



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2009

**W. Martin Morics
Comptroller**



Comprehensive Annual Financial Report

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for the Year Ended December 31, 2009

Office of the Comptroller

**W. Martin Morics
Comptroller**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Office of the Comptroller

July 30, 2010

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

Michael J. Daun
Deputy Comptroller

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

Craig D. Kammholz
Special Deputy Comptroller

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2009. 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. 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, KPMG 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, 2009, 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 unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2009, 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 can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report 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, other 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.

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

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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 City of Milwaukee held a general election for these positions in April 2008. 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 the report are the enterprise 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 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: Milwaukee Economic Development Corporation, City of Milwaukee Housing and Redevelopment Authorities and 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 enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Comptroller is also required to provide a statement of anticipated revenues by this date. After all 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. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by object class (i.e. salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

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 an hour and thirty minutes east of its state capital, Madison. It is the 23rd largest city in the United States with a 2008 U.S. Census estimated population of 604,477. Milwaukee also is an international seaport. Due to its large population, it is the largest city in the State and also the only city of the First Class within the State of Wisconsin. The City represents approximately 40% of the population of the greater metropolitan area. Based on the last U.S. Census, the population in the four-county-retail-trade-area surrounding Milwaukee is 1.5 million and represents 28% of the population of the State of Wisconsin.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69% of the workforce. Manufacturing firms employ 17% of the work force. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

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Metropolitan area firms are engaged primarily in the manufacture of machinery. Contrary to Milwaukee's reputation as a brewery capital, less than one percent of the City's industrial outputs are related to brewing. In recent years, the metro region has a reputation as a center for precision manufacturing. It leads the nation in the production of industrial controls, X-ray equipment, steel foundry parts, and mining machinery.

Milwaukee is a major commercial shipping hub. Of vital importance to both the local and state economies is the Port of Milwaukee, a "shipping and receiving" point for international trade as well as the primary heavy-lift facility on the Great Lakes. A protected harbor permits year-round navigation through the port from three rivers in addition to Lake Michigan. 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 processes slightly under four million net tons of cargo annually and has helped the state maintain an export growth rate twice the national average. Both the Union Pacific Railroad and the Canadian Pacific Railway serve the Port, which is also served by convenient, non-congested access to the interstate highway system. Principal inbound commodities include cement, coal, machinery, steel, salt, limestone, asphalt, and crushed rock. The Port is also home to the U.S. Coast Guard, the U.S. Navy Reserve and the U.S. Army. The Harbor Commission's authority also includes the property of Milwaukee World Festivals, Inc., Pier Wisconsin and the Lake Express high speed ferry.

Economic development is encouraged through the growth of employment opportunities for the citizens of Milwaukee and supports private investment that grows the City's tax base. Four key approaches are utilized: 1) direct financial assistance to small businesses that helps clients 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 major private investments that will contribute significantly to the growth of the tax base, employment or availability of commercial services in underserved areas; 3) partnerships with organizations that represent businesses and employers to improve the business environment, either in a particular geographic area or a particular industry segment; and 4) management of projects that invest City resources to redevelop underutilized or vacant properties for eventual sale to private owners.

In addition to pursuing new business, the City takes an active role in guiding economic development to serve the community. The City manages a number of programs intended to assist in local business retention efforts, provide permit assistance to new businesses and seek out appropriate sites for these businesses. The City has recently established its 41st Business Improvement District and Tax Incremental District (TID) #72. Forty-eight TID's remain active. In addition, the City manages various Development Fund Projects to promote urban renewal throughout the City.

In December 2008, metro Milwaukee area moved up in rank from #18 to #16 as one of the top 20 areas for businesses, according to MarketWatch. Cities were ranked according to eight categories including number of local Fortune 1000 companies, population and job growth. Milwaukee outpaced such cities as St. Louis, Indianapolis, Los Angeles and Chicago.

