated absences	2,108	1,333	1,453	1,988	1,988
Total other postemployment benefits liability	47,621	3,522	4,122	47,021	-
Net pension liability	7,961	5,590	6,982	6,569	-
Total Water Works	<u>108,583</u>	<u>30,614</u>	<u>24,572</u>	<u>114,625</u>	<u>7,657</u>
Sewer Maintenance					
General obligation bonds and notes	16,712	5,100	11,904	9,908	404
State loans	114,308	19,140	7,788	125,660	8,029
Revenue bonds	157,090	-	7,855	149,235	8,245
Unamortized premiums	12,796	-	1,486	11,310	-
Compensated absences	584	329	384	529	529
Total other postemployment benefits liability	16,071	1,188	1,391	15,868	-
Net pension liability	2,833	2,014	2,492	2,355	-
Total Sewer Maintenance	<u>320,394</u>	<u>27,771</u>	<u>33,300</u>	<u>314,865</u>	<u>17,207</u>
Other Proprietary Funds					
General obligation bonds and notes	14,677	3,603	3,045	15,235	1,687
Compensated absences	552	379	407	524	524
Total other postemployment benefits liability	15,877	1,174	1,373	15,678	-
Net pension liability	2,685	1,749	2,280	2,154	-
Total Other Proprietary	<u>33,791</u>	<u>6,905</u>	<u>7,105</u>	<u>33,591</u>	<u>2,211</u>
Total business-type activities	<u>\$ 462,768</u>	<u>\$ 65,290</u>	<u>\$ 64,977</u>	<u>\$ 463,081</u>	<u>\$ 27,075</u>

CITY OF MILWAUKEE
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	Balance 01/01/18	Additions	Deductions	Balance 12/31/18	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Component Units					
Revenue bonds	\$ 172,363	\$ -	\$ 2,310	\$ 170,053	\$ 3,520
Unamortized premiums.....	6,987	-	770	6,217	608
Notes payable	18,850	-	18,850	-	-
Environmental remediation liability.....	1,639	-	699	940	-
Total other postemployment benefits liability	669	-	669	-	-
Net pension liability (asset).....	398	-	398	-	-
Total component units	<u>\$ 200,906</u>	<u>\$ -</u>	<u>\$ 23,696</u>	<u>\$ 177,210</u>	<u>\$ 4,128</u>

* Beginning balances were restated for the implementation of GASB Statement No. 75 and the reallocation of terminal leave. See Note 15 for additional details.

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, Sewer Maintenance, Parking, and Port of Milwaukee Proprietary Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies.

As of December 31, 2018, the City general obligation bonds totaled \$389,865,000 of which \$324,466,666 is for Capital Improvements, \$50,696,399 for schools and \$14,701,935 for business-type activities. The interest rates are between 1.18% and 5.50% with a final maturity date of April 1, 2034.

During the year ended December 31, 2018, general obligation bonds totaling \$32,640,000 were issued of which \$31,904,500 was issued to finance capital improvements, and \$735,500 for business-type activities.

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% 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.

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, under the School's 2% debt limit, to finance purchases of school sites and to construct or remodel school buildings, and without referendum for certain pension obligations. As of December 31, 2018, there was \$7,928,962 of debt outstanding. There is also \$50,696,399 of debt for school purposes issued under the City's 5% debt limit. 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, 2018, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately \$1,188,000,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE
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As of December 31, 2018, \$114,445,787 is outstanding for Tax Incremental District purposes. Total remaining debt service requirements associated with the debt is \$144,852,258. 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.

C. Revenue Bonds and State Loans

The City issues revenue bonds and State loans to provide funds for water and sewer improvements. The revenue bonds do not have a General Obligation pledge of the City. The revenue bonds and State loans will be repaid from revenues of the Sewer Maintenance and Water Works Proprietary Funds.

As of December 31, 2018, the City has State loans totaling \$166,243,485 of which \$125,660,171 is for Sewer and \$40,583,314 is for Water. The interest rates are between 1.54% and 2.89% and the final maturity date is May 1, 2038.

As of December 31, 2018, the City has Revenue Bonds totaling \$158,360,000 of which \$149,235,000 is for Sewer and \$9,125,000 is for Water. The interest rates are between 2.50% and 5.00% and the final maturity date is June 1, 2036.

During 2018, the City received loans from the State's Clean Water Fund and Safe Drinking Water Loan Programs totaling \$27,317,502 of which \$18,390,534 is for Sewer and \$9,768,521 is for Water.

D. Notes Payable

The City issues General Obligation notes to provide funds for various public improvement projects, general City financing, and purchases of delinquent taxes.

As of December 31, 2018, the City had notes totaling \$639,230,000 of which \$472,425,927 is for Capital Improvements, \$13,522,252 for schools, \$19,469,460 for business-type activities, \$61,654,410 for the purchase of delinquent taxes and \$72,157,951 for general City. The interest rates are between 2.00% and 5.00% with a final maturity date of April 1, 2028.

As of December 31, 2018, the City had notes totaling \$13,522,252 for school purposes, issued under the City's 5% debt limit.

As of December 31, 2018, \$102,418,547 is outstanding for Tax Incremental District purposes. Total remaining debt service requirements associated with the debt is \$119,767,437.

During the year ended December 31, 2018, General Obligation notes totaling \$246,330,000 were issued, of which \$146,648,220 was issued to finance capital improvements, \$66,617,000 for general City, \$1,052,700 for schools, \$10,368,080 for business-type activities and \$21,644,000 to purchase 2017 delinquent taxes.

E. Loans

As of December 31, 2018, the City had two outstanding revolving loan agreements (RLAs) with U.S. Bank National Association. A line of credit (LOC) with JP Morgan Chase Bank, National Association was paid off prior to its maturity on December 7, 2018. The RLAs are secured by a General Obligation pledge of the City and may be drawn upon at any time for any public purpose. It is the intention of the City to pay off an RLA by its maturity date. However, if not paid by the maturity date, the RLA enters an amortization period with the principal due on the first business day of the 18th month following the maturity date

The interest rates on the two U.S. Bank RLAs are tied to indexes which are reset monthly. The maximum available amounts, maturity dates, and indexes are as follows:

Amount	Maturity Date	Index
\$80,000,000	November 15, 2019	SIFMA
\$40,000,000	June 14, 2019	LIBOR

CITY OF MILWAUKEE
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During 2018, \$111.3 million was drawn on the Loans for the following purposes:

Loan Draws	
<i>(Thousands of Dollars)</i>	
Purpose	Amount
Refund debt	\$ 13,300
Capital expenditures	48,000
Schools cash flow	<u>50,000</u>
	<u>\$ 111,300</u>

Following is a summary of Loan activity, which is included in the Notes payable and long-term obligation table in footnote 7(a) above:

Loans			
<i>(Thousands of Dollars)</i>			
Balance			Balance
01/01/18	Additions	Deletions	12/31/18
<u>\$ 58,000</u>	<u>111,300</u>	<u>122,300</u>	<u>\$ 47,000</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

F. 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					
2019.....	\$ 114,751	\$ 42,701	\$ -	\$ -	\$ 157,452
2020	105,265	39,213	-	-	144,478
2021	122,814	32,632	-	-	155,446
2022	78,214	26,302	-	-	104,516
2023	135,957	21,310	-	-	157,267
2024-2028.....	335,716	52,043	-	-	387,759
2029-2033.....	101,688	7,240	-	-	108,928
2034.....	518	8	-	-	526
Total	<u>\$ 994,923</u>	<u>\$ 221,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,372</u>
Business-type activities					
Water Works					
2019.....	\$ 3,258	\$ 316	\$ 2,411	\$ 1,047	\$ 7,032
2020	835	267	2,451	1,000	4,553
2021	835	226	2,492	953	4,506
2022	836	184	2,533	905	4,458
2023	835	142	2,575	850	4,402
2024-2028.....	2,430	179	13,561	3,329	19,499
2029-2033.....	-	-	14,857	1,797	16,654
2034-2038.....	-	-	8,828	346	9,174
Total	<u>\$ 9,029</u>	<u>\$ 1,314</u>	<u>\$ 49,708</u>	<u>\$ 10,227</u>	<u>\$ 70,278</u>
Business-type activities					
Sewer Maintenance					
2019.....	\$ 404	\$ 696	\$ 16,274	\$ 8,874	\$ 26,248
2020	504	826	16,866	8,263	26,459
2021	5,800	553	17,482	7,626	31,461
2022	800	140	17,717	6,973	25,630
2023	800	100	18,362	6,304	25,566
2024-2028.....	1,600	80	87,370	22,419	111,469
2029-2033.....	-	-	72,446	8,903	81,349
2034-2037.....	-	-	28,378	1,138	29,516
Total	<u>\$ 9,908</u>	<u>\$ 2,395</u>	<u>\$ 274,895</u>	<u>\$ 70,500</u>	<u>\$ 357,698</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 Proprietary					
2019.....	\$ 1,687	\$ 675	\$ -	\$ -	\$ 2,362
2020	2,616	653	-	-	3,269
2021	1,531	436	-	-	1,967
2022	1,485	367	-	-	1,852
2023	1,383	300	-	-	1,683
2024-2028.....	4,889	741	-	-	5,630
2029-2033.....	1,552	114	-	-	1,666
2034.....	92	2	-	-	94
Total	<u>\$ 15,235</u>	<u>\$ 3,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,523</u>
Total Component Units					
2019.....	\$ -	\$ -	\$ 3,520	\$ 5,979	\$ 9,499
2020	-	-	3,685	5,864	9,549
2021	-	-	3,860	5,734	9,594
2022	-	-	4,050	5,596	9,646
2023	-	-	5,750	5,420	11,170
2024-2028.....	-	-	44,468	24,097	68,565
2029-2033.....	-	-	47,835	17,954	65,789
2034-2038.....	-	-	18,885	11,237	30,122
2039-2041.....	-	-	38,000	4,905	42,905
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,053</u>	<u>\$ 86,786</u>	<u>\$ 256,839</u>

G. 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, 2018, the City's legal debt margin was \$1,006,675,000. Of this amount, \$538,077,000 was for school purposes and \$468,598,000 was for City purposes.

H. Refinancing

During 2018, the City refinanced \$73,866,553 of General Obligation Debt with Promissory Notes, Series 2018 N4 in the amount of \$39,481,568, Corporate Purpose Bonds, Series 2018 B5 in the amount of \$13,343,432, State loans for Water in the amount of \$8,041,553, State Loans for Sewer in the amount of \$6,000,000 and a draw on the Line of Credit in the amount of \$7,000,000. These issues provided long-term financing for interim debt of \$67,541,553 and reduced the interest cost of long-term debt in the principal amount of \$6,325,000 realizing a net present value savings of \$364,964.

I. Conduit Debt

Occasionally, the City 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, are 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 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, 2018 is approximately \$3,010,000 for the City and \$327,000,000 for RACM.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

8. RETIREMENT PLANS

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, 789 North Water Street, Suite 300, Milwaukee, WI 53202, or may be found by visiting ERS' website www.cmers.com, by clicking on "Library" and then "Reports".

In March of 2018, all Redevelopment Authority of the City of Milwaukee (RACM) employees were transferred to City employment. These RACM employees (8 active and 4 retirees) were included in the actuarial analysis of the City's pension obligation and were incorporated with the City's pension-related activity.

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%, for general City employees enrolled prior to January 1, 2014, 4% for general City employees enrolled on or after January 1, 2014, 7% for police officers, firefighters, 7% for elected officials enrolled prior to January 1, 2014, and 4% for elected officials enrolled on or after January 1, 2014. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute a percentage of their earnable compensation for pension benefits as described above. A general City employee who enrolls as a member in the Employees' Retirement System on or after January 1, 2014 has the following: a minimum service retirement age of 65 and a service retirement allowance equal to 1.6% of the members final average salary times the total number of years of all creditable service; eligibility for a service retirement allowance when attaining the age of 60 years and the completion of 30 years of creditable service. Additionally, they are eligible for a pension escalator of 2% annually after the fifth anniversary of their service retirement, with spouse survivors of service retirees also eligible for the escalator. All new city employees enrolled on or after January 1, 2014, are required to contribute 4% of their earnable compensation to the retirement system. Total contributions to the System for the plan year 2018 was \$90,105,000, equal to the required contributions on behalf of the plan members for the year. Total contributions for the years ended December 31, 2017 and 2016 were \$62,184,000 and \$67,149,000 respectively, equal to the required contribution for each year. In 2013 the funding policy changed and the City went to a "stable contribution" policy. The actuarial contribution shall be based on separate calculated rates for police officers, firefighters and general City employees and shall be applicable for a 5-year period. The actuary shall, consistent with actuarial standards of practice, set the actuarial contribution rate at a percentage of covered compensation sufficient to fund the entire amount of the employers' share of the normal cost, and to amortize any unfunded past service liability.

CITY OF MILWAUKEE
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Long-term Expected Return on Plan Assets –The long-term expected rate of return on pension plan investments was determined using Callan Associates’ 10-year geometric capital market projections. Projected long-term rates of return for each major asset class in the Retirement System’s target asset allocation as of December 31, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Policy</u>	<u>Actual</u>	<u>Long-term Expected Rate of Return</u>
Public Equity.....	55.0%	56.0%	8.25%
Fixed Income	21.0%	19.6%	1.83%
Cash.....	1.0%	0.2%	0.94%
Real Estate.....	7.0%	6.3%	6.91%
Real Assets.....	3.0%	3.3%	5.38%
Private Equity.....	5.0%	5.8%	12.54%
Absolute Return.....	8.0%	8.8%	4.66%
	<u>100.0%</u>	<u>100.0%</u>	

Rate of Return – For the year ended December 31, 2017, the annual money-weighted rate of return, net of investment expense was 16.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions – The last actuarial valuation was performed as of January 1, 2017, and the amounts were used to roll-forward the total pension liability to the plan’s year-end December 31, 2017, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

CITY OF MILWAUKEE
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Actuarial Assumptions	
Actuarial Valuation Date	January 1, 2017
Measurement Date of Net Pension Liability	December 31, 2017
Amortization Method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The differences between projected and actual earnings are amortized over a closed period of five years.
Actuarial Cost Method:	Entry Age Normal - Level Percentage Pay
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return:	8.00% for calendar years through 2022, and 8.25% beginning with calendar year 2023.
Discount Rate:	8.24%
Projected Salary Increases	General City 2.5% - 5.5%
	Police & Fire 4.0% - 13.4%
Inflation Assumption:	2.50%
Cost of Living Adjustments	Vary by Employee Group as explained in summary of plan provisions.
Mortality Table	For regular retirees and for survivors, the RP-2014 Healthy Annuitant Mortality Table (using 111% of rates for males and 110% of rates for females) projected generationally with Scale MP-2016. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table (using 102% of rates for males and 98% of rates for females) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Non-annuitant Mortality Table projected generationally with Scale MP-2016.
Experience Study	The actuarial assumptions used in December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2012 - December 31, 2016.

Net Pension Liability – The components of the City’s pension liability as of December 31, 2018, were as follows:

Net Pension Liability	
<i>(Thousands of Dollars)</i>	
	Total
Total pension liability.....	\$ 4,822,647
Plan fiduciary net position.....	<u>(4,519,064)</u>
Net pension liability.....	<u>\$ 303,583</u>
Plan fiduciary net position as a percentage of total pension liability..	93.70%
Covered employee payroll.....	\$ 482,261
Net pension liability as a percentage of covered employee payroll.....	62.82%

CITY OF MILWAUKEE
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Discount Rate - The discount rate used to measure the total pension liability was 8.24 percent. The projection of cash flows used to determine the discount rate assumed that contribution from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 8.24 percent, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the City's net pension liability (asset) calculated using the discount rate of 8.24%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.24%) or 1-percentage-point higher (9.24%) than the current rate:

	1% Decrease to Discount Rate 7.24%	Current Discount Rate 8.24%	1% Increase to Discount Rate 9.24%
<i>(Thousands of Dollars)</i>			
City's net pension liability (asset).....	\$ 856,526	\$ 303,583	\$ (156,178)

Sensitivity of the annual contribution to changes in the discount rate – The following presents the annual City contribution using the discount rate of 8.24%, as well as what the City's annual contribution would be if it were calculated using a discount rate that is 1-percentage-point lower (7.24%) or 1-percentage-point higher (9.24%) than the current rate:

	1% Decrease to Discount Rate 7.24%	Current Discount Rate 8.24%	1% Increase to Discount Rate 9.24%
<i>(Thousands of Dollars)</i>			
City's annual contribution.....	\$ 119,244	\$ 68,785	\$ 22,667

Schedule of Employer Allocations – The Employer Allocation Percentage is based on the employers required contribution compared to the required contribution for all employers. The Employer Allocation Percentage is rounded to seven decimal places. The City's 2017 actuarial employer contribution was \$74.884 million and the employer allocation percentage was 83.736%.

Schedule of Pension Amounts – The employer's proportionate share of the Collective Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Total Employer Pension Expense (Income) is based on the Employer Allocation Percentage. The City's proportionate share of Collective net pension liability, deferred outflows/inflows and pension expense was 83.736%.

The Deferred Inflows and Outflows of Resources due to liabilities are amortized over the Average Expected Service Lives of all Employees of 3.93 years. The Collective Deferred Inflows and Outflows of Resources due to the net difference between projected and actual earnings on pension plan investments are amortized over 5.00 years.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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The City's total Deferred Inflows and Outflows of Resources, to be recognized in the Future Pension Expense, are as follows:

Total Future Deferred Inflows/Outflows

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
<i>(Thousands of Dollars)</i>			
Differences between expected and actual experience.....	\$ 41,923	\$ (11,497)	\$ 30,426
Changes in assumptions.....	152,948	(1,245)	151,703
Current year contributions to be deferred.....	91,468	-	91,468
Prior year contributions.....	(60,484)		(60,484)
Net differences between projected and actual earnings on pension plan investments.....	-	(117,709)	(117,709)
Changes in proportion and differences between employer contributions and proportionate share of contributions....	3,289	(2,338)	951
Total.....	\$ 229,144	\$ (132,789)	\$ 96,355

The City's Deferred Outflows and Inflows of Resources to be recognized in the Future Pension Expense, by year, are as follows:

Annual Future Deferred Inflows/Outflows

Year Ended December 31:	Net Deferred Outflows of Resources
<i>(Thousands of Dollars)</i>	
2019	\$ 117,430
2020	85,834
2021	(7,685)
2022	(99,224)
Total	\$ 96,355

CITY OF MILWAUKEE
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The City's pension expense was determined as follows:

Calculation of Pension Expense	Total
<i>(Thousands of Dollars)</i>	
Service Cost.....	\$ 65,048
Interest cost on total pension liability.....	362,851
Projected earnings on plan investments.....	(320,877)
Contributions - Member.....	(27,209)
Administrative Expense.....	7,232
Recognition of net deferred outflow s (inflow s).....	
Changes in assumptions.....	52,202
Differences between expected and actual liability experience.....	14,309
Difference between projected and actual earnings.....	(66,341)
Prior years' deferred outflow s.....	87,695
Prior years' deferred inflow s.....	(9,354)
Other changes in fiduciary net position.....	293
Total Pension Expense.....	<u>\$ 165,849</u>

Other Postemployment Benefits

The City provides other post-employment benefits (OPEB) to its retirees for health and life insurance. During 2018, the City implemented GASB 75 which requires recognizing a liability equal to total unfunded OPEB liability (total OPEB liability or TOL). The January 1, 2018 OPEB liability was restated, with a corresponding adjustment to beginning net position, to record the actuarially determined NOL, as required by GASB 75.