Some of the City's noteworthy revitalization efforts were realized during 2009. In November, Republic Airways chose Milwaukee for a consolidation of its maintenance and call center operations; keeping 800 jobs here and adding 800 more. With the purchase of the former Tower Automotive site in late 2009, the City is moving forward to develop a high-quality industrial park of 84 acres where businesses will locate and create hundreds of permanent jobs. An initial success has already been achieved with the announced rehabilitation of a building on the Tower site to be used to function as a train manufacturing plant beginning in 2010. A Spanish firm, Talgo, will reconstruct the new plant which is expected to employ 80 full time positions initially, growing to about 125 when in full production. A second major success was recently announced by another Spanish firm, Ingeteam, – the construction of a 114,000 square foot factory to build wind turbines in the Menomonee River Valley. The expected January, 2011 workforce should total about 50-60 personnel, growing to an estimated 275 workers by 2015.

Milwaukee's 30th Street Industrial Corridor will be the City's next major redevelopment project. Using the experience gained in the ongoing redevelopment of the Menomonee River Valley, City officials want to spur manufacturing, light industrial, commercial and residential redevelopment in the corridor.

Tourism is also a major contributor to the local economy. Milwaukee's arts, entertainment, professional sports, restaurants, parks, conventions, and businesses attract about six million visitors a year. There are about 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. Some of Milwaukee's ethnic festivals include the largest Native American festival in the country, America's largest Polish festival, America's largest Italian festival, America's largest 3-day German festival and the largest Irish festival in the world.

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The educational opportunities in Milwaukee offer a wide variety of choices within the City. They include Alverno College, Cardinal Stritch University, Marquette University, Medical College of Wisconsin, Milwaukee Area Technical College, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee and Wisconsin Lutheran College.

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. However, the City faces numerous fiscal challenges. To fund its municipal expenditures, the City relies heavily on property taxes and State Shared revenue. Comprising 74% of the total General Fund revenues for 2009, these two revenues, are strongly impacted by a weakened economy. A slumping housing market and home foreclosures translate directly to a drop in city-wide assessed property values and property tax collections. State Shared Revenue continues to remain stagnant. Several significant actions have been implemented in 2009 including 2010 budget adoption initiatives to address the impact of the current state of the economy. The General Fund Reserve for Tax Stabilization remained stable at \$42 million from 12/31/08 to 12/31/09. Moreover, that portion of the Reserve for Tax Stabilization available for future years increased from \$20 million at year-end 2008 to \$29 million at year-end 2009 (+45%). Also, major labor agreements have been negotiated having no wage increments throughout their two year terms. Several initiatives for 2010 have been implemented through the 2010 budget: 1) an overall City-wide reduction in authorized position level of 361 full time equivalent positions; 2) Increasing from two to four the number of mandatory furlough days for all employees (two furlough days for sworn Police personnel); 3) the property tax rate has been increased from \$8.09 to \$8.89 per \$1,000 of assessed valuation; 4) Existing City fees for solid waste, sewer maintenance, storm water and overnight parking permits have been substantially increased; and 5) a new lease agreement with World Festivals, Inc. will generate an additional \$3 million in City revenue.

ECONOMIC OUTLOOK

The U.S. Census Bureau estimated the City of Milwaukee's 2008 population at 604,477.

During 2009, the City's unemployment rate averaged approximately 11.1%; compared to the State of Wisconsin average of 8.5% and the United States average of 9.3% (as estimated by U.S. Department of Labor, Bureau of Labor Statistics).

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; Aa1 from Moody's and AA from Standard & Poor's on the City's most recent 2010 General Obligation Bonds. These ratings have been maintained during the recent slow economic growth and continued frozen State aids. 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, strong growth in assessed value, 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 property tax rate for 2010 purposes is \$8.89 compared to \$8.09 per \$1,000 of assessed value for 2009, with the 2010 total City property tax levy of approximately \$246.8 million increased \$9.8 million compared to \$237 million in 2009. The estimated assessed value used for 2010 budget purposes decreased approximately 4.9% from the value used for the 2009 budget purposes. The property tax levy will provide \$90 million in revenue for the general city purposes budget in 2010 compared to \$123.7 million for 2009 general city purposes. The property taxes revenue reported in the General Fund was \$156.4 million for 2009 compared to \$141.6 million for 2008. Property taxes revenue funding as a portion of total General Fund budgetary expenditures for 2009 was 25.8% compared to 2008 of 23.6% as depicted in Exhibits E-1.