In March of 2018, all Redevelopment Authority of the City of Milwaukee (RACM) employees were transferred to City employment. These RACM employees (8 active and 4 retirees) were included in the actuarial analysis of the City's OPEB obligation and are combined with the City's OPEB balances.

Plan Description - The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employees' Retirement System (ERS). The City provides medical and COBRA dental 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.

Retiree eligibility for full health insurance coverage varies by employee group, but can be summarized as follows:

General Employees: Employees hired prior to January 1, 2017, in general, are eligible when they retire through the ERS with a minimum of 15 years of creditable service with the City. Furthermore, if they retire on a service retirement they are eligible for an 88% subsidy until they attain age 65. Certain other groups of General employees are eligible, but pay a variety of rates depending upon their group affiliation at the time of retirement, service credit, age, and type of retirement – the subsidy for these may range from 100% to 25% until age 65. Almost all retirees get a 25% subsidy once they attain Medicare age (65 years). Service retirement for General employees enrolled prior to January 1, 2014 is age 60 or age 55 with 30 years of creditable service; for those enrolled on/after January 1, 2014 is age 65 or age 60 with 30 years of creditable service.

Fire and Police: In general, protective service sworn employees are eligible when they retire on a service retirement through the ERS with a minimum of 15 years of creditable service. The amount they pay is part of their collective bargaining agreement with the subsidy ranging from 100% to 65% until age 65, and varies with the type of employee group they belonged to and their sick leave balance at the time of retirement. Almost all retirees get a 25% subsidy once they attain Medicare age (65 years). Service retirement for Fire enrolled prior to July 30, 2016 is age 57 or age 49 with 22 years of service; for those enrolled on or after July 30, 2016 is age 57 or age 52 with 25 years of creditable Fire service. Service retirement for Police enrolled prior to December

CITY OF MILWAUKEE
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20, 2015 is age 57 or 25 years of creditable service; for those enrolled on/after December 20, 2015 is age 57 or age 50 with 25 years of creditable Police service.

Disability: Slightly different eligibility criteria apply for employees who retire on an ordinary or duty disability and their subsidy is different from regular service retirees.

In addition to medical insurance, before 2014 the City allowed 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 covered under the City's Life Insurance plan until December 31, 2013 was 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 after 2013 must have purchased before retirement at least 50% of their annual base salary in voluntary life insurance coverage to be able to continue their enrollment in the City's General Life Insurance program. Premiums are paid at age-banded rates that are in effect at that time. Employees maintaining a minimum of 50% of their annual base salary at the time of retirement in voluntary coverage until age 65, upon attaining age 65, have \$10,000 of coverage paid for by the City.

In general, General City employees retiring on a service retirement prior to 2014 were eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and Police retiring on a service 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.

Furthermore, as part of recent collective bargaining agreements, Fire and Police employees (except MPSO) now follow the same life insurance plan design as General employees – they must have purchased before retirement at least 50% of their annual base salary in voluntary life insurance coverage to be able to continue their enrollment in the City's General Life Insurance program. Premiums are paid at age-banded rates that are in effect at that time. Employees maintaining a minimum of 50% of their annual base salary at the time of retirement in voluntary coverage until age 65, upon attaining age 65, have \$10,000 of coverage paid for by the City.

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. For certain groups of retirees, the City may assume all future premiums or only the cost of the \$10,000 of coverage, depending upon the retirement date and reduction schedule in effect on their last day at work.

Funding Policy - The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2018, the City paid approximately \$33,477,056 and \$2,440,545, respectively, toward medical and life insurance for retirees.

Actuarial Assumptions – The last actuarial valuation was performed as of January 1, 2017, projected to measurement dates of December 31, 2017, and December 31, 2018, using the applicable discount rate required under GASB Statement No. 75 and determined using the following actuarial assumptions.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Methods and Assumptions Used to Determine OPEB Actuarial Liability and Contributions	
Actuarial Valuation Date	January 1, 2017
Measurement Date of Net Pension Liability	December 31, 2018
Plan Fiscal Year End	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Contribution Policy	Pay-as-you-go costs
Asset Valuation Method:	No Assets (pay-as-you-go)
Actuarial Assumptions:	
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Discount Rate	3.31% as of December 31, 2017; 3.71% as of December 31, 2018
Projected Salary Increases	For general employees, salary increase rates start at 6.9% at age 25 and decrease steadily to 3.0% at age 50. For public safety employees, salary increases start at 10.5% at age 25 and decrease steadily to 3.0% at age 55.
Wage Inflation	3.00%
Healthcare Cost Trend Rates	Plan year 2018 trend rates were based on actual premium and were equal to -6.0% for pre-Medicare benefits and 6.6% for post-Medicare benefits. Pre-Medicare trend rates are 8.0% for 2019 and grade down in 0.50% increments to an ultimate trend rates of 4.50% in 2026. Post-Medicare trend rates are 9.5% for 2019 and grade down in 0.50% increments to an ultimate trend rates of 4.50% in 2029. Effective in 2022, pre-Medicare/post-Medicare excess trend of 0.39%/0.00% for the PPO Plan and 0.43%/0.10% for the EPO Plan are applied to the base trend healthcare rates to account for the Excise Tax under the Healthcare Reform Act.
Mortality Table	For regular retirees and for survivors, the RP-2000 Combined Mortality Table with mortality improvements projected to the year 2009 for the actuarial valuation as of January 1, 2017, for males and females. For death in active service, the RP-2000 Combined Mortality Table with mortality improvements projected to the year 2009 for the actuarial valuation as of January 1, 2017, for males and females, then a 6-year setback for males and females. For purposes of the retiree healthcare valuation, the mortality assumption for disabled retirees is the assumption for regular retirees and survivors with a 3-year set forward to the mortality rates.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are reflected separately.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Total OPEB Liability – The changes and components of the December 31, 2018 OPEB liability, along with the total OPEB liability by year are shown in the schedules below:

Schedule of Changes in Total OPEB Liability	Total
<i>(Thousands of Dollars)</i>	
Total OPEB liability	
Service cost.....	\$ 49,969
Interest.....	40,888
Differences between expected and actual experience.....	(182)
Changes of assumptions.....	(70,237)
Benefit payments.....	<u>(35,916)</u>
Net change in total OPEB liability.....	(15,478)
Total OPEB liability - January 1, 2018.....	<u>1,228,405</u>
Total OPEB liability - December 31, 2018.....	<u>\$ 1,212,927</u>
Plan fiduciary net position	
Contributions - employer.....	35,916
Benefit payments.....	<u>(35,916)</u>
Total OPEB liability - ending.....	<u>\$ 1,212,927</u>
Plan fiduciary net position as a percentage of total OPEB liability.....	0.00%
Covered employee payroll.....	\$ 422,509
Total OPEB liability as a percentage of covered payroll.....	287.08%
Inactive plan members or beneficiaries currently receiving benefits...	3,415
Active plan members.....	<u>6,503</u>
	<u>9,918</u>
Discount rate - January 1, 2018.....	3.31%
Discount rate - December 31, 2018.....	3.71%

Discount Rate – Since the City operates a pay-as-you-go plan, the OPEB liability is calculated using discount rates based on Fidelity’s “20-Year Municipal GO AA Index” as of each measurement date. The discount rates used in the actuarial study were as follows:

CITY OF MILWAUKEE
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 FOR THE YEAR ENDED DECEMBER 31, 2018

Sensitivity of Total OPEB Liability – The following tables present the City’s total OPEB liability using discount rates and healthcare cost trend rate assumptions that are 1% higher and 1% lower than the current rates.

Sensitivity of Total OPEB to the Single Discount Rate Assumption

	1% Decrease to Discount Rate 2.71%	Current Discount Rate 3.71%	1% Increase to Discount Rate 4.71%
<i>(Thousands of Dollars)</i>			
City's Total OPEB liability.....	\$ 1,400,426	\$ 1,212,927	\$ 1,060,747

Sensitivity of Total OPEB to the Healthcare Cost Trend Rate Assumption

	1% Decrease	Current Healthcare Cost Assumption	1% Increase
<i>(Thousands of Dollars)</i>			
City's Total OPEB liability.....	\$ 1,051,780	\$ 1,212,927	\$ 1,416,675

OPEB Expense - The City’s annual OPEB expense is based on the change in the total OPEB liability as actuarially determined in accordance with the parameters of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Annual OPEB expense consists of service cost, interest on the total OPEB liability, the monetary effect of plan changes and the current year portion of any deferred outflows/(inflows). The following table shows the components of the City’s annual OPEB expense for the year:

Annual OPEB Expense <i>(Thousands of Dollars)</i>	Total
Service Cost.....	\$ 49,969
Interest cost on total pension liability.....	40,888
Recognition of outflow/(inflow) due to non-investment experience.....	(26)
Recognition of outflow/(inflow) due to assumption changes.....	(10,089)
Total OPEB Expense.....	\$ 80,742

A reconciliation of the City’s total OPEB liability including expense, contributions and deferred outflows/(inflows) is shown below:

Reconciliation of Total OPEB Liability <i>(Thousands of Dollars)</i>	Total
Total OPEB liability beginning of year.....	\$ 1,228,405
OPEB expense.....	80,742
Employer contributions.....	(35,916)
Change in outflow/(inflow) due to non-investment experience.....	(156)
Change in outflow/(inflow) due to assumption changes.....	(60,148)
Total OPEB liability end of year.....	\$ 1,212,927

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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Deferred Inflows and Outflows of Resources – For the plan year-end December 31, 2018, an actuarial gain of \$182,328 was generated due to the difference between actual and expected employer net benefits paid during the plan year. The actuarial gain is recognized as a component of the annual OPEB expense on a straight-line basis of 6.96174 years. For plan year-end December 31, 2018, a gain of \$26,190 was recognized in the annual expense. As of December 31, 2018, the remaining amount of \$156,138 will be recognized as a component of future expense.

For the plan year-end December 31, 2018, an actuarial gain of \$70,237,049 was generated due to the change in the discount rate from 3.31% at December 31, 2017, to 3.71% at December 31, 2018. The actuarial gain is recognized as a component of the annual OPEB expense on a straight-line basis of 6.96174 years. For plan year-end December 31, 2018, a gain of \$10,089,008 was recognized in the annual expense. As of December 31, 2018, the remaining amount of \$60,148,041 will be recognized as a component of future expense.

Deferred inflows and outflows recognized in the current or future OPEB expense periods are shown in the following schedules:

Outflows and (Inflows) of Resources Recognized in Current and Future OPEB Expenses

(Thousands of Dollars)

	<u>Original Balance</u>	<u>Date Established</u>	<u>Amortization Period</u>	<u>Amount Recognized in Current Expense</u>	<u>(Inflows) to be Recognized in Future Expense</u>
Experience (Gain)/Loss					
Differences between expected and actual non-investment experience.....	\$ (182)	Jan. 1, 2018	6.96174	\$ (26)	\$ (156)
Assumption changes.....	(70,237)	Jan. 1, 2018	6.96174	(10,089)	(60,148)
Total.....	<u>\$ (70,419)</u>			<u>\$ (10,115)</u>	<u>\$ (60,304)</u>

Deferred Outflows and Deferred (Inflows) of Resources Recognized in Future OPEB Expenses

(Thousands of Dollars)

Fiscal Year-end	<u>Non-investment Experience</u>		<u>Assumption Changes</u>		<u>Total</u>	
	<u>(Inflows)</u>	<u>Outflows</u>	<u>(Inflows)</u>	<u>Outflows</u>	<u>(Inflows)</u>	<u>Outflows</u>
December 31, 2019	\$ (26)	\$ -	\$ (10,089)	\$ -	\$ (10,115)	\$ -
December 31, 2020	(26)	-	(10,089)	-	(10,115)	-
December 31, 2021	(26)	-	(10,089)	-	(10,115)	-
December 31, 2022	(26)	-	(10,089)	-	(10,115)	-
December 31, 2023	(26)	-	(10,089)	-	(10,115)	-
December 31, 2024	(26)	-	(9,703)	-	(9,729)	-
Total	<u>\$ (156)</u>	<u>\$ -</u>	<u>\$ (60,148)</u>	<u>\$ -</u>	<u>\$ (60,304)</u>	<u>\$ -</u>

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend amounts. The annual OPEB expense and total OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with the Milwaukee Police Association, Milwaukee Police Supervisors' Organization, and the Milwaukee Professional Firefighters Association labor contracts or Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive one 24-hour work day's base salary for each 10 work days of accumulated, unused sick leave rounded down to the nearest multiple of 10. Firefighters whose normal hours of work average 40 hours per week are converted to 24-hour workdays where the above calculation then applies. Firefighters who have fewer than twenty, 24-hour workdays of accumulated, unused sick days are not eligible for a terminal leave benefit. Police officers receive payment for up to 55 days of unused sick leave at base pay for their terminal leave benefit. All remaining City employees receive up to 30 days of unused sick leave at base pay as their terminal leave benefit. In 2018, approximately \$7,905,000 was paid for sick leave from all funds. At December 31, 2018, accumulated sick leave earned but not taken totaled approximately \$163,580,680 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 2018, terminal leave payments totaled \$2,829,059 to employees retiring during the year. As of December 31, 2018, the City has accrued \$29,801,485 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$46,697,790 with the remainder accrued vacation leave of \$16,896,305.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

9. FUND BALANCE

The constraints placed on fund balance for the governmental funds at December 31, 2018 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization	Economic Development	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>						
Nonspendable							
Loans receivable.....	\$ 41	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41
Advances.....	6,325	-	-	-	-	-	6,325
Inventory.....	9,324	-	-	-	-	-	9,324
Inventory of property for resale..	26	-	-	-	-	-	26
Prepaid items.....	3,670	-	-	-	1,159	1	4,830
Investment-Targeted Mortgage...	90	-	-	-	-	-	90
Spendable							
Restricted for:							
Future debt payments.....	-	47,421	50,537	-	-	-	97,958
Business Improvement Districts..	-	-	-	210	-	-	210
Grants.....	-	-	-	-	-	8,113	8,113
Tax increment financing.....	-	-	-	89,558	15,485	-	105,043
Committed to:							
Contributions.....	3,066	-	-	-	-	-	3,066
Delinquent taxes.....	-	-	-	-	-	-	-
Equipment replacement.....	-	-	-	-	-	-	-
Capital projects.....	-	-	-	-	20,817	-	20,817
Assigned to:							
Conservation and development...	497	-	-	-	-	-	497
General government.....	6,712	-	-	-	-	-	6,712
Health.....	775	-	-	-	-	-	775
Library.....	61	-	-	-	-	-	61
Public safety.....	1,427	-	-	-	-	-	1,427
Public works.....	978	-	-	-	-	-	978
2019 budgetary financing.....	16,000	-	-	-	-	-	16,000
Unassigned	<u>18,002</u>	<u>-</u>	<u>-</u>	<u>(15,040)</u>	<u>(19,317)</u>	<u>(20,968)</u>	<u>(37,323)</u>
Total Fund Balance.....	<u>\$ 66,994</u>	<u>\$ 47,421</u>	<u>\$ 50,537</u>	<u>\$ 74,728</u>	<u>\$ 18,144</u>	<u>\$ (12,854)</u>	<u>\$ 244,970</u>

Tax Stabilization and Advances to Other Funds

A tax stabilization arrangement is incorporated into the City's adopted *Reserve for Tax Stabilization Fund Balance Policy* and is governed by the City's Code of Ordinances. At December 31, 2018, the tax stabilization reserve was \$40,368,000. Of this amount, \$16,000,000 has been committed to the funding of the 2019 General Fund budget and \$18,002,000 is unassigned for 2019 and subsequent years' budgets. This Reserve includes an amount for advances of \$6,325,000 from the General Fund to the Capital Projects Fund and \$41,000 in loans 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 3% 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 prior to budget adoption.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2018 were as follows:

		Due From				
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
		<i>(Thousands of Dollars)</i>				
Due To	General Obligation Debt Service	\$2,900	\$1,168	\$ -	\$ -	\$4,068
	Capital Projects	1,689	-	-	-	1,689
	Nonmajor Governmental Funds.....	46,767	-	-	-	46,767
	Water Works	-	-	1,946	1,343	3,289
	Sewer Maintenance	5,467	-	-	-	5,467
	Nonmajor Proprietary Funds	<u>17,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,133</u>
Totals	<u>\$ 73,956</u>	<u>\$ 1,168</u>	<u>\$ 1,946</u>	<u>\$ 1,343</u>	<u>\$ 78,413</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, and (4) 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.

The City of Milwaukee General Fund advances funds to the Special Assessments Capital Projects fund periodically to finance cash flows. These advances are non-interest bearing and are repaid as collections from the receivables are obtained. At December 31, 2018 the outstanding balance was \$6,325,000.