The City of Milwaukee Water Works is a municipally owned water utility regulated by the State of Wisconsin Public Service Commission (PSC). The PSC regulates the rates at which water is sold by the Milwaukee Water Works. A rate increase of 3.8% became effective in mid 2009 with a second rate increase of 25% on retail water sales is in the application stage for 2010.

The American Recovery and Reinvestment Act (ARRA) of 2009 was enacted in February 2009. ARRA will provide millions in additional grant funding to the City of Milwaukee. This funding will support the City's efforts to address crime and public safety, energy efficiency and environmental quality, infrastructure and transportation improvements, public health, and job creation and workforce development. Competition for ARRA funds is intense, with application amounts far

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exceeding available grant allocations. The City has convened an Economic Stimulus Task Force that will monitor and oversee the City's application for ARRA funding and report on the use of ARRA funds. The City has also created a website that explains how it is working to access and spend ARRA funds, part of the effort to create transparency and accountability in the program. The website will provide details on proposed spending plans and how funds are spent by City government. Some of the 2009 larger grant awards include \$15.7 million in Surface Transportation funding, \$10.3 million in Public Housing Capital fund, \$8 million in Workforce Investment grants, \$6.9 million in Homelessness Prevention and Rapid Re-Housing program and \$5.8 million in Energy Efficiency Block grant. In addition, \$21.5 million in Transportation Investment Generating Economic Recovery grant was awarded on February 17, 2010 and \$36 million in Neighborhood Stabilization Program awards was announced on January 14, 2010.

City fees established by the Common Council include sewer user fee, storm-water fee, solid-waste fee, sewer maintenance fee (which includes leaf pickup and street sweeping), snow and ice control fee and special garbage pickups (greater than four cubic yards). For 2010 the Solid Waste Fee increased from \$150.48 to \$170.16 a year for the average homeowner. The Sewer Maintenance Fee was raised from \$86 to \$95, The Storm Water Fee was raised from \$47 to \$56 per year. The Snow and Ice Control fee was reduced from \$35 to \$30 per year for the average homeowner. Also, to offset the cost of restoration of certain service levels in the 2010 budget, the Overnight Parking Permit Fee was increased from \$44 to \$55 per year. It should be noted that the change of these types of fees for service alleviates pressure on the tax levy, since the City's costs for providing these critical services is shifted away from the property tax levy and it more equitable spread onto all properties, including tax exempt properties.

In order to accelerate the City's maintenance and replacement of its nearly 1,000 miles of residential city streets, the Common Council implemented a \$20.00 Vehicle Registration Fee in 2008. This fee is added on to the State of Wisconsin's annual vehicle registration fee. This \$20.00 fee has generated more than \$6.1 million in 2009; and, in accordance with state law; the City can only use it for transportation purposes. The implementation of this fee serves a dual purpose. It will increase funding for street maintenance and replacement, while relieving property owners of expensive and unpopular special assessments.

MAJOR CAPITAL PROJECTS

The 2010 capital budget includes funds for various infrastructure and building projects. For 2010, the City capital improvements budget, not including enterprise funds and grants and aid funding, totals \$121.3 million, a decrease of 3.6% or \$4.5 million from 2009 budget of \$125.8 million. Funding of \$39.4 million for various tax incremental district and development projects comprises 32.5% of the total capital budget for 2010. The Department of Public Works budget for bridges (\$6.9 million), local street resurfacing/reconstruction (\$12 million), major streets (\$15.9 million), street lighting (\$7 million) and major equipment purchases (\$5.5 million) total \$47.3 million or approximately 39% of the total 2010 capital budget. With the continuing funding for the Foundation and Hollow Walk Project for City Hall (\$2.7 million, representing 2.2% of the City funded portion of the capital budget), these projects account for approximately 41% of the total 2010 capital budget. Other department's major capital projects include Police automated fingerprint identification system (\$2.3 million) and remodel administration building offices (\$1.3 million); Fire major capital equipment (\$2.8 million); and Library projects (\$4.1 million).