The City of Milwaukee Water Fund advanced \$272,286 to the Parking Proprietary Fund in 2012. This advance is non-interest bearing and is due in annual installments from 2013 to 2021. At December 31, 2018 the outstanding balance was \$81,686.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Interfund transfers for the year ended December 31, 2018 were as follows (*in thousands*):

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt Service.....	\$ 10,050	Funding for Revenue Anticipation Notes
	General Obligation Debt Service.....	8,875	Funding for operations
	Nonmajor Governmental Funds.....	7,673	Subsidize uncollected property taxes
	Nonmajor Governmental Funds.....	127	Grant variance closeouts
	Water Works.....	13,090	Payment in Lieu of taxes
	Nonmajor Proprietary Funds.....	1,413	Payment in Lieu of taxes
	Nonmajor Proprietary Funds.....	17,123	Subsidy for operations
	Nonmajor Proprietary Funds.....	<u>3,260</u>	Excess earnings of Port
	Subtotal General Fund.....	<u>61,611</u>	
General Obligation Debt Service	General.....	64,009	Funding for debt payments
	Economic Development.....	28,592	Funding for debt payments
	Public Debt Amortization.....	9,700	Funding for debt payments
	Capital Funds.....	1,220	Funding for debt payments
	Nonmajor Governmental Funds.....	16,900	Funding for debt payments
	Sewer Maintenance.....	2,396	Funding for debt payments
	Nonmajor Proprietary Funds.....	<u>1,108</u>	Funding for debt payments
	Subtotal Debt Service.....	<u>123,925</u>	
Nonmajor Governmental Funds	General Obligation Debt Service.....	<u>1,051</u>	Funding for operations
	Subtotal Nonmajor Governmental Funds	<u>1,051</u>	
Economic Development	Capital Funds.....	<u>5,314</u>	Close surplus revenues
	Subtotal Economic Development.....	<u>5,314</u>	
Capital Projects	General Obligation Debt Service.....	5,773	Funding for operations
	Economic Development.....	<u>1,047</u>	Funding for operations
	Subtotal Capital Projects.....	<u>6,820</u>	
Nonmajor Proprietary	General Obligation Debt Service.....	507	Funding for debt payments
	General Obligation Debt Service.....	<u>82</u>	Funding for operations
	Subtotal Nonmajor Proprietary.....	<u>589</u>	
	Total Interfund Transfers.....	<u>\$ 199,310</u>	

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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2018 were as follows:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from RACM for reimbursable expenditures	\$ 72
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	8,502
Due from NIDC for strong home loan repayments.....	14
Due from NIDC for housing projects.....	27
Due from NIDC for home and Community Development Block grants	<u>10</u>
Total	<u>\$ 8,625</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to RACM for reimbursable expenditures	\$ 29
Due to RACM for blight elimination	<u>92</u>
Total	<u>\$ 121</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2018 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments receivable for years ending December 31 are as follows:

Year	Amount
<i>(Thousands of Dollars)</i>	
2019.....	\$ 3,989
2020.....	4,758
2021.....	3,751
2022.....	3,693
2023.....	3,642
2024-2028.....	18,957
2029-2033.....	13,964
2034-2038.....	4,953
2039 and beyond.....	<u>3,447</u>
 Total.....	 <u>\$ 61,154</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of loss 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 statements.

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 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 financial statements.

The liabilities recorded as long-term debt in the government-wide financial statements at December 31 were as follows:

Claim and Legal Liability Balances

	2018	2017
General liability claims	\$ 27,888,000	\$ 22,207,000
Workers' compensation claims	12,268,000	8,320,000
Unemployment claims	364,000	172,000
Pollution remediation obligation.....	<u>1,810,000</u>	<u>1,523,000</u>
Total.....	<u>\$ 42,330,000</u>	<u>\$ 32,222,000</u>

Changes in the balances of claim liabilities during the past two years were as follows:

Claim and Legal Liability Activity

	2018	2017
Beginning of year liability	\$ 32,222,000	\$ 32,696,000
Current year claims and changes in estimates	12,312,000	4,600,300
Claim payments	<u>(2,204,000)</u>	<u>(5,074,300)</u>
End of year liability	<u>\$ 42,330,000</u>	<u>\$ 32,222,000</u>

The City is self-insured for active and retired employee health insurance, which is recorded in accounts payable within the general fund. Changes in the balance of this claim liability include both actives and retirees. Changes in the liabilities during the past two years were as follows:

Health Insurance Claim Activity

	2018	2017
Beginning of year liability	\$ 8,646,905	\$ 8,510,800
Current year claims and changes in estimates	101,027,862	91,325,413
Claim payments	<u>(101,092,830)</u>	<u>(91,189,308)</u>
End of year liability	<u>\$ 8,581,937</u>	<u>\$ 8,646,905</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

At year-end 2018, there were fourteen unresolved lawsuits, involving the refund of allegedly excessive property taxes, under Section 74.37. Of these cases, five of them have the potential, if they are successful, to result in large individual judgements. These cases include Citgo Petroleum, Metropolitan Associates, US Venture, US Bank, and Wisconsin and Milwaukee Hotel. As these cases are still pending, the associated potential liabilities remain as of the current date.

During 2018, several prior year claims were either settled or dismissed while new claims were filed. During 2019, two claims for a total of \$9.8 million were settled. All pending, and the two settled cases, are included in the calculation of estimated legal liability.

Environmental Liabilities

The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PCB pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of \$363,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, cleanup is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

During 2018, the City's estimated liability for pollution remediation-related activities increased \$287,000. At December 31, 2018, the City has an outstanding liability of \$1,810,000 related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Four of the seven landfills have been closed. The remaining three landfills 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 City spent \$46,000 in post-closure care of solid waste landfills during 2018. Actual future costs may be higher due to inflation, changes in technology, or changes in regulations.

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, 2018.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Commitments

The following is a list of encumbrances by function at December 31, 2018:

	General Fund	Capital Projects	Water Works	Total
	<i>(Thousands of Dollars)</i>			
General government.....	\$ 811	\$ -	\$ -	\$ 811
Conservation and development.....	151	1,847	-	1,998
Health.....	21	-	-	21
Culture and Recreation.....	61	3,876	-	3,937
Public safety.....	477	2,402	-	2,879
Public works.....	978	-	-	978
Infrastructure.....	-	61,021	7,997	69,018
Total.....	\$ 2,499	\$ 69,146	\$ 7,997	\$ 79,642

14. TAX ABATEMENTS

Wisconsin State Statute Section 66.1105 gives the City of Milwaukee (City) the authority to create Tax Incremental Financing (TIF) districts. TIF is an economic development tool used by the City to leverage private development investment. As of December 31, 2018, the City provides tax incentives to certain developers of properties within tax incremental districts (TIDs) utilizing the following methods.

Program 1 - Developer-Financed Projects:

- The City and/or Redevelopment Authority of the City of Milwaukee (RACM) enter into an agreement with a developer or corporation to fund a portion of a redevelopment project. The developer/corporation advances the City's contribution and the advance is considered a loan to the City at an agreed-upon interest rate. The loan to the City is repaid by using a portion of the annual tax increment revenue to repay the developer/corporation. In most instances, the amount of the City's loan repayment to the developer/corporation can be reduced if an economic indicator, such as full-time-equivalent employment, is not achieved. Moreover, loan repayments typically cease after a set number of years, even if the loan is not fully amortized. The agreements for TIDs 94, 95 and 96 were signed in 2019. The "2018 Remaining" column of the Tax Abatement Activity schedule does not include future interest payments. Interest accrued for 2018 was \$1.4 million. Interest rates on the loans range from 0% to 6%.

Program 2 – Grants to Developers/Corporations:

- In exchange for performing or taking a certain action, such as renewing a lease to remain at a certain location, the City and/or RACM (through the TID) will provide a grant, payable through a refund of annual taxes paid. The amount of the refund can be reduced for not meeting an economic indicator, such as full-time-equivalent employment.

Authority for these tax abatement agreements is provided by 66.1105 Wis. Stats. (Tax Increment Law), and 66.1333 Wis. Stats. (Blight Elimination and Slum Clearance). All tax abatement agreements also require the approval of the City of Milwaukee Common Council, RACM Board and the Joint Review Board.

The City is the collection agent for the property taxes of all overlying taxing authorities, and deposits the revenues into a separate fund. Taxes refunded during 2018 and the remaining potential future refunds are shown in the table below. The "Remaining" column represents the maximum principal amount outstanding as of December 31, 2018.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Tax Abatement Activity			2018
	2017			
	<u>Remaining</u>	<u>Additions</u>	<u>2018 Taxes</u> <u>Refunded</u>	<u>Remaining</u>
Program 1, Developer-Financed	<i>(Thousands of Dollars)</i>			
TID 52.....	\$ 1,542	\$ 71	\$ (440)	\$ 1,173
TID 57.....	2,611	128	(498)	2,241
TID 64.....	3,082	228	(320)	2,990
TID 70.....	126	3	(129)	-
TID 78.....	54,000	2,079	(6,698)	49,381
TID 80.....	2,586	110	(253)	2,443
TID 83.....	873	39	(137)	775
TID 84.....	8,000	-	-	8,000
TID 86.....	1,500	-	-	1,500
TID 87.....	1,200	-	-	1,200
TID 90.....	635	-	-	635
TID 93.....	575	-	-	575
TID 94.....	-	3,800	-	3,800
TID 95.....	-	500	-	500
TID 96.....	-	25,000	-	25,000
Total Program 1.....	<u>\$ 76,730</u>	<u>\$ 31,958</u>	<u>\$ (8,475)</u>	<u>\$ 100,213</u>
Program 2, Grant				
TID 63.....	1,585	-	(83)	1,502
TID 77.....	402	-	(151)	251
Total Program 2.....	<u>\$ 1,987</u>	<u>\$ -</u>	<u>\$ (234)</u>	<u>\$ 1,753</u>
Total tax abatements.....	<u><u>\$ 78,717</u></u>	<u><u>\$ 31,958</u></u>	<u><u>\$ (8,709)</u></u>	<u><u>\$ 101,966</u></u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

15. RESTATEMENT

The City restated January 1, 2018 net position to reflect the following items:

- During 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. This statement replaces GASB Statements No. 45 and No 57. GASB 75 requires recording the entire net other post-employment benefits (OPEB) liability and restatement of the December 31, 2017 net position and liability balances.
- Prior to 2018, all terminal leave, including the portion related to business-type activities, was reported in the Governmental Activities section of the Statement of Net Position (Exhibit 1). Starting in 2018, terminal leave is split by fund with the proprietary fund portion being recorded as Business-type Activities. December 31, 2018 net position has been restated for prior year activity.
- In prior years, capital expenditures relating to the City's streetcar system were expensed. In 2018, current and prior year capital streetcar system expenses have been recorded as construction in progress. December 31, 2018 net position has been restated to reflect the reclassification of prior year expense.

The effects of these restatements on net position are shown below.

Government-Wide	Governmental Activities	Business-type Activities			
	<i>(Thousands of Dollars)</i>				
Net Position December 31, 2017 as previously reported.....	\$ (78,680)	\$ 796,194			
Adjustment for GASB 75 OPEB Liability.....	(689,468)	(65,630)			
Adjustment for Terminal Leave.....	1,451	(1,451)			
Adjustment for Capital Expenses.....	<u>12,256</u>	<u>-</u>			
Net Position December 31, 2017 as restated.....	<u>\$ (754,441)</u>	<u>\$ 729,113</u>			
 Business-type	 Water Works	 Sewer Maintenance	 Nonmajor Enterprise Funds		
	<i>(Thousands of Dollars)</i>				
Net Position December 31, 2017 as previously reported.....	\$ 473,547	\$ 283,307	\$ 39,340		
Adjustment for GASB 75 OPEB Liability.....	(39,579)	(12,995)	(13,056)		
Adjustment for Terminal Leave.....	<u>(929)</u>	<u>(258)</u>	<u>(264)</u>		
Net Position December 31, 2017 as restated.....	<u>\$ 433,039</u>	<u>\$ 270,054</u>	<u>\$ 26,020</u>		

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

16. SUBSEQUENT EVENTS

On January 2, 2019, the City drew \$17,450,000 on 2018 N11 Revolving Loan Agreement (RLA) with US Bank National Association for refunding purposes.

On January 11, 2019, the City paid \$2,400,000 on behalf of Milwaukee Water Works to US Bank on Revolving Note 2016-N9 to retire a portion of the debt outstanding.

On February 27, 2019, the City received \$14,346,000 from the Clean Water Fund (CWF) program for capital and refunding purposes. The CWF loan matures in each of the years 2019 through 2038.

On March 1, 2019, the City paid \$5,100,000 on behalf of the Milwaukee Sewerage System to US Bank on Revolving Note 2016-N9 to retire a portion of the debt outstanding.

On March 13, 2019, the City received \$117,805 from the CWF program for capital purposes. The CWF loan matures in each of the years 2019 through 2038.

On March 27, 2019, the City received \$442,630 from the CWF program for capital purposes. The CWF loan matures in each of the years 2019 through 2038.

On May 16, 2019, the City issued \$120,000,000 of limited obligation, revenue anticipation notes, series R2, for cash flow purposes. The maturity date is May 7, 2020. However, funds necessary to repay the notes will be deposited with the fiscal agent prior to the end of 2019.

On May 16, 2019, the City issued \$89,100,000 of general obligation promissory notes, series N3, for capital project, fiscal, and refunding purposes. The notes mature in each of the years 2020 through 2029.

On May 16, 2019, the City issued \$24,635,000 of general obligation corporate purpose bonds, series B4 for capital project and refunding purposes. The bonds mature in each of the years 2030 through 2039.

On May 16, 2019, the City issued \$5,000,000 corporate purpose bonds, series T5 for capital project purposes. The bonds mature in each of the years 2020 through 2029.

On May 17, 2019, the City Paid \$34,500,000 to US Bank on Revolving Note 2016-N9 to retire the balance in full.

Between January 11, 2019 and May 17, 2019, the City repaid all outstanding balances on the 2016 N9, 2018 N11 and 2018 T12 RLA's.

On June 20, 2019, the City drew \$2,050,000 on 2016 N9 RLA with US Bank National Association for fiscal requirements. As of June 20, 2019, the Revolving Note balance was \$2,050,000.

On June 26, 2019, the City received \$3,055,898 from the Safe Drinking Water Loan (SDWL) program for capital purposes. The SDWL loan matures in each of the years 2020 through 2029.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (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	\$ 206,651	\$ 206,651	\$ 198,951	\$ (7,700)
Other taxes	3,166	3,166	2,831	(335)
Licenses and permits	15,937	15,937	17,232	1,295
Intergovernmental	268,191	268,191	268,792	601
Charges for services	124,011	126,871	119,579	(7,292)
Fines and forfeits	3,001	3,001	3,297	296
Other	22,721	26,921	26,764	(157)
Total Revenues	<u>643,678</u>	<u>650,738</u>	<u>637,446</u>	<u>(13,292)</u>
Expenditures:				
Current:				
General government	266,244	276,373	274,345	2,028
Public safety	301,401	318,571	317,095	1,476
Public works	98,537	103,802	103,588	214
Health	10,222	9,870	9,867	3
Culture and recreation	17,474	18,421	18,416	5
Conservation and development	4,772	4,580	4,544	36
Total Expenditures	<u>698,650</u>	<u>731,617</u>	<u>727,855</u>	<u>3,762</u>
Deficiency of Revenues over Expenditures	<u>(54,972)</u>	<u>(80,879)</u>	<u>(90,409)</u>	<u>(9,530)</u>
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	71,900	62,330	(9,570)
Transfers in	34,008	34,008	61,611	27,603
Transfers out	-	-	(64,009)	(64,009)
Contributions received	28,283	28,283	21,203	(7,080)
Contributions used	(26,167)	(27,163)	(21,208)	5,955
Use of fund balance - reserved for tax stabilization ...	19,000	19,000	19,000	-
Total Other Financing Sources and Uses	<u>55,124</u>	<u>126,028</u>	<u>78,927</u>	<u>(47,101)</u>
Net Change in Fund Balance	152	45,149	(11,482)	(56,631)
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	78,476	78,476	78,476	-
Fund Balance - Ending	<u>\$ 78,628</u>	<u>\$ 123,625</u>	<u>\$ 66,994</u>	<u>\$ (56,631)</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 with budget basis is \$19 million at January 1, 2018.

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.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit E-2

RETIREE HEALTH AND LIFE INSURANCE (OPEB)

PLAN FIDUCIARY NET POSITION

	<u>2018</u>
Employer contributions.....	\$ 35,916
Active member contributions.....	-
Net investment income.....	-
Benefit payments.....	(35,916)
Operating expenses.....	-
Other.....	-
Net Change in Plan Fiduciary Net Position.....	<u>\$ -</u>
Discount rate at beginning of year.....	3.31%
Discount rate at end of year.....	3.71%

TOTAL OPEB LIABILITY

	<u>2018</u>
Total OPEB liability beginning of year.....	\$ 1,228,405
OPEB expense.....	80,742
Employer contributions.....	(35,916)
Change in outflow/(inflow) due to non-investment experience.....	(156)
Change in outflow/(inflow) due to assumption changes.....	(60,148)
Change in outflow/(inflow) due to investment experience.....	-
Total OPEB liability end of year.....	<u>\$ 1,212,927</u>

SCHEDULE OF OPEB CONTRIBUTIONS

	Actuarially	Actual	Contribution	Covered	Actual
FY ending	Determined	Employer	Deficiency	Payroll	Contribution
December 31	Contribution	Contribution	Excess	Payroll	as a % of
					Covered
					Payroll
2017	N/A	\$ 34,120	N/A	\$ 410,203	8.32%
2018	N/A	\$ 35,918	N/A	\$ 422,509	8.50%

Note: Schedule is intended to report data for the last 10 fiscal years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit E-2 (Continued)

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 Employees' Retirement System

	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/17</u>	<u>12/31/18</u>
The City's proportion of the net pension liability (asset).....	83.92%	83.08%	82.85%	83.74%
The City's proportionate share of the net pension liability (asset).....	\$ 95,224	\$ 349,915	\$ 353,030	\$ 303,583
The City's covered-employee payroll.....	\$ 444,719	\$ 445,615	\$ 483,819	\$ 483,261
Plan fiduciary net position as a percentage of the total pension liability (asset).....	97.76%	91.95%	91.98%	93.70%

SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
 Employees' Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Legally required contributions.....	\$ 65,474	\$ 66,333	\$ 66,401	\$ 74,811	\$ 74,884
Contributions in relation to the required contributions.....	\$ 61,130	\$ 59,985	\$ 61,390	\$ 65,410	\$ 69,940
Contribution deficiency (excess).....	\$ 4,344	\$ 6,348	\$ 5,011	\$ 9,401	\$ 4,944
City's pensionable - employee payroll.....	\$ 375,751	\$ 380,976	\$ 383,845	\$ 422,717	\$ 483,261
Contributions as a percentage of covered-employee payroll.....	16.27%	15.75%	15.99%	15.47%	14.47%

Note: Schedule is intended to report data for the last 10 fiscal years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedules of Funding Progress

Retiree Health and Life Insurance – Actuarial Methods and Assumptions

Valuation date	January 1, 2017
Measurement date	December 31, 2018
Actuarial cost method	Entry age normal
Contribution policy	Pay-as-you-go
Asset valuation method	No assets
Current discount rate	3.71%
Wage inflation	3.0%
Salary increases	For general employees, salary increase rates start at 6.9% at age 25 and decrease steadily to 3.0% at age 50. For public safety employees, salary increases start at 10.5% at age 25 and decrease steadily to 3.0% at age 55.
Health care inflation rate	Plan year 2018 trend rates were based on actual premium and were equal to -6.0% for pre-Medicare benefits and 6.6% for post-Medicare benefits. Pre-Medicare trend rates are 8.0% for 2019 and grade down in 0.50% increments to an ultimate trend rate of 4.50% in 2026. Post-Medicare trend rates are 9.5% for 2019 and grade down in 0.50% increments to an ultimate trend rate of 4.50% in 2029. Effective in 2022, pre-Medicare/post-Medicare excess trend of 0.39%/0.00% for the PPO Plan and 0.43%/0.10% for the EPO Plan are applied to the base trend healthcare rates to account for the Excise Tax under the Healthcare Reform Act.

Pension Liability and Contributions – Actuarial Methods and Assumptions

Valuation date	January 1, 2017
Measurement date	December 31, 2017
Actuarial cost method	Entry age normal – level percentage of pay
Amortization method	Difference between expected and actual liability and actual liability experience and changes of assumptions are amortized over average of expected remaining service lives. Difference between projected and actual earnings amortized over 5 years.
Asset valuation method	Market value
Investment rate of return	8.00% for calendar years through 2022, 8.25% beginning with calendar year 2023.
Projected salary increases	General City 2.5% - 5.5% Police & Fire 4.0% - 13.4%
Inflation assumption	2.5%

Changes of assumptions: There were no changes to the assumptions. However, effective February 13, 2018, Section 36-15-15 of the MCC was amended to implement a new actuarial cost method and a new amortization method.

Changes of benefit terms: There were no changes of benefit terms for any City of Milwaukee Employees' Retirement System participants.

See Ch.36 of the City Ordinances - City requirement is to contribute 100% of pension liability.

CITY OF MILWAUKEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

Budgets and Budgetary Accounting

City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Department of Administration, Division of Budget and Management Analysis, acting as staff for the Mayor, reviews the request in detail with the departments during June and July. After all of the requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. During the year, various amendments were made to the budget including carryovers of appropriations and encumbrances, and internal transfers.

Annual budgets are legally adopted by the Common Council for some but not all governmental funds. Annual budgets are not adopted for Special Revenue Funds: Delinquent Tax, Public Debt Amortization and Capital Projects Funds. The General Obligation Debt Service Fund uses a non-appropriated budget. Budgets for Capital Projects Funds are prepared for the project life, rather than for the standard current fiscal year. Therefore, project appropriations for these budgets lapse at the conclusion of the project. All other appropriations lapse at the end of the current fiscal year. Governmental funds for which annual budgets have been adopted are included in the accompanying Required Supplementary Information Budgetary Comparison Schedule and in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

**COMBINING
AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

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Nonmajor Governmental Funds

Nonmajor funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects – This fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant – The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax – This fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

CITY OF MILWAUKEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit F-1

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Total Nonmajor Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 365	\$ 1,459	\$ -	\$ 1,824
Receivables (net):				
Taxes	-	-	29,421	29,421
Accounts	21	-	-	21
Notes and loans	5,629	4,924	-	10,553
Due from component units	27	10	-	37
Due from other governmental agencies	7,664	2,951	-	10,615
Prepaid items	-	1	-	1
Total Assets	<u>\$ 13,706</u>	<u>\$ 9,345</u>	<u>\$ 29,421</u>	<u>\$ 52,472</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,674	\$ 2,508	\$ -	\$ 5,182
Accrued expenses	96	65	-	161
Due to other funds	4,103	127	42,537	46,767
Due to other governmental agencies	839	1,458	-	2,297
Unearned revenue.....	365	263	-	628
Total Liabilities	<u>8,077</u>	<u>4,421</u>	<u>42,537</u>	<u>55,035</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>2,327</u>	<u>112</u>	<u>7,852</u>	<u>10,291</u>
Fund Balances:				
Nonspendable.....	-	1	-	1
Restricted.....	3,302	4,811	-	8,113
Unassigned.....	-	-	(20,968)	(20,968)
Total Fund Balances	<u>3,302</u>	<u>4,812</u>	<u>(20,968)</u>	<u>(12,854)</u>
Total Liabilities, Deferred Inflows and Fund Balances ...	<u>\$ 13,706</u>	<u>\$ 9,345</u>	<u>\$ 29,421</u>	<u>\$ 52,472</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit F-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ 27,211	\$ 13,907	\$ -	\$ 41,118
Other	-	-	2,726	2,726
Total Revenues	<u>27,211</u>	<u>13,907</u>	<u>2,726</u>	<u>43,844</u>
Expenditures:				
Current:				
General government	-	1,841	1,469	3,310
Public safety	8,638	3,788	-	12,426
Public works	2,538	28	-	2,566
Health	9,816	10	-	9,826
Culture and recreation	599	1,507	-	2,106
Conservation and development	6,205	6,494	-	12,699
Total Expenditures	<u>27,796</u>	<u>13,668</u>	<u>1,469</u>	<u>42,933</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(585)</u>	<u>239</u>	<u>1,257</u>	<u>911</u>
Other Financing Sources (Uses):				
General obligation bonds and notes issued .	-	-	21,644	21,644
Loans receivable activities.....	(334)	(100)	-	(434)
Transfers in	-	-	1,051	1,051
Transfers out	(127)	-	(24,573)	(24,700)
Total Other Financing Sources (Uses)	<u>(461)</u>	<u>(100)</u>	<u>(1,878)</u>	<u>(2,439)</u>
Net Change in Fund Balances	(1,046)	139	(621)	(1,528)
Fund Balances - Beginning	4,348	4,673	(20,347)	(11,326)
Fund Balances - Ending	<u>\$ 3,302</u>	<u>\$ 4,812</u>	<u>\$ (20,968)</u>	<u>\$ (12,854)</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit F-3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANT AND AID PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 29,410	\$ 27,211	\$ (2,199)
Expenditures:			
Current:			
Public safety	9,283	8,638	645
Public works	2,548	2,538	10
Health	10,661	9,816	845
Culture and recreation	713	599	114
Conservation and development	<u>6,205</u>	<u>6,205</u>	<u>-</u>
Total Expenditures	<u>29,410</u>	<u>27,796</u>	<u>1,614</u>
Deficiency of Revenues under Expenditures	-	(585)	(585)
Other Financing Sources (Uses):			
Loans receivable activities	-	(334)	(334)
Transfers out	<u>-</u>	<u>(127)</u>	<u>(127)</u>
Net Change in Fund Balance	-	(1,046)	(1,046)
Fund Balance - Beginning	<u>4,348</u>	<u>4,348</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,348</u>	<u>\$ 3,302</u>	<u>\$ (1,046)</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit F-4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 13,907	\$ 13,907	\$ -
Expenditures:			
Current:			
General government	1,841	1,841	-
Public safety	3,788	3,788	-
Public works	28	28	-
Health	10	10	-
Culture and recreation	1,507	1,507	-
Conservation and development	6,494	6,494	-
Total Expenditures	13,668	13,668	-
Excess of Revenues under Expenditures	239	239	-
Other Financing Sources:			
Loans receivable activities	(100)	(100)	-
Net Change in Fund Balance	139	139	-
Fund Balance - Beginning	4,673	4,673	-
Fund Balance - Ending	\$ 4,812	\$ 4,812	\$ -

See accompanying independent auditors' report.

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Nonmajor Proprietary Funds

Proprietary Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

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.

Port of Milwaukee – All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this fund.

Metropolitan Sewerage District User Charge – The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a “wholesale” user charge basis and the subsequent billing by the City to customers on a “retail” basis. The City adds administrative expense to the District’s charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit G-1

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Proprietary Funds
ASSETS AND DEFERRED INFLOWS OF RESOURCES				
Current Assets:				
Cash and cash equivalents	\$ 7,482	\$ 78	\$ -	\$ 7,560
Receivables (net):				
Accounts	519	1,571	12,688	14,778
Unbilled accounts	-	-	2,424	2,424
Due from other funds	-	-	1,343	1,343
Due from other governmental agencies	-	245	-	245
Total Current Assets	<u>8,001</u>	<u>1,894</u>	<u>16,455</u>	<u>26,350</u>
Noncurrent assets:				
Capital assets:				
Capital assets not being depreciated:				
Land	9,007	8,454	-	17,461
Construction in progress	8,212	-	-	8,212
Capital assets being depreciated:				
Buildings	87,769	14,304	-	102,073
Infrastructures	-	20,515	-	20,515
Improvements other than buildings	5,194	5,709	-	10,903
Machinery and equipment	6,859	9,068	-	15,927
Accumulated depreciation	<u>(54,140)</u>	<u>(28,880)</u>	<u>-</u>	<u>(83,020)</u>
Total Noncurrent Assets	<u>62,901</u>	<u>29,170</u>	<u>-</u>	<u>92,071</u>
Total Assets.....	<u>70,902</u>	<u>31,064</u>	<u>16,455</u>	<u>118,421</u>
Deferred Outflows of Resources:				
Deferred outflows for pensions	<u>1,516</u>	<u>278</u>	<u>-</u>	<u>1,794</u>
Total Deferred Outflows of Resources.....	<u>1,516</u>	<u>278</u>	<u>-</u>	<u>1,794</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit G-1 (Continued)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Proprietary Funds
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 1,490	\$ 619	\$ 7,848	\$ 9,957
Accrued expenses	231	49	2	282
Accrued interest payable	101	29	-	130
Compensated absences	314	79	-	393
Advances from other funds	82	-	-	82
Due to other funds	-	6,023	11,110	17,133
Unearned revenue.....	449	245	-	694
General obligation debt payable - current	1,280	407	-	1,687
Total Current Liabilities	<u>3,947</u>	<u>7,451</u>	<u>18,960</u>	<u>30,358</u>
Noncurrent Liabilities:				
Compensated absences	70	61	-	131
General obligation debt payable	9,995	3,553	-	13,548
Other post employment benefits liability.....	12,564	3,114	-	15,678
Net pension liability	1,721	433	-	2,154
Total Noncurrent Liabilities	<u>24,350</u>	<u>7,161</u>	<u>-</u>	<u>31,511</u>
Total Liabilities	<u>28,297</u>	<u>14,612</u>	<u>18,960</u>	<u>61,869</u>
Deferred Inflows:				
Deferred inflows for pensions	785	198	-	983
Deferred inflows for OPEB	625	154	-	779
Total Deferred Outflows of Resources.....	<u>1,410</u>	<u>352</u>	<u>-</u>	<u>1,762</u>
NET POSITION:				
Net investment in capital assets.....	51,626	25,210	-	76,836
Unrestricted	(8,915)	(8,832)	(2,505)	(20,252)
Total Net Position	<u>\$ 42,711</u>	<u>\$ 16,378</u>	<u>\$ (2,505)</u>	<u>\$ 56,584</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit G-2
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Proprietary Funds
Operating Revenues:				
Charges for Services:				
Statutory sewer user fee	\$ -	\$ -	\$ 50,004	\$ 50,004
Rent	7,415	6,205	-	13,620
Parking meters	4,610	-	-	4,610
Parking permits	4,694	-	-	4,694
Vehicle towing	6,116	-	-	6,116
Parking forfeitures	16,210	-	-	16,210
Other	-	-	1,309	1,309
Total Operating Revenues	<u>39,045</u>	<u>6,205</u>	<u>51,313</u>	<u>96,563</u>
Operating Expenses:				
Milwaukee Metropolitan Sewerage District Charges	-	-	47,792	47,792
Employee services	8,049	1,996	105	10,150
Depreciation	2,030	1,005	-	3,035
Services, supplies and materials	14,498	1,683	5,875	22,056
Total Operating Expenses	<u>24,577</u>	<u>4,684</u>	<u>53,772</u>	<u>83,033</u>
Operating Income (Loss)	<u>14,468</u>	<u>1,521</u>	<u>(2,459)</u>	<u>13,530</u>
Nonoperating Revenues (Expenses):				
Grant revenue	-	1,214	-	1,214
Interest expense	(454)	(156)	-	(610)
Other	980	3	-	983
Total Nonoperating Revenues (Expenses)	<u>526</u>	<u>1,061</u>	<u>-</u>	<u>1,587</u>
Income (Loss) before Contributions and Transfers	14,994	2,582	(2,459)	15,117
Capital contributions	37,762	-	-	37,762
Transfers in	56	533	-	589
Transfers out	(19,644)	(3,260)	-	(22,904)
Change in Net Position	33,168	(145)	(2,459)	30,564
Total Net Position - Beginning, as restated (note 15)	<u>9,543</u>	<u>16,523</u>	<u>(46)</u>	<u>26,020</u>
Total Net Position - Ending	<u>\$ 42,711</u>	<u>\$ 16,378</u>	<u>\$ (2,505)</u>	<u>\$ 56,584</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit G-3

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 40,123	\$ 5,778	\$ 51,190	\$ 97,091
Payments to suppliers	(14,417)	(1,609)	(56,445)	(72,471)
Payments to employees	(7,341)	(2,002)	-	(9,343)
Payments from other funds	-	(794)	3,645	2,851
Payments to other funds	(27)	1,356	1,610	2,939
Net Cash Provided by Operating Activities	<u>18,338</u>	<u>2,729</u>	<u>-</u>	<u>21,067</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Other nonoperating revenues (expenses)	(3)	1,214	-	1,211
Transfers from other funds	56	533	-	589
Transfers to other funds	(19,644)	(3,260)	-	(22,904)
Net Cash Used for Noncapital Financing Activities	<u>(19,591)</u>	<u>(1,513)</u>	<u>-</u>	<u>(21,104)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	2,772	831	-	3,603
Acquisition of property, plant and equipment	(2,097)	(1,378)	-	(3,475)
Retirement of bonds, notes and revenue bonds	(2,671)	(374)	-	(3,045)
Interest paid	(17)	(150)	-	(167)
Other	844	(144)	-	700
Net Cash Used for Capital and Related Financing Activities	<u>(1,169)</u>	<u>(1,215)</u>	<u>-</u>	<u>(2,384)</u>
Net Decrease in Cash and Cash Equivalents	(2,422)	1	-	(2,421)
Cash and Cash Equivalents - Beginning	9,904	77	-	9,981
Cash and Cash Equivalents - Ending	<u>\$ 7,482</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 7,560</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 14,468	\$ 1,521	\$ (2,459)	\$ 13,530
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,030	1,005	-	3,035
Effect of changes in operating assets, liabilities, deferred inflows and deferred outflows:				
Receivables	1,078	(425)	(124)	529
Due from other funds	(27)	(794)	1,610	789
Accounts payable	81	74	(2,672)	(2,517)
Accrued liabilities	382	-	-	382
Compensated absences	(16)	(12)	-	(28)
Net other postemployment benefits obligation	(160)	(39)	-	(199)
Net pension liability.....	(403)	(128)	-	(531)
Due to other funds	-	1,356	3,645	5,001
Deferred pension outflows	258	(145)	-	113
Deferred pension inflows	22	162	-	184
Deferred OPEB inflows	625	154	-	779
Net Cash Provided by Operating Activities	<u>\$ 18,338</u>	<u>\$ 2,729</u>	<u>\$ -</u>	<u>\$ 21,067</u>

During the year, the Parking Fund added a contibuted parking structure in the amount of \$37,762,000.

See accompanying independent auditors' report.

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Agency Funds

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.