With the recent completion of the \$70 million City Hall Restoration Project, the City Hall Foundation and Hollow Walk Project which commenced in late 2009 will continue with the next phase of foundation and hollow walk repairs. Ongoing investigation has found significant foundation settling, particularly on the three sides of the northern half of the building. City Hall was built on a foundation of wood pilings as was common in the late 1890's. As pilings have deteriorated, settling has occurred. Work to repair and underpin the existing pile caps and install monitoring wells is necessary to correct this condition. In conjunction with the foundation work, the sidewalks, hollow sidewalk areas, and the associated interior walls will be repaired and restored. The 2008 capital budget included \$1.2 million to conduct a detailed evaluation to determine condition changes since the last analysis in mid-2004. The 2009 capital budget includes \$1.8 million to commence initial construction in late 2009 with \$2.7 million of additional funding in 2010 budget. Considerable project risk exists due to the large portion of the foundation that is buried and not directly observable. After work is complete, the building's foundation is expected to perform its support function into the long term future.

The 2010 capital projects budget includes \$6.9 million for bridge construction/reconstruction, an increase of \$.9 million compared to 2009. Bridge conditions are measured using a sufficiency rating ranging from 0 to 100. Ratings are conducted every two years through physical bridge safety inspections. Bridges with a rating below 50 are inspected annually. In 2008, 91.8% of the rated bridges had a sufficiency rating above 50. Currently, 12 bridges have sufficiency ratings less than 50. One of these bridges is currently under construction and another eight are included in the six year

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capital plan. The remaining six bridges are safe and operable, but non-safety related issues such as design in street and sidewalk capacity contribute to their lower sufficiency rating.

Street related activity of \$29.2 million in the 2010 budget (including new streets, resurfacing/reconstruction, alleys, sidewalks, street lightings, traffic controls, conduits and manholes) increased \$3.5 million; a 14% change from the 2009 budget of \$25.7 million.

The Water Works Enterprise Fund capital improvements budget for 2010 for water main replacement totals \$14.4 million; a 14.3% decrease from the 2009 budget of \$16.8 million; and will add 12.5 miles of water mains. The budget also allocates \$3.6 million for pump facility improvements.

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 Enterprise Fund and component entities which 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, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and commercial paper (all of which are permissible under State Statutes). The average interest earnings rate for City funds invested by the City Treasurer was approximately 0.746% in 2009 as compared to 2.7% in 2008. 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. In 2009, the average daily investable balance was \$238.3 million as compared to \$218.2 million in 2008, a 9.2% increase. The investable balance generates interest earnings for the City, which is used to offset the property tax levy.

During 2009, the City continued its prudent use of financing techniques and investment instruments to maximize its investment return while meeting on-going cash flow needs. The City's use of cash flow borrowing in anticipation of State Shared and State Equalization Aid Revenues totaled \$344 million, compared to \$300 million in 2008. The financing was accomplished through two separate offerings -- \$116 million General Obligation Cash Flow Promissory Notes in March 2009 for City purposes and \$228 million School Revenue Anticipation Notes in August 2009 for school purposes. The timing of these offerings provided the City with an opportunity to earn additional interest on investments and still comply with the requirements of the Tax Reform Act of 1986. The second borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending its receipt of State Equalization Aids and is not a general obligation of the City.

In addition, the City will continue its use of the State of Wisconsin's Clean Water Fund to finance sewer maintenance capital projects which began in June 2007. Over \$14,850,848 of loans were obtained during 2009 with \$14,488,848 being immediately forgiven. The Clean Water Fund provides below market interest loans to communities to finance storm-water control projects. This financing strategy will save ratepayer's money, as Clean Water funding and General Obligation bonds have a lower interest rate than revenue bonds. General Obligation debt will finance sewer capital projects that do not qualify for the Clean Water Fund. Also, during 2009, \$61.8 million of commercial paper to finance various public improvement projects and fiscal requirements of the City was issued. New for 2009, the City issued Qualified School Construction Bonds, Series 2009-M6 on behalf of the Milwaukee Public Schools in the amount of \$12 million. This debt will be reimbursed by the Milwaukee Public Schools as the maturities come due.

RISK MANAGEMENT


The City is self-insured for workers' compensation, employee Basic Plan 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 does purchase and maintain limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required of City contractors, vendors, lessees and permit holders.