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit H-1

	Balance 01/01/18	Additions	Deductions	Balance 12/31/18
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and investments.....	\$ 57,174	\$ 1,632,701	\$ 1,579,224	\$ 110,651
Taxes receivable	-	272,114	272,114	-
Total Assets	<u>\$ 57,174</u>	<u>\$ 1,904,815</u>	<u>\$ 1,851,338</u>	<u>\$ 110,651</u>
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	<u>\$ 57,174</u>	<u>\$ 1,632,701</u>	<u>\$ 1,579,224</u>	<u>\$ 110,651</u>
PROPERTY TAX FUND				
ASSETS				
Cash and investments.....	\$ 83,976	\$ 252,082	\$ 246,592	\$ 89,466
Taxes Receivable	-	118,478	118,478	-
Total Assets	<u>\$ 83,976</u>	<u>\$ 370,560</u>	<u>\$ 365,070</u>	<u>\$ 89,466</u>
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	\$ 356	\$ 1,852	\$ 1,809	\$ 399
Milwaukee County	52,621	156,842	153,575	55,888
Milwaukee Area District Board of Vocational Technical & Adult Education	13,032	39,406	38,566	13,872
Milwaukee Metropolitan Sewerage District	17,967	53,916	52,576	19,307
Total Liabilities	<u>\$ 83,976</u>	<u>\$ 252,016</u>	<u>\$ 246,526</u>	<u>\$ 89,466</u>
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and investments.....	<u>\$ 271</u>	<u>\$ 1,234</u>	<u>\$ 1,227</u>	<u>\$ 278</u>
LIABILITIES				
Accounts payable	<u>\$ 271</u>	<u>\$ 1,234</u>	<u>\$ 1,227</u>	<u>\$ 278</u>
<i>See accompanying independent auditors' report.</i>				

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit H-1 (Continued)

	Balance 01/01/18	Additions	Deductions	Balance 12/31/18
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and investments.....	<u>\$ 208</u>	<u>\$ 2,902</u>	<u>\$ 3,005</u>	<u>\$ 105</u>
LIABILITIES				
Accounts payable	\$ -	\$ 15	\$ 15	\$ -
Due to Other Governmental Agencies:				
State of Wisconsin	234	2,713	2,737	210
Milwaukee County	<u>(26)</u>	<u>174</u>	<u>253</u>	<u>(105)</u>
Total Liabilities	<u>\$ 208</u>	<u>\$ 2,902</u>	<u>\$ 3,005</u>	<u>\$ 105</u>
OTHER				
ASSETS				
Cash and investments.....	<u>\$ 2,320</u>	<u>\$ 14,614</u>	<u>\$ 14,560</u>	<u>\$ 2,374</u>
LIABILITIES				
Accounts payable	<u>\$ 2,320</u>	<u>\$ 14,614</u>	<u>\$ 14,560</u>	<u>\$ 2,374</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and investments.....	\$ 143,949	\$ 1,903,533	\$ 1,844,608	\$ 202,874
Receivables:				
Taxes	<u>-</u>	<u>390,592</u>	<u>390,592</u>	<u>-</u>
Total Assets	<u>\$ 143,949</u>	<u>\$ 2,294,125</u>	<u>\$ 2,235,200</u>	<u>\$ 202,874</u>
LIABILITIES				
Accounts payable	\$ 2,591	\$ 15,863	\$ 15,802	\$ 2,652
Due to other governmental agencies	<u>141,358</u>	<u>1,887,604</u>	<u>1,828,740</u>	<u>200,222</u>
Total Liabilities	<u>\$ 143,949</u>	<u>\$ 1,903,467</u>	<u>\$ 1,844,542</u>	<u>\$ 202,874</u>
<i>See accompanying independent auditors' report.</i>				

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**MISCELLANEOUS
FINANCIAL
DATA**

CITY OF MILWAUKEE
COMBINED SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit I-1

Year Levied	Real Estate	Personal Property	Total
2006-2007	\$ 385	\$ -	\$ 385
2008	356	-	356
2009	608	-	608
2010	587	-	587
2011	756	295	1,051
2012	1,316	236	1,552
2013	2,059	190	2,249
2014	3,136	177	3,313
2015	5,209	196	5,405
2016	8,698	250	8,948
2017	<u>20,189</u>	<u>334</u>	<u>20,523</u>
Delinquent Taxes Receivable	<u>\$ 43,299</u>	<u>\$ 1,678</u>	44,977
Add: Property taxes receivable on foreclosed property (A)			<u>45,708</u>
Total Delinquent Taxes Receivable			90,685
Less: Estimated uncollectible taxes			<u>(41,163)</u>
Net Delinquent Taxes Receivable			<u>\$ 49,522</u>

(A) Property taxes receivable on foreclosed property is valued at the cost of delinquent taxes and assessments on acquired property.

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit I-2
COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - PRIMARY GOVERNMENT
 DECEMBER 31, 2018
 (Thousands of Dollars)

Cash and Cash Equivalents:	
Cash	\$ 46,752
Local Government Pooled - Investment Fund ...	255,549
Institutional Money Market Fund	134,383
Cash with Fiscal Agent	<u>28,351</u>
 Total Cash and Cash Equivalents	 \$ 465,035
Investments:	
Municipal Bonds.....	19,710
Certificates of Deposit	2,300
Investment Portfolio	92,409
Other	<u>2,667</u>
 Total Investments	 <u>117,086</u>
 Total Cash and Cash Equivalents and Investments	 <u>\$ 582,121</u>

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Cash and Cash Equivalents and Investments - Fund:				
General	\$ 65,256	\$ 90	\$ -	\$ 65,346
General Obligation Debt Service	61,232	-	18,867	80,099
Public Debt Amortization	7,918	22,287	-	30,205
Economic Development	92,963	-	-	92,963
Capital Projects	52,441	-	-	52,441
Nonmajor Governmental Funds	1,824	-	-	1,824
Water Works	25,175	-	2,554	27,729
Sewer Maintenance	5,021	-	9,484	14,505
Nonmajor Proprietary Funds	7,560	-	-	7,560
Other Employee Benefit Trusts	1,875	-	-	1,875
Private-Purpose Trusts	4,521	-	179	4,700
Agency Funds	<u>202,874</u>	<u>-</u>	<u>-</u>	<u>202,874</u>
 Total Cash and Cash Equivalents and Investments - Fund	 <u>\$ 528,660</u>	 <u>\$ 22,377</u>	 <u>\$ 31,084</u>	 <u>\$ 582,121</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY -
 GENERAL OBLIGATION BONDS AND NOTES**
 DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit I-3

Year	Bridges		Finance Real and Personal Property Tax Receivables		Fire	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 4,732	\$ 2,141	\$20,607	\$ 2,488	\$ 2,225	\$ 788
2020	4,533	1,994	12,032	1,710	1,747	727
2021	6,825	1,674	7,376	1,247	2,708	595
2022	4,007	1,295	5,904	930	1,508	434
2023	3,955	1,105	4,753	668	1,282	369
2024	3,954	922	4,649	433	1,281	309
2025	4,175	740	2,111	264	1,411	249
2026	3,390	568	2,111	158	1,412	186
2027	3,114	426	2,111	53	1,110	134
2028	2,835	308	-	-	1,024	95
2029	2,261	209	-	-	1,010	58
2030	1,672	130	-	-	580	30
2031	1,095	76	-	-	359	14
2032	769	41	-	-	183	5
2033	661	13	-	-	58	1
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
Totals	<u>47,978</u>	<u>11,642</u>	<u>61,654</u>	<u>7,951</u>	<u>17,898</u>	<u>3,994</u>
Total Requirements	<u>\$59,620</u>		<u>\$69,605</u>		<u>\$21,892</u>	

See accompanying independent auditors' report.

Harbor		Library		Local Improvement Projects/ Special Assessments	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 407	\$ 156	\$ 2,523	\$ 1,087	\$ 619	\$ 156
380	139	2,466	1,009	597	130
379	123	3,151	877	597	107
345	107	2,354	727	597	84
340	91	2,330	631	596	60
337	77	2,261	531	597	36
341	62	2,201	431	597	12
304	48	2,047	336	-	-
266	36	1,628	261	-	-
200	27	1,582	204	-	-
181	20	1,519	150	-	-
170	14	1,453	96	-	-
154	8	1,085	50	-	-
102	4	444	23	-	-
54	1	372	6	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,960</u>	<u>913</u>	<u>27,416</u>	<u>6,419</u>	<u>4,200</u>	<u>585</u>
<u>\$4,873</u>		<u>\$33,835</u>		<u>\$4,785</u>	

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES**
DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Municipal Expenses		Parking		Playgrounds/ Recreational Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,215	\$ 3,542	\$ 1,280	\$ 519	\$ 853	\$ 164
2020	1,215	3,488	2,236	514	536	140
2021	1,215	3,432	1,152	313	621	107
2022	1,215	3,375	1,140	260	346	72
2023	62,340	1,791	1,043	209	346	57
2024	1,215	206	967	164	308	44
2025	1,215	151	835	124	285	30
2026	1,214	93	665	91	238	19
2027	766	46	536	66	137	12
2028	548	14	438	46	76	9
2029	-	-	357	31	76	7
2030	-	-	250	19	76	5
2031	-	-	174	11	76	2
2032	-	-	110	6	18	1
2033	-	-	92	2	9	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
Totals	72,158	16,138	11,275	2,375	4,001	669
Total Requirements	<u>\$88.296</u>		<u>\$13.650</u>		<u>\$4.670</u>	

See accompanying independent auditors' report.

<u>Police</u>		<u>Public Buildings</u>		<u>Schools</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 3,799	\$ 2,117	\$ 22,043	\$ 6,503	\$ 5,105	\$ 2,637
3,366	2,149	19,514	5,909	4,262	2,434
10,276	1,677	29,162	4,493	1,146	2,314
3,099	1,006	11,546	2,893	1,231	2,260
3,045	863	11,023	2,372	1,266	2,207
3,045	722	9,571	1,897	1,080	2,156
3,025	586	7,545	1,511	12,830	2,116
2,729	456	7,316	1,183	-	1,958
2,394	342	7,144	882	37,299	979
2,141	253	5,765	631	-	-
1,887	178	4,898	433	-	-
1,674	112	4,372	260	-	-
1,265	61	2,738	131	-	-
863	26	1,150	62	-	-
298	6	1,000	21	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>42,906</u>	<u>10,554</u>	<u>144,787</u>	<u>29,181</u>	<u>64,219</u>	<u>19,061</u>
<u>\$53,460</u>		<u>\$173,968</u>		<u>\$83,280</u>	

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY -
 GENERAL OBLIGATION BONDS AND NOTES**
 DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Sewer Maintenance		Sewers		Streets	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 404	\$ 696	\$ 667	\$ 47	\$ 22,591	\$ 10,790
2020	504	826	611	15	26,293	10,462
2021	5,800	553	-	-	30,782	8,318
2022	800	140	-	-	20,505	6,657
2023	800	100	-	-	20,803	5,686
2024	800	60	-	-	20,706	4,717
2025	800	20	-	-	19,688	3,790
2026	-	-	-	-	18,500	2,916
2027	-	-	-	-	15,891	2,169
2028	-	-	-	-	12,694	1,608
2029	-	-	-	-	11,419	1,151
2030	-	-	-	-	9,141	753
2031	-	-	-	-	7,461	443
2032	-	-	-	-	4,608	227
2033	-	-	-	-	3,503	70
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
Totals	9,908	2,395	1,278	62	244,585	59,757
Total Requirements	<u>\$12.303</u>		<u>\$1.340</u>		<u>\$304.342</u>	

See accompanying independent auditors' report.

<u>Tax Incremental Districts</u>		<u>Urban Renewal</u>		<u>Water</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 22,071	\$ 8,695	\$ 5,701	\$ 1,546	\$ 3,258	\$ 316
22,546	7,675	5,547	1,371	835	267
22,587	6,660	6,368	1,131	835	226
20,942	5,692	4,960	877	836	184
19,806	4,782	4,412	719	835	142
19,424	3,916	4,385	566	835	101
18,070	3,090	4,286	412	820	59
15,387	2,361	2,412	293	775	19
15,453	1,711	1,186	228	-	-
12,973	1,130	1,174	184	-	-
6,706	765	1,121	143	-	-
5,641	569	1,041	104	-	-
5,306	396	1,007	68	-	-
5,482	224	1,006	32	-	-
3,860	79	373	7	-	-
610	10	-	-	-	-
-	-	-	-	-	-
<u>216,864</u>	<u>47,755</u>	<u>44,979</u>	<u>7,681</u>	<u>9,029</u>	<u>1,314</u>
	<u>\$264,619</u>		<u>\$52,660</u>		<u>\$10,343</u>

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY -
 GENERAL OBLIGATION BONDS AND NOTES**
 DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Total Requirements	
	Principal	Interest
2018	\$ 120,100	\$ 44,388
2019	109,220	40,959
2020	130,980	33,847
2021	81,335	26,993
2022	138,975	21,852
2023	75,415	16,857
2024	80,235	13,647
2025	58,500	10,685
2026	89,035	7,345
2027	41,450	4,509
2028	31,435	3,145
2029	26,070	2,092
2030	20,720	1,260
2031	14,735	651
2032	10,280	206
2033	610	10
2034	-	-
Totals	<u>1,029,095</u>	<u>228,446</u>
Total Requirements	<u>\$1,257,541</u>	

See accompanying independent auditors' report.

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CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - WATER REVENUE
AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-4

Year	Revenue Bonds		State Loans (Revenue Bonds)		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	440	351	1,971	696	2,411	1,047
2020	445	334	2,006	666	2,451	1,000
2021	450	323	2,042	630	2,492	953
2022	455	311	2,078	594	2,533	905
2023	460	293	2,115	557	2,575	850
2024	465	270	2,152	519	2,617	789
2025	475	246	2,191	480	2,666	726
2026	480	222	2,230	441	2,710	663
2027	490	203	2,269	401	2,759	604
2028	500	187	2,309	360	2,809	547
2029	510	168	2,350	319	2,860	487
2030	520	148	2,392	277	2,912	425
2031	535	127	2,435	234	2,970	361
2032	550	105	2,478	190	3,028	295
2033	565	83	2,522	146	3,087	229
2034	580	60	2,187	104	2,767	164
2035	595	36	1,713	70	2,308	106
2036	610	12	1,742	41	2,352	53
2037	-	-	872	18	872	18
2038	-	-	529	5	529	5
	<u>\$ 9,125</u>	<u>\$ 3,479</u>	<u>\$ 40,583</u>	<u>\$ 6,748</u>	<u>\$ 49,708</u>	<u>\$ 10,227</u>

Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 and 5 for 2018 consisted of gross revenues plus interest income in the amount of \$100,876, less operating expenses (excluding depreciation and the payment in lieu of taxes) of \$59,548. As a result, the net revenue available for debt service was \$41,328. Debt service requirements consists of \$3,458 for 2019. At the end of the year, bond coverage computes to 11.95.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - SEWERAGE SYSTEM REVENUE
AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-5

Year	Revenue Bonds		State Loans (Revenue Bonds)		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	8,245	6,112	8,029	2,762	16,274	8,874
2020	8,650	5,690	8,216	2,573	16,866	8,263
2021	9,075	5,246	8,407	2,380	17,482	7,626
2022	9,115	4,791	8,602	2,182	17,717	6,973
2023	9,560	4,324	8,802	1,980	18,362	6,304
2024	7,450	3,898	9,007	1,772	16,457	5,670
2025	7,825	3,525	9,217	1,560	17,042	5,085
2026	8,220	3,139	9,432	1,343	17,652	4,482
2027	8,615	2,760	9,651	1,121	18,266	3,881
2028	9,000	2,397	8,953	904	17,953	3,301
2029	9,400	2,017	6,874	722	16,274	2,739
2030	9,805	1,633	5,919	578	15,724	2,211
2031	10,200	1,260	4,645	462	14,845	1,722
2032	7,860	941	4,747	359	12,607	1,300
2033	8,145	677	4,851	254	12,996	931
2034	5,845	454	3,418	166	9,263	620
2035	6,020	277	3,486	97	9,506	374
2036	6,205	93	2,277	41	8,482	134
2037	-	-	1,127	10	1,127	10
	<u>\$ 149,235</u>	<u>\$ 49,234</u>	<u>\$ 125,660</u>	<u>\$ 21,266</u>	<u>\$ 274,895</u>	<u>\$ 70,500</u>

Note: Sewerage System Revenue Bonds coverage consisted of gross operating revenues plus interest income in the amount of \$66,838 less operating expenses (excluding depreciation) of \$17,021. As a result, the net revenue available for debt service was \$49,817. Debt service requirements consisted of \$25,148 for 2019. At the end of the year, bond coverage computes to 1.98.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
 DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	\$4,953	\$ 861	\$ -	\$ 583	\$ 1,588
Receivables (net):					
Taxes	-	66	-	-	-
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governmental agencies	134	-	-	-	-
Prepaid items	-	-	-	-	-
Total Assets	<u>\$5,087</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ 583</u>	<u>\$ 1,588</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 496	\$ 3	\$ 9	\$ 182	\$ 78
Accrued expenses	14	-	-	2	14
Due to other funds	-	-	116	-	-
Due to component units	-	-	-	-	-
Due to other governmental agencies	18	-	-	-	-
Unearned revenue.....	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>528</u>	<u>3</u>	<u>125</u>	<u>184</u>	<u>92</u>
Deferred Inflows of Resources:					
Unavailable revenue	94	114	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted.....	4,465	810	-	399	1,496
Unassigned.....	-	-	(125)	-	-
Total Fund Balances	<u>4,465</u>	<u>810</u>	<u>(125)</u>	<u>399</u>	<u>1,496</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$5,087</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ 583</u>	<u>\$ 1,588</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ -	\$ 5,333	\$ 1,294	\$ 11,920	\$ 3,815	\$ 22,094	\$ -	\$ 52,441
-	497	-	88	-	4,032	-	4,683
-	-	-	-	1,273	-	-	1,273
-	-	-	-	-	-	7,414	7,414
-	-	-	14	-	-	-	14
-	-	-	-	20,815	-	-	20,949
-	-	-	-	316	843	-	1,159
<u>\$ -</u>	<u>\$ 5,830</u>	<u>\$ 1,294</u>	<u>\$ 12,022</u>	<u>\$ 26,219</u>	<u>\$ 26,969</u>	<u>\$ 7,414</u>	<u>\$ 87,933</u>
\$ 1,067	\$ 3,958	\$ 1	\$ 417	\$ 9,267	\$ 10,305	\$ 321	\$ 26,104
2	24	-	7	311	3	-	377
1,573	-	-	-	-	-	-	1,689
-	-	-	92	-	-	-	92
-	-	-	-	509	-	-	527
-	-	-	-	176	-	-	176
-	-	-	-	-	-	6,325	6,325
<u>2,642</u>	<u>3,982</u>	<u>1</u>	<u>516</u>	<u>10,263</u>	<u>10,308</u>	<u>6,646</u>	<u>35,290</u>
-	850	-	150	19,562	6,900	6,829	34,499
-	-	-	-	316	843	-	1,159
-	998	1,293	11,356	-	15,485	-	36,302
<u>(2,642)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,922)</u>	<u>(6,567)</u>	<u>(6,061)</u>	<u>(19,317)</u>
<u>(2,642)</u>	<u>998</u>	<u>1,293</u>	<u>11,356</u>	<u>(3,606)</u>	<u>9,761</u>	<u>(6,061)</u>	<u>18,144</u>
<u>\$ -</u>	<u>\$ 5,830</u>	<u>\$ 1,294</u>	<u>\$ 12,022</u>	<u>\$ 26,219</u>	<u>\$ 26,969</u>	<u>\$ 7,414</u>	<u>\$ 87,933</u>

CITY OF MILWAUKEE
**SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -
 CAPITAL PROJECTS BY PURPOSE**
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	\$ -	\$ 89	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Intergovernmental	166	-	-	-	-
Other	-	-	-	-	3,375
Total Revenues	166	89	-	-	3,375
Expenditures:					
Capital outlay	9,423	127	1,480	4,449	3,927
Excess (deficiency) of Revenues over Expenditures	(9,257)	(38)	(1,480)	(4,449)	(552)
Other Financing Sources (Uses):					
General obligation bonds and notes issued	9,299	25	1,357	4,840	407
Transfers in	400	-	36	223	5
Transfers out	(1,220)	-	-	-	-
Total Other Financing Sources and Uses	8,479	25	1,393	5,063	412
Net Change in Fund Balance	(778)	(13)	(87)	614	(140)
Fund Balance (Deficit) - Beginning	5,243	823	(38)	(215)	1,636
Fund Balance (Deficit) - Ending	\$ 4,465	\$ 810	\$ (125)	\$ 399	\$ 1,496