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ACKNOWLEDGEMENTS

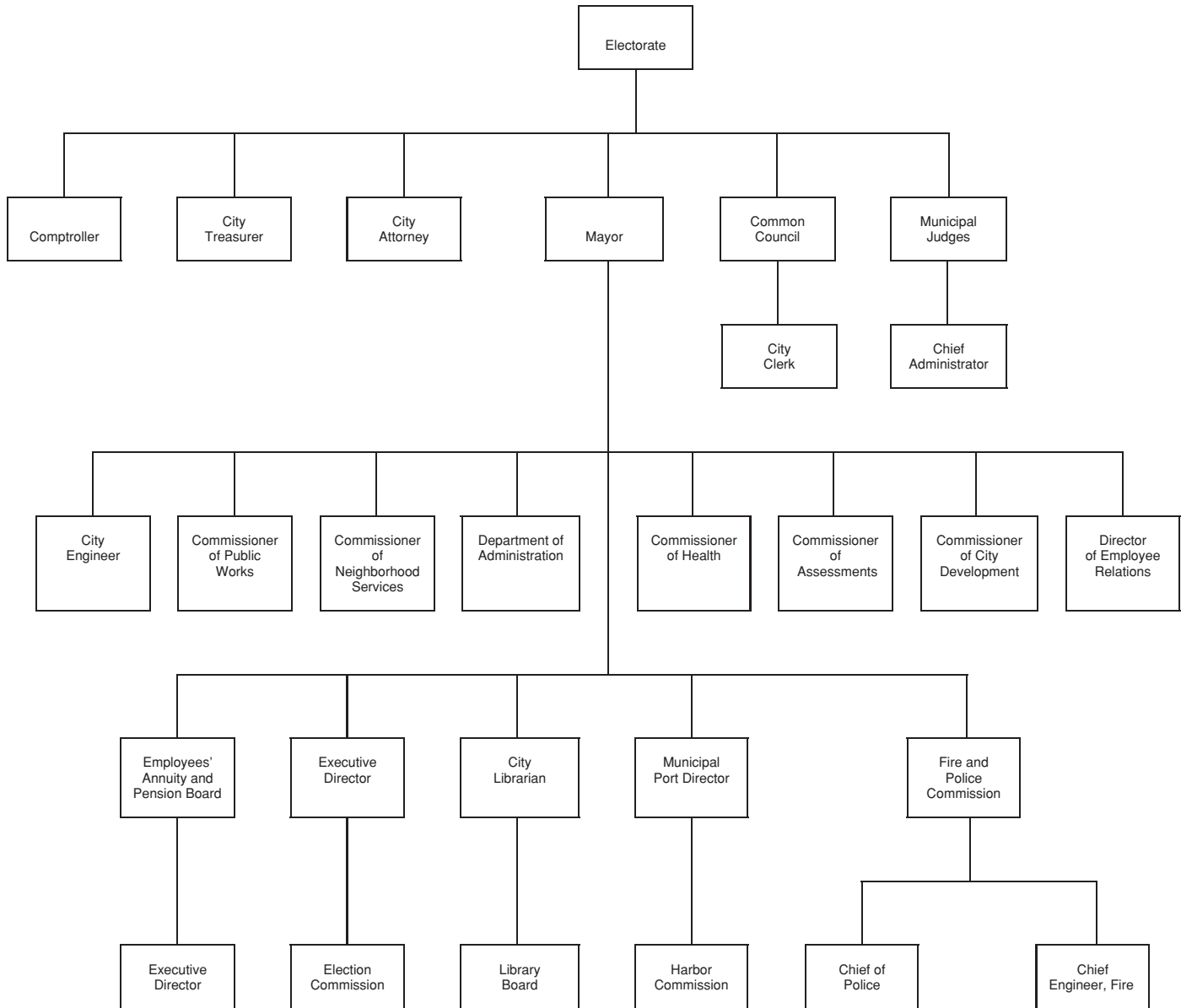
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment and effort of each member of its General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, 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 Comprehensive Annual Financial Report. 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.

Very truly yours,



W. MARTIN MORICS
Comptroller

CITYOF MILWAUKEE
ORGANIZATION CHART
DECEMBER 31, 2009



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2009

ELECTED

Mayor	Thomas M. Barrett
Comptroller	W. Martin Morics
City Treasurer	Wayne F. Whittow
City Attorney	Grant F. Langley
Municipal Judge	Derek C. Mosley
Municipal Judge	Phillip M. Chavez
Municipal Judge	Valarie A. Hill

COMMON COUNCIL

President	Willie L. Hines, Jr.
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Aldermanic District

Alderman

First	Ashanti T. Hamilton
Second	Joseph L. Davis, Sr.
Third	Nik Kovac
Fourth	Robert J. Bauman
Fifth	James A. Bohl, Jr.
Sixth	Milele A. Coggs
Seventh	Willie C. Wade
Eighth	Robert G. Donovan
Ninth	Robert W. Puente
Tenth	Michael J. Murphy
Eleventh	Joseph A. Dudzik
Twelfth	James N. Witkowiak
Thirteenth	Terry L. Witkowski
Fourteenth	T. Anthony Zielinski
Fifteenth	Willie L. Hines, Jr.

FINANCE RELATED (Non-Elected)

Administration Director	Sharon D. Robinson
Budget & Management Director	Mark P. Nicolini
City Purchasing Director	Rhonda Kelsey
Commissioner of Assessments	Mary P. Reavey
Chief Information Officer	Nancy A. Olson

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Honorable Members
Common Council
City of Milwaukee, Wisconsin:

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 (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 19 through 34 and 96 through 98 are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the



methods of measurement and presentation of this information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data, and statistical section have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2010

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2009. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

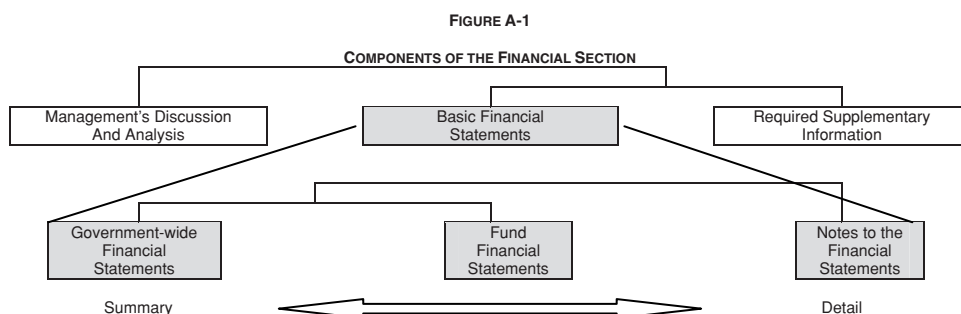
- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2009 by \$929 million (net assets); \$248 million in governmental activities and \$681 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$283 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 4% compared to the previous year of \$972 million.
- The vast majority of the City's net assets are capital assets, most of which do not generate revenues by their use or sale – Total net assets are comprised of the following:
 - Capital assets, including property and equipment, net of related debt and accumulated depreciation – \$1,018 million.
 - Restricted net assets, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – \$175 million.
 - Unrestricted net assets – (\$264) million.
- The City's total 2009 year-end other post-employment benefits (OPEB) obligation is \$127 million; an increase of 63% from the 2008 obligation of \$78 million. The obligation is based on an actuarial valuation as of January 1, 2009, which indicates the actuarial accrued liability for benefits was \$960 million over a 30-year amortization period.
- Total liabilities of the City increased by \$91 million to \$1,735 million. The long-term portion of total liabilities (\$1,098 million) consists of \$127 million for OPEB, \$907 million for outstanding debt and \$64 million for compensated absences, claims, and judgments.
- City governmental expenses exceeded combined program revenues by \$689 million. General revenues and transfers of \$630 million resulted in a \$59 million decrease of net assets for the year. Business-type activities produced an increase of net assets of 2% over 2008, generating a \$16 million surplus in 2009.
- For governmental activities, program revenue supported 19% of the total expenses for 2009. Property taxes and other taxes represented 32% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 32% and miscellaneous revenues and transfers supported 10% of the expenses. Expenses exceeded revenues and transfers by 7% in 2009.
- For business-type activities, program revenue supported 132% of the expenses for 2009; and, in total exceeded the expenses by \$56 million. Miscellaneous revenue net of transfers out reduced this excess to \$16 million for the year.
- The City's total governmental funds reported total ending fund balances of \$226 million this year. Compared to the prior year ending fund balance of \$203 million, an increase of \$23 million resulted by year end 2009; an 11% increase.
- The General Fund balance at year-end 2009 totaled \$71 million – a \$2 million reduction compared to 2008 (-3%). This ending Fund balance is about 10% of General Fund expenditures and transfers.
- The operating expenditures of the General Fund were \$18 million less than budgeted. This favorable variance is a result of savings from general government departments of \$15 million, public safety departments of \$2 million, and a combined savings of \$1 million in other departments. Savings included \$9.5 million from the wage supplement account due to delays in filling positions, two furlough days and savings on snow plowing operations due to the mild winter. In addition, savings of \$3.5 million were realized in the non-departmental account for contingencies, \$2 million in Police and other Public Safety departments' operating accounts and the remaining \$3 million from all other operating accounts of various departments.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