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ -	\$ 650	\$ -	\$ 150	\$ -	\$ 8,045	\$ -	\$ 8,934
-	-	-	-	-	-	1,724	1,724
-	-	-	21	21,568	967	-	22,722
<u>-</u>	<u>244</u>	<u>-</u>	<u>1,638</u>	<u>150</u>	<u>4,075</u>	<u>-</u>	<u>9,482</u>
<u>-</u>	<u>894</u>	<u>-</u>	<u>1,809</u>	<u>21,718</u>	<u>13,087</u>	<u>1,724</u>	<u>42,862</u>
<u>8,288</u>	<u>28,241</u>	<u>-</u>	<u>6,086</u>	<u>67,206</u>	<u>34,336</u>	<u>2,314</u>	<u>165,877</u>
<u>(8,288)</u>	<u>(27,347)</u>	<u>-</u>	<u>(4,277)</u>	<u>(45,488)</u>	<u>(21,249)</u>	<u>(590)</u>	<u>(123,015)</u>
8,486	28,425	-	5,789	40,101	34,186	-	132,915
185	889	-	44	1,610	3,428	-	6,820
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,314)</u>	<u>-</u>	<u>(6,534)</u>
<u>8,671</u>	<u>29,314</u>	<u>-</u>	<u>5,833</u>	<u>41,711</u>	<u>32,300</u>	<u>-</u>	<u>133,201</u>
383	1,967	-	1,556	(3,777)	11,051	(590)	10,186
<u>(3,025)</u>	<u>(969)</u>	<u>1,293</u>	<u>9,800</u>	<u>171</u>	<u>(1,290)</u>	<u>(5,471)</u>	<u>7,958</u>
<u>\$ (2,642)</u>	<u>\$ 998</u>	<u>\$ 1,293</u>	<u>\$ 11,356</u>	<u>\$ (3,606)</u>	<u>\$ 9,761</u>	<u>\$ (6,061)</u>	<u>\$ 18,144</u>

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 112,462	\$ 104,762	\$ (7,700)
Provision for Employees' Retirement	94,189	94,189	-
Total Property Taxes	<u>206,651</u>	<u>198,951</u>	<u>(7,700)</u>
Other Taxes:			
Payment in lieu of taxes	1,174	1,331	157
Interest on city tax certificates and other taxes	1,992	1,500	(492)
Total Other Taxes	<u>3,166</u>	<u>2,831</u>	<u>(335)</u>
Licenses and Permits:			
Licenses:			
Business and occupational	5,349	5,591	242
Other	88	97	9
Permits:			
Building	9,107	10,531	1,424
Zoning	355	283	(72)
Other	1,038	730	(308)
Total Licenses and Permits	<u>15,937</u>	<u>17,232</u>	<u>1,295</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes	228,188	228,242	54
Local street aids	29,140	29,225	85
Payment for municipal services	2,100	2,432	332
Other	8,763	8,893	130
Total Intergovernmental	<u>268,191</u>	<u>268,792</u>	<u>601</u>
Charges for Services:			
General government	9,072	9,537	465
Public safety	27,314	19,862	(7,452)
Public works	88,369	87,817	(552)
Health	1,061	1,332	271
Culture and recreation	1,045	1,023	(22)
Conservation and development	10	8	(2)
Total Charges for Services	<u>126,871</u>	<u>119,579</u>	<u>(7,292)</u>
Fines and Forfeits:			
Court and contract forfeitures	3,001	3,287	286
Other	-	10	10
Total Fines and Forfeits	<u>3,001</u>	<u>3,297</u>	<u>296</u>
Other:			
Interest on temporary investments	1,289	3,105	1,816
Miscellaneous	25,632	23,659	(1,973)
Total Other	<u>26,921</u>	<u>26,764</u>	<u>(157)</u>
Total	<u>\$ 650,738</u>	<u>\$ 637,446</u>	<u>\$(13,292)</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Exhibit I-9

	Final Budget	2018 Actual			Variance - Favorable (Unfavorable)	
		Salaries and Wages	Other Operating Costs	Equipment		Total
General Government:						
Administration	\$ 10,379	\$ 5,750	\$ 4,014	\$ 274	\$ 10,038	\$ 341
Assessor's Office	3,490	2,875	464	-	3,339	151
City Attorney	10,924	4,679	5,924	63	10,666	258
City Treasurer	84,873	1,620	82,715	11	84,346	527
Common Council - City Clerk	7,214	5,720	1,456	28	7,204	10
Comptroller	21,468	3,060	18,084	5	21,149	319
Election Commission	2,646	1,838	544	-	2,382	264
Employee Relations	114,929	2,279	112,674	2	114,955	(26)
Employee's Retirement	3,052	-	2,926	-	2,926	126
Interest Expense	13,391	-	13,391	-	13,391	-
Mayor	1,000	958	42	-	1,000	-
Municipal Court	2,734	1,730	993	6	2,729	5
Zoning Appeals	273	202	18	-	220	53
Total General Government	276,373	30,711	243,245	389	274,345	2,028
Public Safety:						
Fire and Police Commission	2,290	979	694	2	1,675	615
Fire Department	83,405	76,054	6,329	1,002	83,385	20
Neighborhood Services	15,130	11,022	3,737	-	14,759	371
Police Department	217,746	199,259	17,110	907	217,276	470
Total Public Safety	318,571	287,314	27,870	1,911	317,095	1,476
Public Works:						
General Office	2,401	2,073	326	1	2,400	1
Infrastructure	30,854	16,786	13,844	96	30,726	128
Operations	70,547	36,291	32,658	1,513	70,462	85
Total Public Works	103,802	55,150	46,828	1,610	103,588	214
Health	9,870	7,130	2,733	4	9,867	3
Culture and Recreation:						
Public Library	18,421	13,121	3,317	1,978	18,416	5
Conservation and Development:						
Department of City Development	4,580	3,200	1,344	-	4,544	36
Total	\$ 731,617	\$ 396,626	\$ 325,337	\$ 5,892	\$ 727,855	\$ 3,762

See accompanying independent auditors' report.

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Statistical Section (Unaudited)

The Statistical Section presents data to assist users of this report to assess the economic condition of the City. The tables presented in this section are intended to provide a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements and supporting schedules presented in other sections of this report. The five categories of information are as follows:

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's activities take place.

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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CITY OF MILWAUKEE
NET POSITION BY COMPONENT
 LAST TEN YEARS
(Accrual Basis of Accounting)
(Thousands of Dollars)

Table 1

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets.....	\$ 562,934	\$ 625,372	\$ 645,761	\$ 686,492	\$ 706,111
Restricted	164,011	210,066	206,053	211,440	216,314
Unrestricted	<u>(478,822)</u>	<u>(562,424)</u>	<u>(614,761)</u>	<u>(616,111)</u>	<u>(723,716)</u>
Total governmental activities net position .	<u>248,123</u>	<u>273,014</u>	<u>237,053</u>	<u>281,821</u>	<u>198,709</u>
Business-type activities					
Net investment in capital assets.....	650,478	619,758	618,625	623,909	648,594
Restricted	11,159	11,422	15,034	-	770
Unrestricted	<u>19,392</u>	<u>45,625</u>	<u>58,195</u>	<u>87,435</u>	<u>74,764</u>
Total business-type activities net position .	<u>681,029</u>	<u>676,805</u>	<u>691,854</u>	<u>711,344</u>	<u>724,128</u>
Primary government					
Net investment in capital assets.....	1,213,412	1,245,130	1,264,386	1,310,401	1,354,705
Restricted	175,170	221,488	221,087	211,440	217,084
Unrestricted	<u>(459,430)</u>	<u>(516,799)</u>	<u>(556,566)</u>	<u>(528,676)</u>	<u>(648,952)</u>
Total primary government net position	<u>\$ 929,152</u>	<u>\$ 949,819</u>	<u>\$ 928,907</u>	<u>\$ 993,165</u>	<u>\$ 922,837</u>
Fiscal Year					
	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets.....	\$ 748,374	\$ 769,340	\$ 816,916	\$ 836,422	\$ 812,090
Restricted	211,316	209,116	176,923	161,592	202,334
Unrestricted	<u>(745,740)</u>	<u>(739,204)</u>	<u>(856,449)</u>	<u>(1,076,694)</u>	<u>(1,884,385)</u>
Total governmental activities net position .	<u>213,950</u>	<u>239,252</u>	<u>137,390</u>	<u>(78,680)</u>	<u>(869,961)</u>
Business-type activities					
Net investment in capital assets.....	669,428	675,510	684,085	734,161	801,685
Restricted	930	1,174	1,229	2,209	10,461
Unrestricted	<u>57,112</u>	<u>68,134</u>	<u>74,720</u>	<u>59,824</u>	<u>(34,102)</u>
Total business-type activities net position .	<u>727,470</u>	<u>744,818</u>	<u>760,034</u>	<u>796,194</u>	<u>778,044</u>
Primary government					
Net investment in capital assets.....	1,417,802	1,444,850	1,501,001	1,570,583	1,613,775
Restricted	212,246	210,290	178,152	163,801	212,795
Unrestricted	<u>(688,628)</u>	<u>(671,070)</u>	<u>(781,729)</u>	<u>(1,016,870)</u>	<u>(1,918,487)</u>
Total primary government net position	<u>\$ 941,420</u>	<u>\$ 984,070</u>	<u>\$ 897,424</u>	<u>\$ 717,514</u>	<u>\$ (91,917)</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
CHANGES IN NET POSITION
 LAST TEN YEARS
(Accrual Basis of Accounting)
(Thousands of Dollars)

Table 2

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental Activities				
General government	\$ 207,504	\$ 259,420	\$ 245,191	\$ 221,740
Public safety	331,409	326,366	326,879	328,677
Public works	167,983	168,699	166,787	158,527
Health	22,995	23,360	21,137	22,020
Culture and recreation	22,901	21,075	19,864	20,512
Conservation and development	50,683	66,758	67,171	56,872
Capital contribution to Milwaukee Public				
Schools	5,153	91,161	4,386	4,853
Contributions	21,026	23,321	23,382	22,803
Interest on long-term debt	23,985	26,467	28,047	31,105
Total Governmental Activities Expenses.....	<u>853,639</u>	<u>1,006,627</u>	<u>902,844</u>	<u>867,109</u>
Business-type Activities				
Water	67,946	67,966	69,196	66,571
Sewer Maintenance	34,847	41,188	40,813	41,430
Parking	24,659	25,450	25,267	26,101
Other activities	48,356	51,761	46,780	47,744
Total Business-type Activities	<u>175,808</u>	<u>186,365</u>	<u>182,056</u>	<u>181,846</u>
Total Primary Government Expenses	<u>1,029,447</u>	<u>1,192,992</u>	<u>1,084,900</u>	<u>1,048,955</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	9,011	9,931	10,148	10,428
Public safety	16,649	16,202	19,049	20,785
Public works	62,553	68,135	71,348	74,168
Health	1,078	1,071	1,297	1,101
Culture and recreation	1,482	1,504	1,239	1,239
Conservation and development	284	303	412	469
Grants and contributions	73,694	152,757	105,422	118,869
Total Governmental Activities				
Program Revenues.....	<u>164,751</u>	<u>249,903</u>	<u>208,915</u>	<u>227,059</u>
Business-type Activities				
Charges for services				
Water	73,132	73,473	84,394	88,122
Sewer Maintenance	48,199	52,046	51,788	54,956
Parking	42,245	47,477	44,148	42,730
Other activities	49,456	53,143	52,796	54,288
Capital grants and contributions	18,674	3,094	4,393	5,133
Total Business-type Activities				
Program Revenues.....	<u>231,706</u>	<u>229,233</u>	<u>237,519</u>	<u>245,229</u>
Total Primary Government				
Program Revenues	<u>396,457</u>	<u>479,136</u>	<u>446,434</u>	<u>472,288</u>
Net (Expense)/Revenue				
Governmental Activities	(688,888)	(756,724)	(693,929)	(640,050)
Business-type Activities	55,898	42,868	55,463	63,383
Total primary government net expense	<u>\$ (632,990)</u>	<u>\$ (713,856)</u>	<u>\$ (638,466)</u>	<u>\$ (576,667)</u>

See accompanying independent auditors' report.

Table 2 (continued)

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	305,744	\$	251,538	\$	204,691	\$	255,177	\$	274,652	\$	309,828
	320,317		315,952		399,620		423,903		485,016		437,746
	169,250		170,054		182,340		174,470		206,205		192,613
	19,743		18,852		20,249		21,594		23,655		21,789
	20,348		21,503		25,315		24,375		28,193		26,866
	45,605		57,617		88,252		77,670		65,175		47,904
	278		-		-		-		-		-
	22,331		24,001		-		-		-		-
	28,275		23,105		24,749		25,109		22,097		21,451
	<u>931,891</u>		<u>882,622</u>		<u>945,216</u>		<u>1,002,298</u>		<u>1,104,993</u>		<u>1,058,197</u>
	68,728		72,540		72,141		73,620		70,219		78,310
	44,795		46,840		49,661		53,002		59,823		58,550
	24,248		24,053		25,233		25,005		25,287		25,031
	47,592		48,382		50,855		52,577		54,423		58,612
	<u>185,363</u>		<u>191,815</u>		<u>197,890</u>		<u>204,204</u>		<u>209,752</u>		<u>220,503</u>
	<u>1,117,254</u>		<u>1,074,437</u>		<u>1,143,106</u>		<u>1,206,502</u>		<u>1,314,745</u>		<u>1,278,700</u>
	10,131		10,344		31,100		27,733		27,180		27,538
	23,759		23,833		26,711		25,438		23,382		19,862
	75,968		78,520		81,325		80,352		83,344		87,817
	877		923		1,081		1,164		1,267		1,332
	1,137		1,114		1,092		1,057		1,024		1,023
	9		9		9		10		19		8
	<u>77,283</u>		<u>104,073</u>		<u>70,122</u>		<u>89,457</u>		<u>44,568</u>		<u>66,114</u>
	<u>189,164</u>		<u>218,816</u>		<u>211,440</u>		<u>225,211</u>		<u>180,784</u>		<u>203,694</u>
	85,034		88,013		96,687		97,850		97,833		100,661
	57,270		59,121		60,695		62,954		65,141		66,585
	43,256		41,411		42,532		38,286		37,557		39,045
	48,920		47,457		51,129		53,541		55,958		57,518
	<u>3,852</u>		<u>799</u>		<u>2,740</u>		<u>4,965</u>		<u>26,066</u>		<u>41,788</u>
	<u>238,332</u>		<u>236,801</u>		<u>253,783</u>		<u>257,596</u>		<u>282,555</u>		<u>305,597</u>
	<u>427,496</u>		<u>455,617</u>		<u>465,223</u>		<u>482,807</u>		<u>463,339</u>		<u>509,291</u>
	(742,727)		(663,806)		(733,776)		(777,087)		(924,209)		(854,503)
	52,969		44,986		55,893		53,392		72,803		85,094
\$	<u>(689,758)</u>	\$	<u>(618,820)</u>	\$	<u>(677,883)</u>	\$	<u>(723,695)</u>	\$	<u>(851,406)</u>	\$	<u>(769,409)</u>

CITY OF MILWAUKEE
CHANGES IN NET POSITION
 LAST TEN YEARS
(Accrual Basis of Accounting)
(Thousands of Dollars)

Table 2 (continued)

	Fiscal Year			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes	\$ 270,191	\$ 283,442	\$ 276,168	\$ 279,588
State aids for General Fund	272,337	270,939	273,240	260,141
Miscellaneous	47,217	179,057	64,214	81,153
Transfers	40,111	48,177	44,346	44,643
Total Governmental Activities	<u>629,856</u>	<u>781,615</u>	<u>657,968</u>	<u>665,525</u>
Business-type Activities				
Miscellaneous	120	1,085	3,932	750
Transfers	(40,111)	(48,177)	(44,346)	(44,643)
Total Business-type Activities	<u>(39,991)</u>	<u>(47,092)</u>	<u>(40,414)</u>	<u>(43,893)</u>
Total Primary Government	<u>589,865</u>	<u>734,523</u>	<u>617,554</u>	<u>621,632</u>
Change in Net Position				
Governmental Activities	(126,868)	87,686	(35,961)	25,475
Business-type Activities	2,877	8,371	15,049	19,490
Total Primary Government	<u>\$ (123,991)</u>	<u>\$ 96,057</u>	<u>\$ (20,912)</u>	<u>\$ 44,965</u>

See accompanying independent auditors' report.

Table 2 (continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 276,193	\$ 284,664	\$ 287,602	\$ 286,513	\$ 307,828	\$ 316,655
259,735	260,886	263,350	265,191	265,700	268,792
82,059	88,718	89,487	83,919	97,757	115,735
<u>41,628</u>	<u>43,115</u>	<u>43,038</u>	<u>39,602</u>	<u>36,854</u>	<u>37,801</u>
<u>659,615</u>	<u>677,383</u>	<u>683,477</u>	<u>675,225</u>	<u>708,139</u>	<u>738,983</u>
1,443	1,471	1,709	1,426	211	1,638
<u>(41,628)</u>	<u>(43,115)</u>	<u>(43,038)</u>	<u>(39,602)</u>	<u>(36,854)</u>	<u>(37,801)</u>
<u>(40,185)</u>	<u>(41,644)</u>	<u>(41,329)</u>	<u>(38,176)</u>	<u>(36,643)</u>	<u>(36,163)</u>
<u>619,430</u>	<u>635,739</u>	<u>642,148</u>	<u>637,049</u>	<u>671,496</u>	<u>702,820</u>
(83,112)	15,241	(50,299)	(101,862)	(216,070)	(115,520)
<u>12,784</u>	<u>3,342</u>	<u>14,564</u>	<u>15,216</u>	<u>36,160</u>	<u>48,931</u>
<u>\$ (70,328)</u>	<u>\$ 18,583</u>	<u>\$ (35,735)</u>	<u>\$ (86,646)</u>	<u>\$ (179,910)</u>	<u>\$ (66,589)</u>

CITY OF MILWAUKEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
(Modified Accrual Basis of Accounting)
(Thousands of Dollars)

Table 3

	Fiscal Year			
	2009	2010	2011	2012
Revenues:				
Property taxes	\$ 238,832	\$ 247,956	\$ 242,631	\$ 244,038
Other taxes	30,291	34,109	30,706	34,172
Special assessments	2,418	3,421	3,163	2,344
Licenses and permits	12,186	12,948	13,289	14,410
Intergovernmental	332,138	344,929	360,287	346,116
Charges for services	93,498	200,461	188,312	115,901
Fines and forfeits	4,802	5,422	5,076	5,042
Contributions received	21,300	23,005	24,021	21,826
Other	40,682	49,541	38,483	43,575
Total Revenues	<u>776,147</u>	<u>921,792</u>	<u>905,968</u>	<u>827,424</u>
Expenditures:				
Current:				
General government	227,325	281,978	259,089	235,936
Public safety	290,535	287,815	283,282	291,787
Public works	101,118	101,681	103,585	96,991
Health	21,867	22,343	20,129	20,963
Culture and recreation	19,654	18,046	18,124	18,565
Conservation and development	28,298	35,468	41,459	42,366
Capital outlay	98,003	240,480	96,870	87,429
Debt Service:				
Principal retirement	205,228	333,780	331,960	417,107
Interest	31,941	33,305	37,184	37,992
Bond issuance costs	463	1,314	1,040	933
Total Expenditures	<u>1,024,432</u>	<u>1,356,210</u>	<u>1,192,722</u>	<u>1,250,069</u>
Excess (deficiency) of Revenues over Expenditures	(248,285)	(434,418)	(286,754)	(422,645)
Other Financing Sources (Uses):				
General obligation bonds and notes issued	227,525	415,291	231,652	301,084
Refunding bonds issued	66,585	94,420	80,648	189,590
Payment to escrow agent on advance refundings ..	-	-	-	(63,884)
Payment - current refunding	(71,800)	(106,500)	(41,949)	(34,134)
Loans receivable activities	(250)	(293)	(8,783)	2,317
Issuance premium	9,437	21,632	17,079	21,038
Transfers in	196,930	253,412	195,101	198,576
Transfers out	(156,819)	(205,235)	(150,755)	(153,933)
Total Other Financing Sources and Uses.....	<u>271,608</u>	<u>472,727</u>	<u>322,993</u>	<u>460,654</u>
Net Change in Fund Balances	<u>\$ 23,323</u>	<u>\$ 38,309</u>	<u>\$ 36,239</u>	<u>\$ 38,009</u>
Debt service as a percentage of noncapital expenditures	<u>22.5%</u>	<u>29.5%</u>	<u>32.7%</u>	<u>38.7%</u>

See accompanying independent auditors' report.

Table 3 (Continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 245,254	\$ 250,036	\$ 253,815	\$ 252,986	\$ 299,552	\$ 310,933
31,156	34,475	32,861	34,921	6,699	5,093
1,986	1,945	4,666	1,945	2,019	1,724
15,030	16,063	16,629	16,767	15,597	17,232
329,892	317,987	322,763	323,161	338,615	332,632
116,813	131,147	154,402	147,480	156,785	159,473
4,492	4,587	4,110	3,534	3,357	3,297
21,871	23,752	2,588	2,378	3,022	3,205
38,577	52,464	42,188	43,477	36,054	46,274
<u>805,071</u>	<u>832,456</u>	<u>834,022</u>	<u>826,649</u>	<u>861,700</u>	<u>879,863</u>
322,431	268,263	254,168	248,581	253,638	297,229
287,330	283,599	307,185	334,411	326,962	330,227
102,657	106,779	103,512	107,649	103,324	106,636
18,821	18,088	18,014	19,688	20,182	19,698
18,560	19,330	20,190	21,128	21,168	21,774
30,616	32,583	29,178	28,565	28,717	27,708
98,913	139,898	155,227	139,236	172,270	165,877
531,243	385,884	414,499	442,671	259,911	271,569
36,887	37,322	36,606	36,889	40,366	40,619
755	447	1,180	1,305	329	245
<u>1,448,213</u>	<u>1,292,193</u>	<u>1,339,759</u>	<u>1,380,123</u>	<u>1,226,867</u>	<u>1,281,582</u>
(643,142)	(459,737)	(505,737)	(553,474)	(365,167)	(401,719)
410,945	332,444	380,522	266,452	176,997	266,889
182,341	41,216	106,316	196,659	76,243	57,273
-	-	-	-	-	-
-	-	-	-	-	-
635	(2,506)	(4,972)	(1,587)	(1,876)	(1,772)
14,345	12,783	12,645	15,956	23,601	31,626
230,452	235,824	214,406	138,397	229,508	198,721
(188,824)	(192,709)	(171,368)	(98,795)	(192,654)	(160,920)
<u>649,894</u>	<u>427,052</u>	<u>537,549</u>	<u>517,082</u>	<u>311,819</u>	<u>391,817</u>
\$ <u>6,752</u>	\$ <u>(32,685)</u>	\$ <u>31,812</u>	\$ <u>(36,392)</u>	\$ <u>(53,348)</u>	\$ <u>(9,902)</u>
<u>41.0%</u>	<u>36.9%</u>	<u>36.9%</u>	<u>38.7%</u>	<u>27.3%</u>	<u>29.2%</u>

CITY OF MILWAUKEE
FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
 (Modified Accrual Basis of Accounting)
 (Thousands of Dollars)

Table 4

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Reserved	\$ 71,356	\$ 59,626			
All Other Governmental Funds					
Reserved	\$ 177,820	\$ 232,790			
Unreserved, reported in:					
Capital projects funds	(38,776)	(27,931)			
Nonmajor governmental funds	15,776	-			
Total all other governmental funds	<u>\$ 154,820</u>	<u>\$ 204,859</u>			
General Fund					
Nonspendable			\$ 15,044	\$ 15,721	\$ 15,389
Restricted			-	-	-
Committed			2,995	1,835	1,741
Assigned			26,778	35,915	43,172
Unassigned			27,169	52,319	43,232
Total General Fund			<u>\$ 71,986</u>	<u>\$ 105,790</u>	<u>\$ 103,534</u>
All Other Governmental Funds					
Nonspendable			\$ 886	\$ 565	\$ 254
Restricted			5,855	9,774	230,642
Committed			223,000	227,769	21,249
Assigned			-	-	-
Unassigned			(1,003)	(5,165)	(10,194)
Total all other governmental funds			<u>\$ 228,738</u>	<u>\$ 232,943</u>	<u>\$ 241,951</u>
	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund					
Nonspendable	\$ 17,301	\$ 17,094	\$ 16,127	\$ 18,401	\$ 19,476
Restricted	-	-	-	-	-
Committed	1,587	2,035	2,266	3,444	3,066
Assigned	44,150	46,404	38,802	37,281	26,450
Unassigned	50,006	61,715	50,737	38,350	18,002
Total General Fund	<u>\$ 113,044</u>	<u>\$ 127,248</u>	<u>\$ 107,932</u>	<u>\$ 97,476</u>	<u>\$ 66,994</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ 7	\$ 3,684	\$ 1,160
Restricted	214,932	227,376	215,480	188,578	211,324
Committed	8,489	5,264	-	-	20,817
Assigned	-	-	-	-	-
Unassigned	(23,665)	(15,276)	(15,199)	(34,866)	(55,325)
Total all other governmental funds	<u>\$ 199,756</u>	<u>\$ 217,364</u>	<u>\$ 200,288</u>	<u>\$ 157,396</u>	<u>\$ 177,976</u>

Note: The City began to implement GASB Statement No. 54 in 2011 which changes the Fund Balance classifications .

See accompanying independent auditors' report.

CITY OF MILWAUKEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Thousands of Dollars)

Table 5

Budget Year	Real Estate			Personal Property		
	Residential Property	Commercial Property	Manufacturing Property	Machinery Tools Patterns	Furniture Fixtures & Equipment	All Other
2007	\$ 18,211,504	\$ 8,498,283	\$ 740,265	\$ 212,808	\$ 577,964	\$ 114,128
2008	\$ 18,753,915	\$ 8,950,205	\$ 726,692	\$ 220,073	\$ 578,674	\$ 144,790
2009	\$ 19,173,233	\$ 9,483,547	\$ 772,960	\$ 219,741	\$ 631,263	\$ 150,908
2010	\$ 17,743,825	\$ 9,485,580	\$ 732,008	\$ 211,075	\$ 632,652	\$ 139,433
2011	\$ 17,156,627	\$ 9,202,213	\$ 732,280	\$ 219,340	\$ 605,115	\$ 132,890
2012	\$ 17,069,535	\$ 9,191,349	\$ 746,955	\$ 214,901	\$ 571,664	\$ 123,239
2013	\$ 14,750,295	\$ 8,992,762	\$ 707,124	\$ 214,694	\$ 538,278	\$ 118,947
2014	\$ 14,265,491	\$ 9,195,174	\$ 709,328	\$ 216,866	\$ 525,387	\$ 121,913
2015	\$ 14,198,159	\$ 9,178,216	\$ 707,901	\$ 293,288	\$ 424,803	\$ 222,175
2016	\$ 14,254,964	\$ 9,430,293	\$ 726,810	\$ 215,006	\$ 430,290	\$ 205,599
2017	\$ 14,438,034	\$ 9,964,809	\$ 765,075	\$ 209,206	\$ 427,626	\$ 205,720
2018	\$ 14,854,224	\$ 10,496,051	\$ 765,075	\$ 212,186	\$ 423,911	\$ 185,913
Budget Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Total Assessed to Total Estimated Actual Value		
2007	\$ 28,354,952	\$7.99	\$ 30,226,985	93.8%		
2008	\$ 29,374,373	\$8.00	\$ 31,887,192	92.1%		
2009	\$ 30,431,675	\$8.09	\$ 32,257,525	94.4%		
2010	\$ 28,944,573	\$8.89	\$ 31,266,329	92.6%		
2011	\$ 28,048,464	\$9.12	\$ 29,520,783	95.0%		
2012	\$ 27,917,642	\$9.25	\$ 27,954,670	99.9%		
2013	\$ 25,322,101	\$10.25	\$ 26,421,932	95.8%		
2014	\$ 25,034,158	\$10.58	\$ 26,089,611	60.0%		
2015	\$ 25,024,542	\$10.71	\$ 26,138,108	95.7%		
2016	\$ 25,262,963	\$10.61	\$ 25,980,470	97.2%		
2017	\$ 25,974,258	\$10.75	\$ 27,042,047	96.1%		
2018	\$ 26,937,359	\$10.76	\$ 26,903,885	100.0%		

Source: The Assessed Values are established by the City of Milwaukee Assessor's Office and are used to calculate property taxes. The Estimated Actual (Equalized) Values are provided by the State Supervisor of Assessments. State law requires all assessments to be within 10% of the equalized value ratio at least once every four year period.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN YEARS
(Rate per \$1,000 of assessed value)

Table 6

	Budget Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Direct Rates (A)										
City of Milwaukee	\$ 7.59	\$ 8.42	\$ 8.67	\$ 8.86	\$ 9.87	\$ 10.23	\$ 10.42	\$ 10.29	\$ 10.47	\$ 10.57
Allocation of Debt Service incurred for Schools	<u>0.50</u>	<u>0.47</u>	<u>0.45</u>	<u>0.39</u>	<u>0.38</u>	<u>0.35</u>	<u>0.29</u>	<u>0.32</u>	<u>0.28</u>	<u>0.18</u>
Total Direct Rate	8.09	8.89	9.12	9.25	10.25	10.58	10.71	10.61	10.75	10.75
Overlapping Rates (B)										
Milwaukee School Board	8.75	9.41	9.49	9.69	10.73	10.86	10.93	10.52	9.61	8.34
Less: allocation of Debt Service in City rate	<u>(0.50)</u>	<u>(0.47)</u>	<u>(0.45)</u>	<u>(0.39)</u>	<u>(0.38)</u>	<u>(0.35)</u>	<u>(0.29)</u>	<u>(0.32)</u>	<u>(0.28)</u>	<u>(0.18)</u>
Total School Rate	8.25	8.94	9.04	9.30	10.35	10.51	10.64	10.20	9.33	8.16
Milwaukee Area District Board of Vocational, Technical and Adult Education	1.94	2.06	2.02	1.95	2.21	2.22	1.33	1.29	1.31	1.26
County of Milwaukee	4.20	4.48	4.69	4.72	5.26	5.35	5.33	5.28	5.31	5.05
State of Wisconsin	0.18	0.18	0.18	0.17	0.18	0.18	0.17	0.18	0.18	-
Milwaukee Metropolitan Sewerage District	<u>1.37</u>	<u>1.43</u>	<u>1.52</u>	<u>1.51</u>	<u>1.70</u>	<u>1.78</u>	<u>1.79</u>	<u>1.79</u>	<u>1.82</u>	<u>1.72</u>
Total Tax Rate (C)	<u>\$ 24.03</u>	<u>\$ 25.98</u>	<u>\$ 26.57</u>	<u>\$ 26.90</u>	<u>\$ 29.95</u>	<u>\$ 30.62</u>	<u>\$ 29.97</u>	<u>\$ 29.35</u>	<u>\$ 28.70</u>	<u>\$ 26.94</u>

(A) State law prohibits the City from increasing its base levy in any year by more than the percentage change in the equalized value due to net new construction.

(B) Overlapping rates are those of local and county governments that apply to property owners within the City of Milwaukee.

(C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (Thousands of Dollars)

Table 7

Taxpayer	Type of Business	2018		2009	
		Assessed Valuation	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
Northwestern Mutual Life Insurance Company	Insurance	\$ 438,053	1.55 %	\$ 197,716	.7 %
U. S. Bank	Banking	220,038	.78	244,987	.86
Mandel Group	Real Estate	201,625	.71		
Juneau Village/Prospect Tower/Katz Properties	Real Estate	125,645	.44		
411 E. Wis- FMC Investment Opportunity	Real Estate	117,761	.42		
Metropolitan Associates	Real Estate	112,802	.4	103,509	.37
Aurora Health	Health	109,840	.39		
Irgens	Real Estate	108,641	.38		
Jackson Street Holdings	Real Estate	106,562	.38		
Forest County Potawatomi Community	Real Estate	101,883	.36		
NNN 411 East Wisconsin LLC	Real Estate			90,287	.32
Crichton-Hauk/Shoreline/Juneau Village	Real Estate			89,520	.32
Marcus Corp./Mil. City Center/Pfister	Hotels/Motels/Restaurant			111,561	.39
Towne Realty	Real Estate			86,010	.3
M&I Marshall & Ilsley Bank/Metavente Corp.	Banking			82,041	.29
100 E Wisconsin Ave Joint Venture	Real Estate			72,189	.25
Renaissant LaFayette Apts	Real Estate			62,312	.22
		<u>\$ 1,642,850</u>	<u>5.81 %</u>	<u>\$ 1,140,132</u>	<u>4.02 %</u>

Source: City of Milwaukee Assessor's Office

See accompanying independent auditors' report.

CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN YEARS
 (Thousands of Dollars)

Table 8

Budget Year	Taxes Levied for the Fiscal Year (Original Levy)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy		Collections		Total Collections to Date	
				Levy Year (B)	Percent Original Levy Collected	Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
2009	\$ 276,186	\$ 37,390	\$ 313,576	\$ 265,691	96.20	\$ 18,017	\$ 29,512	\$ 313,219	99.89
2010	291,943	28,841	320,784	281,196	96.32	16,482	22,499	320,177	99.81
2011	295,967	28,111	324,078	284,691	96.19	16,049	22,750	323,491	99.82
2012	301,051	25,017	326,068	288,749	95.91	13,596	22,671	325,016	99.68
2013	304,700	24,665	329,365	293,489	96.32	16,237	18,087	327,814	99.53
2014	307,246	22,311	329,557	296,107	96.37	13,875	17,327	327,309	99.32
2015	312,216	18,836	331,052	302,084	96.76	12,471	13,184	327,740	99.00
2016	312,091	19,749	331,840	302,628	96.97	10,907	12,901	326,435	98.37
2017	318,887	25,448	344,335	309,345	97.01	15,266	10,756	335,367	97.40
2018	325,152	18,358	343,510	315,977	97.18	11,728	-	322,987	94.03

(A) This column includes adjustments. The City purchases delinquent taxes from the other units (Milwaukee County, Metropolitan Sewerage District, State, Milwaukee Area Technical College and Milwaukee Public Schools).

(B) Tax collections begin in December for the succeeding Budget Year

(C) Collections of (A) in the year purchased.