- General obligation bonds and notes payable increased by \$19 million during the current fiscal year from \$761 million to \$780 million. The key factors contributing to this increase were scheduled and early retirement of general obligation debt of \$281 million and the issuance of \$300 million in new general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools.
- The City issued General Obligation Cash-flow Promissory Notes for \$116 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information**. Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.



The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
 - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.

A summary of the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

FIGURE A-2
 MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets indicate whether its financial health is improving or deteriorating. Other non-financial factors, such as changes in the property tax base and the condition of the roads are also needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the City is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- The *component units* include four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the City as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- **Proprietary funds:** Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow Exhibits 1 through D-2 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1. A *Schedule of Funding Progress* relating to retiree health and life insurance is depicted in Exhibit E-2.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

Combining schedules provide detail in connection with nonmajor governmental funds and nonmajor enterprise funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each nonmajor 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

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

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 796,030	\$ 839,138	\$ 109,611	\$ 99,970	\$ 905,641	\$ 939,108
Capital assets	955,475	929,995	755,598	795,192	1,711,073	1,725,187
Total assets	<u>1,751,505</u>	<u>1,769,133</u>	<u>865,209</u>	<u>895,162</u>	<u>2,616,714</u>	<u>2,664,295</u>
Long-term obligations	878,734	948,158	151,810	149,645	1,030,544	1,097,803
Other liabilities	565,616	572,852	48,277	64,488	613,893	637,340
Total liabilities	<u>1,444,350</u>	<u>1,521,010</u>	<u>200,087</u>	<u>214,133</u>	<u>1,644,437</u>	<u>1,735,143</u>
Net assets:						
Invested in Capital assets, net of related debt	559,343	367,061	607,122	650,478	1,166,465	1,017,539
Restricted	143,951	164,011	10,935	30,551	154,886	194,562
Unrestricted	(396,139)	(282,949)	47,065	-	(349,074)	(282,949)
Total net assets	<u>\$ 307,155</u>	<u>\$ 248,123</u>	<u>\$ 665,122</u>	<u>\$ 681,029</u>	<u>\$ 972,277</u>	<u>\$ 929,152</u>

Net assets of the City's governmental activities decreased 19% to \$248 million for 2009. These net assets are restricted as to use in the amount of \$164 million or are invested in capital assets in the amount of \$367 million (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, it should be noted that the resources 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 assets deficit (\$283 million) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims, and to pay for unused employee vacation and sick days, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 2% to \$681 million in 2009. The City generally can only use these net assets to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 8% and for business-type activities decreased 1% from 2008 due primarily to the issuance and retirement of long-term debt and the recording of the OPEB obligation.

Total assets, including capital assets increased \$47 million or 2% from 2008. Capital assets of the primary government decreased 3% from the previous year due to the allocation of completed projects in Construction in Progress to Buildings offset by the removal of original costs. For 2009, the Water Works and the Sewer Maintenance Funds have 92% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (49%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (43%) includes all the various sewer mains and connections.