(D) State law limits levy increases to 2% of economic development for general city purposes.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN YEARS
(Dollars in Thousands, except per capita)

Table 9

Governmental Activities						
<u>Year</u>	<u>General Obligation Bonds and Notes</u>	<u>Less: Amounts Available in Debt Service Funds</u>	<u>Total</u>	<u>Estimated Actual Taxable Value of Property</u>	<u>Percentage of Total Taxable Value of Property</u>	<u>Per Capita</u>
2009	\$ 742,752	\$ 68,241	\$ 674,511	\$ 32,257,525	2.09%	\$ 1,154.98
2010	812,183	63,116	749,067	31,266,329	2.40%	1,259.29
2011	825,574	67,264	758,310	29,520,783	2.57%	1,272.33
2012	785,867	67,971	717,896	27,954,670	2.57%	1,206.55
2013	822,046	178,068	643,978	26,421,932	2.44%	1,081.41
2014	814,522	174,865	639,657	26,089,611	2.45%	1,074.15
2015	848,259	174,839	673,420	26,138,108	2.58%	1,130.28
2016	949,001	143,918	805,083	25,980,470	3.10%	1,353.99
2017	942,330	138,682	803,648	27,042,047	2.97%	1,359.58
2018	994,923	112,631	882,292	26,903,885	3.28%	1,481.60
Business-Type Activities						
<u>Year</u>	<u>General Obligation Bonds and Notes</u>	<u>Revenue Bonds</u>	<u>State Loans (Revenue Bonds)</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (A)</u>	<u>Per Capita (A)</u>
2009	\$ 36,803	\$ 57,515	\$ 48,002	\$ 816,831	2.30%	\$ 1,389.68
2010	82,002	53,737	80,724	965,530	2.69%	1,622.74
2011	88,956	74,815	80,513	1,002,594	2.71%	1,622.74
2012	43,318	65,579	77,083	903,876	2.33%	1,519.12
2013	39,334	98,871	82,736	864,919	2.21%	1,446.90
2014	35,247	94,624	92,100	861,628	2.17%	1,525.16
2015	31,822	95,459	107,533	908,234	2.20%	1,928.37
2016	52,139	190,086	101,612	1,148,920	2.78%	1,932.26
2017	38,875	200,156	114,308	1,156,987	2.69%	1,957.35
2018	34,172	158,360	166,243	1,241,067	Not Available	2,084.08
<i>Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements and in the Miscellaneous Financial Data Section.</i>						
<i>(A) See Table 13 for personal income and population data</i>						
<i>See accompanying independent auditors' report.</i>						

CITY OF MILWAUKEE
LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
(Thousand of Dollars)

Table 10

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 2,258,027	\$ 2,188,643	\$ 2,066,455	\$ 1,956,827	\$ 1,849,535
Total net debt applicable to limit	<u>698,775</u>	<u>805,660</u>	<u>789,308</u>	<u>695,488</u>	<u>683,312</u>
Legal debt margin	<u>\$ 1,559,252</u>	<u>\$ 1,382,983</u>	<u>\$ 1,277,147</u>	<u>\$ 1,261,339</u>	<u>\$ 1,166,223</u>
Total net debt applicable to the limit as a percentage of debt limit ...	30.95%	36.81%	36.82%	35.54%	36.95%
	Fiscal Year				
	2014	2015	2016	2017	2018
Debt limit	\$ 1,826,273	\$ 1,829,668	\$ 1,818,633	\$ 1,892,943	\$ 1,883,272
Total net debt applicable to limit	<u>696,614</u>	<u>622,044</u>	<u>857,223</u>	<u>905,647</u>	<u>876,597</u>
Legal debt margin	<u>\$ 1,129,659</u>	<u>\$ 1,207,624</u>	<u>\$ 961,410</u>	<u>\$ 987,296</u>	<u>\$ 1,006,675</u>
Total net debt applicable to the limit as a percentage of debt limit ...	38.14%	34.00%	47.14%	47.84%	46.55%

CITY OF MILWAUKEE
LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
(Thousand of Dollars)

Table 10 (continued)

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value		\$ 26,937,359
Equalized Value		<u>26,903,885</u>
Debt Limit 7% of Equalized Value		1,883,272
Amount of Debt Applicable to Debt Limit:		
General Obligation bonds	375,162	
General Obligation notes	619,761	
Parking bonds and notes	11,275	
Harbor bonds and notes	3,960	
Water Works bonds	9,029	
Sewer Maintenance bonds and notes.....	<u>9,908</u>	
Total Debt		1,029,095
Deduct:		
Assets in Debt Service Funds		<u>152,498</u>
Total Amount of Debt Applicable to Debt Limit		<u>876,597</u>
Legal Debt Margin		<u><u>\$ 1,006,675</u></u>

(A) *The Water Revenue Bonds, Sewer Revenue Bonds and clean water loans are payable only from the income and revenues derived from the operations of the water system and sewer system, respectively. These bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or provision.*

Note: *State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. However, it may be reduced in any year by the amount of any surplus money in the debt service fund. 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. The legal debt margin as of December 31, 2018 was \$538,077 for school purposes and \$468,598 for general purposes.*

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 DECEMBER 31, 2018
(Thousands of Dollars)

Table 11

Name of Government Unit	Net Debt Outstanding	Percentage Applicable to City of Milwaukee (C)	City of Milwaukee's Share of Debt
Debt Repaid with property taxes			
Direct Debt:			
City of Milwaukee (A)	\$ 838,098	100%	\$ 838,098
Overlapping Debt:			
Milwaukee Area Technical College District	103,545	35%	36,241
County of Milwaukee	564,652	44%	249,633
Milwaukee Metropolitan Sewerage Area (B)	815,624	45%	<u>363,279</u>
Total Direct and Overlapping Debt			<u>\$ 1,487,251</u>

Sources: Estimated Actual (Equalized) Values used to estimate applicable percentages provided by the State Supervisor of Assessments. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Milwaukee. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(A) Excludes \$49,708 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction. Net Debt Outstanding computation shown Table 11.

(B) Includes \$529,149 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

(C) The percentage of overlapping debt applicable is estimated using estimated actual (equalized) property values. Applicable percentages were estimated by determining the portion of the City's equalized value.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
PLEDGED-REVENUE COVERAGE
 LAST TEN YEARS
 (Thousands of Dollars)

Table 12

Water Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
2008	\$ 74,207	\$ 58,960	\$ 15,247	\$ 891	\$ 284	\$ 1,175	12.98
2009	73,157	63,019	10,138	915	260	1,175	8.63
2010	73,488	66,765	6,723	915	260	1,175	5.72
2011	84,406	65,213	19,193	964	211	1,175	16.33
2012	88,136	65,547	22,589	989	185	1,174	19.24
2013	85,043	65,661	19,382	1,015	158	1,173	16.52
2014	88,013	67,166	20,847	1,264	216	1,480	14.09
2015	96,711	67,396	29,315	1,335	225	1,560	18.79
2016	97,881	55,229	42,652	2,205	672	2,877	14.83
2017	97,910	51,676	46,234	3,126	938	4,064	11.38
2018	100,876	59,548	41,328	2,411	1,047	3,458	11.95

Sewer Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
2008	\$ 41,033	\$ 16,334	\$ 24,699	\$ 4,740	\$ 3,552	\$ 8,292	2.98
2009	48,231	16,438	31,793	4,901	3,399	8,300	3.83
2010	52,063	16,696	35,367	6,454	4,038	10,492	3.37
2011	54,667	14,691	39,976	6,792	4,616	11,408	3.50
2012	54,140	15,440	38,700	7,032	4,400	11,432	3.39
2013	57,300	15,873	41,427	8,603	5,726	14,329	2.89
2014	59,125	16,443	42,682	9,398	5,889	15,287	2.79
2015	60,713	17,256	43,457	10,471	6,085	16,556	2.62
2016	63,050	17,879	45,171	13,575	9,263	22,838	1.98
2017	65,275	20,207	45,068	14,893	9,123	24,016	1.88
2018	66,838	17,021	49,817	16,274	8,874	25,148	1.98

Note: Water Revenue Bonds issued in 1998, 2013, 2014, 2017 and 2018. Sewer Revenue bonds issued in 2011, 2013 and 2016. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues include nonoperating interest income. Operating expenses do not include interest, depreciation, amortization expenses or the transfer for Payment in Lieu of Taxes.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN CALENDAR YEARS

Table 13

County of Milwaukee						
Year	Population (A)	Personal Income (Thousands of Dollars) (B)	Per Capita Income (C)	Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
2009	584,000	\$ 35,060,889	\$ 37,193	30.6	82,444	11.4%
2010	580,500	\$ 35,774,998	\$ 37,725	30.3	81,372	11.9%
2011	595,525	\$ 37,523,119	\$ 39,426	30.3	80,098	10.9%
2012	595,425	\$ 39,353,643	\$ 41,198	33.7	78,461	10.1%
2013	596,500	\$ 38,916,688	\$ 40,633	33.7	78,502	8.7%
2014	595,993	\$ 40,254,278	\$ 41,981	33.8	77,391	7.2%
2015	595,787	\$ 41,509,614	\$ 43,291	34.0	75,568	6.7%
2016	594,667	\$ 41,673,765	\$ 43,621	34.2	76,856	5.8%
2017	591,076	\$ 42,937,677	\$ 45,099	34.3	77,215	4.6%
2018	595,555	Not available	Not available	34.6	75,081	3.6%
<p>(A) The December 31, 2009 through 2018 populations are a final estimate from the Wisconsin Department Administration. (The population data differs from the Census Bureau.)</p> <p>(B) Personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Personal income includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.</p> <p>(C) Per capita personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce and includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.</p> <p>(D) Prior to 2012, Median age of the population was determined only during a census. These figures represent the data collected by the American Community Survey.</p> <p>(E) Annual School Census by Board of School Directors. Represents Milwaukee Public Schools only.</p> <p>(F) Unemployment Rate is the annual average from the Wisconsin's Workforce, Wisconsin Worknet and Labor Market Information System.</p>						
<p>See accompanying independent auditors' report.</p>						

CITY OF MILWAUKEE
PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Table 14

Employer	2018 Estimates (1)			2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Advocate Aurora Health	27,599	1	6.06	21,570	1	5.09
Froedtert and Community Health	11,820	2	2.59			
Ascension Wisconsin	8,656	3	1.90			
GE Healthcare	6,000	4	1.32	6,000	9	1.42
Medical College of Wisconsin	5,941	5	1.30			
Children's Hospital	5,170	6	1.13			
Northwestern Mutual Life	5,000	7	1.10			
Rockwell Automation Inc	4,000	8	0.88			
Goodwill Industries	3,925	9	0.86			
U.S. Bank NA	3,700	10	0.81			
U.S. Government (Includes Zablocki V.A. Medical Center)				11,100	2	2.62
Milwaukee Public Schools				10,943	3	2.58
Wheaton Franciscan Healthcare				9,371	4	2.21
Wal-Mart Store				7,682	5	1.81
City of Milwaukee				7,307	6	1.73
Roundy's Supermarkets Inc.				6,800	7	1.61
Quad Graphics				6,600	8	1.56
Kohl's Corp.				5,920	10	1.40
	<u>81,811</u>		<u>17.95</u>	<u>93,293</u>		<u>22.03</u>

(1) Reflects full-time equivalent employees of businesses and industrial firms.

Note: Data includes all of Milwaukee County and areas contiguous to Milwaukee County..

Source: The 2018 Business Journal of Greater Milwaukee as of September 25, 2018.

The 2009 data was from the 2010 Business Journal.

Total employment data (2009 = 423,498) (2018 = 455,544) from the State of Wisconsin Workforce Development.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAMS - ADOPTED BUDGET POSITIONS
 LAST TEN YEARS

Table 15

Functions/Programs	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	694	720	700	719	707	728	736	750	741	766
Temporary - Election Commission	11	98	8	2,145	819	2,389	823	2,473	820	2,250
Public Safety										
Fire										
Fire Fighting Force	985	949	951	911	911	900	875	876	810	765
Civilians	79	77	76	105	116	112	118	131	133	133
Police										
Law Enforcement	2,144	2,042	2,034	2,034	2,013	1,978	1,942	1,979	1,989	1,955
Civilian	616	614	619	619	608	618	625	619	598	636
School Crossing Guards	241	251	251	251	251	252	242	241	241	241
Neighborhood Services	229	240	247	251	269	272	283	293	289	280
Public Works										
Administrative Services	63	66	64	58	46	47	48	49	43	45
Infrastructure Services	707	807	804	803	802	810	801	790	805	815
Operations	1,557	1,398	1,381	1,438	1,438	1,433	1,436	1,437	1,443	1,440
Winter relief	66	66	66	-	-	-	-	-	-	-
Health	306	274	272	268	254	252	251	252	252	254
Culture and recreation	377	368	378	376	372	370	371	358	364	375
Conservation and development	193	176	179	163	142	134	135	133	121	127
Youth initiative positions	25	25	25	-	-	-	-	-	-	-
Water	348	404	382	367	369	369	371	381	395	406
Sewer Maintenance	172	164	164	164	146	146	146	146	145	144
Parking	129	130	131	122	120	120	121	121	118	118
Port of Milwaukee	<u>35</u>	<u>37</u>	<u>35</u>	<u>36</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>35</u>
Subtotal	8,977	8,906	8,767	10,830	9,420	10,967	9,361	11,066	9,344	10,785
Less Temporary Positions	<u>(11)</u>	<u>(98)</u>	<u>(8)</u>	<u>(2,145)</u>	<u>(819)</u>	<u>(2,631)</u>	<u>(1,055)</u>	<u>(2,703)</u>	<u>(1,050)</u>	<u>(2,491)</u>
Total Budgeted Positions	<u>8,966</u>	<u>8,808</u>	<u>8,759</u>	<u>8,685</u>	<u>8,601</u>	<u>8,336</u>	<u>8,306</u>	<u>8,363</u>	<u>8,294</u>	<u>8,294</u>

Source: Budget Office. Firefighters and Law Enforcement from Departmental reports.

See accompanying independent auditors' report.

**CITY OF MILWAUKEE
OPERATING INDICATORS BY FUNCTIONS/PROGRAMS
LAST TEN YEARS**

Table 16

Functions/Programs	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Investment portfolio return	0.75%	0.32%	0.21%	0.22%	0.22%	0.20%	0.23%	0.43%	0.88%	1.96%
Courtroom cases	112,765	119,779	121,234	104,170	119,761	93,577	80,821	84,464	74,120	80,870
Public safety										
Police										
Dispatched assignments	254,044	246,365	238,657	248,678	241,423	247,552	260,860	284,893	249,855	255,599
Traffic citations	114,447	104,001	103,311	94,442	73,325	53,744	55,592	46,969	71,655	69,048
Homicide clearance rates	83%	75%	72%	70%	64%	60%	58%	67%	70%	76%
Fire										
Number of medical emergency assists	53,047	53,629	56,085	59,487	60,499	62,766	70,504	78,484	76,793	71,323
Number of fires extinguished	1,930	2,201	2,643	2,841	2,444	2,419	2,351	2,198	2,017	1,749
Civilian fire deaths	7	3	10	8	2	10	10	5	7	9
Building Inspection										
Complaints reported	35,940	37,146	35,910	35,404	37,212	36,567	34,933	36,548	36,938	38,788
Orders issued	66,559	67,043	71,356	68,613	67,457	58,217	60,106	43,499	25,949	25,821
Public Works										
Major streets paving (miles)	5.4	11.28	1.05	5.7	17.12	24.60	33.5	35.4	34.0	29.0
Asphalt patching/pot holes (tons)	10,700	10,500	18,952	16,010	15,845	17,025	18,816	18,857	22,257	19,019
Refuse tonnage	298,780	274,651	262,265	252,987	256,411	253,997	243,478	248,083	256,599	259,450
Recycling tonnage	21,862	21,389	22,837	24,147	25,052	25,273	25,105	25,232	25,325	25,505
Health										
Food inspections	5,005	5,208	4,615	7,637	8,735	8,556	9,236	10,087	8,208	9,775
Immunizations	46,838	27,994	21,953	18,882	16,417	10,912	10,561	8,360	8,271	5,921
Culture and Recreation										
Library hours of operation	32,608	25,996	27,844	31,092	30,914	30,846	30,866	32,282	32,282	33,440
Collections size	2,756,141	2,577,805	2,587,412	2,441,757	2,364,905	2,306,138	2,308,825	2,323,743	2,293,455	2,571,761
Public computers	505	480	725	757	754	723	752	682	600	655
Conservation and Development										
Jobs created	366	498	534	324	2,198	834	2,337	2,063	1,140	1,327
Jobs retained	888	1,644	1,382	1,965	2,800	1,626	2,535	1,960	1,355	2,715
New housing units	527	810	503	687	402	331	2,340	2,081	1,265	1,720
Water										
Millions gallons sold	33,341	32,500	32,246	32,909	30,560	29,894	29,657	29,440	28,761	28,730
Population served	867,599	861,000	861,249	862,524	864,715	864,653	865,109	864,144	868,882	866,933
Sewer Maintenance										
Sewer service backups	28	33	24	23	25	31	22	23	26	33
Street flooding complaints	3,690	2,770	3,293	4,775	3,092	3,023	3,096	1,808	2,523	3,350
Parking										
Citations issued	885,802	874,690	823,999	778,288	770,430	743,038	705,850	626,333	594,360	636,117
Vehicle tows	31,516	28,295	25,762	26,910	32,631	33,416	34,892	32,185	31,204	29,291
Port										
Metric tonnage total	2,910,515	2,324,566	2,808,801	1,915,419	2,618,312	3,022,657	2,711,347	2,441,072	2,573,475	2,393,877

Sources: Various city departments

Ten years of data was not available for all operating indicators, but will be accumulated as it becomes available.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAMS
 LAST TEN YEARS

Table 17

Functions/Programs	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police										
Stations	8	8	8	8	8	8	8	8	8	8
Lock-up facilities	7	7	7	7	7	7	7	7	7	7
Patrol vehicles	533	536	556	501	537	521	504	505	505	418
Patrol motorcycles	57	57	55	55	56	55	55	56	56	56
Fire Stations										
	36	36	36	36	36	36	36	36	36	30
Public Works										
Streets - paved	1,418	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272
Streets - unpaved	15	15	15	15	15	15	15	15	15	15
Alleys	415	415	414	414	414	414	414	414	414	414
Street lights	67,798	67,949	68,073	68,540	68,698	68,698	68,856	69,111	69,111	69,195
Alley lights	8,931	8,616	8,810	8,820	8,815	8,815	8,786	8,797	8,797	9,014
Garbage/snow trucks	188	182	181	180	180	180	180	192	183	177
Health										
Health centers	3	3	3	3	3	3	3	3	3	3
Culture and Recreation										
Playgrounds, playfields, tot lots, recreation centers	276	276	276	276	130	138	138	138	138	138
Libraries	13	13	13	13	13	13	13	13	13	13
Water										
Miles of mains	1,955	1,956	1,960	1,961	1,962	1,963	1,962	1,962	1,961	1,961
Hydrants	19,811	19,847	19,867	19,869	19,870	19,870	19,846	19,862	19,861	19,865
Million gallons pumped	39,617	37,443	36,992	37,920	36,490	37,460	35,872	35,447	34,456	35,506
Million gallons consumed	33,341	32,452	32,246	32,909	30,560	29,894	29,657	29,440	28,760	28,967
Miles of Sewers										
Storm	960	961	962	964	965	965	966	967	967	968
Sanitary	940	941	941	943	943	943	944	945	945	945
Combined	547	547	547	547	547	547	551	551	551	551
Parking										
Parking lots	45	45	45	44	45	45	44	44	45	42
Parking structures	5	5	5	5	5	5	5	5	5	5
Port										
Cargo terminals	6	6	6	7	7	7	7	7	7	7
Rental warehouses and buildings	5	5	5	10	10	10	11	11	10	11
Ferry terminal	1	1	1	1	1	1	1	1	1	1
Cranes and forklifts	10	10	10	11	11	11	11	11	11	11
Vessel berths	13	14	14	17	17	17	17	17	17	17

Sources: Various city departments

Note: No capital asset indicators are available for the general government function.

See accompanying independent auditors' report.