Changes in net assets. City revenues less expenses yields the change in net assets. The City's total program and general revenues totaled \$754 million for the governmental activities. Of revenues, 36% comes from property and other taxes and 46% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 12% of the total revenues, and the remaining 6% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 39% related to public safety (fire and police, neighborhood services). Program revenues generated only about 19% of the revenue needed to support the cost of governmental activities. General City revenues, taxes and State aids provide the remaining funds. Total governmental activities expenditures exceeded revenues and transfers by \$59 million (7%). However, business-type activities revenues exceeded its expenses by \$16 million (9%). Chart 1, Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business-type Activities depict this comparison by major function.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program revenues:						
Charges for services	\$ 86,410	\$ 91,057	\$ 203,512	\$ 213,032	\$ 289,922	\$ 304,089
Operating grants and contributions	77,032	73,694	-	-	77,032	73,694
Capital grants and contributions	-	-	10,203	18,674	10,203	18,674
General revenues:						
Property taxes and other taxes	257,210	270,191	-	-	257,210	270,191
State aids for General Fund	271,100	272,337	-	-	271,100	272,337
Miscellaneous	61,949	47,217	979	120	62,928	47,337
Total revenues	<u>753,701</u>	<u>754,496</u>	<u>214,694</u>	<u>231,826</u>	<u>968,395</u>	<u>986,322</u>
Expenses						
General government	208,608	207,504	-	-	208,608	207,504
Public safety	314,935	331,409	-	-	314,935	331,409
Public Works	174,629	167,983	-	-	174,629	167,983
Health	20,830	22,995	-	-	20,830	22,995
Culture and recreation	20,639	22,901	-	-	20,639	22,901
Conservation and development	61,693	50,683	-	-	61,693	50,683
Capital contribution to						
Milwaukee Public Schools	6,474	5,153	-	-	6,474	5,153
Contributions	22,177	21,026	-	-	22,177	21,026
Interest on long-term debt	28,368	23,985	-	-	28,368	23,985
Water	-	-	64,562	67,946	64,562	67,946
Sewer Maintenance	-	-	29,167	34,847	29,167	34,847
Parking	-	-	25,078	24,659	25,078	24,659
Port of Milwaukee	-	-	4,182	3,811	4,182	3,811
Metropolitan Sewerage District User Charges.	-	-	40,219	44,545	40,219	44,545
Total expenses	<u>858,353</u>	<u>853,639</u>	<u>163,208</u>	<u>175,808</u>	<u>1,021,561</u>	<u>1,029,447</u>
Increase in net assets before transfers	(104,652)	(99,143)	51,486	56,018	(53,166)	(43,125)
Transfers	<u>38,052</u>	<u>40,111</u>	<u>(38,052)</u>	<u>(40,111)</u>	<u>-</u>	<u>-</u>
Increase in net assets	(66,600)	(59,032)	13,434	15,907	(53,166)	(43,125)
Net assets – Beginning	<u>373,755</u>	<u>307,155</u>	<u>651,688</u>	<u>665,122</u>	<u>1,025,443</u>	<u>972,277</u>
Net assets – Ending	<u>\$ 307,155</u>	<u>\$ 248,123</u>	<u>\$ 665,122</u>	<u>\$ 681,029</u>	<u>\$ 972,277</u>	<u>\$ 929,152</u>

Governmental Activities

Revenues for the City's governmental activities totaled \$754 million, while total expenses totaled \$854 million for 2009. All revenues, excluding transfers, are supporting 88% of the total expenses; 93% with transfers. Comparable data for 2008 indicates 88% of all revenues, excluding transfers supported the 2008 expenses and, 92% with transfers.

Property taxes represent 36% of the total revenues for 2009 compared to 34% for 2008; a 2% increase in this category. The increase in revenues is primarily due to an increase in collections; however, the City of Milwaukee's share of the Tax Rate increased eight cents (from \$8.01 in 2008 to \$8.09 in 2009 [per \$1,000 of Assessed Value]). State aids for the General Fund of \$272 million increased by \$1 million or 0.4% in 2009. The combined property taxes and State aids comprised approximately 72% of the total revenues for governmental funds in 2009 compared to 70% in 2008. Charges for services equaled 12% of the total revenues in 2009 compared to 11% in 2008.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Governmental activities expenses decreased by \$5 million (0.6%) in 2009 to \$854 million. Expenses for general government, which comprise 24% of the total expenses, decreased 0.5% in 2009. Public safety expenses represent the largest category of governmental activities or 39% of the total expenses for 2009 which is an increase of 5% over 2008. Due to the mild snowfall during 2009, public works expenses decreased 4% over 2008.

Chart 1
2009 Expenses and Program Revenues - Governmental Activities

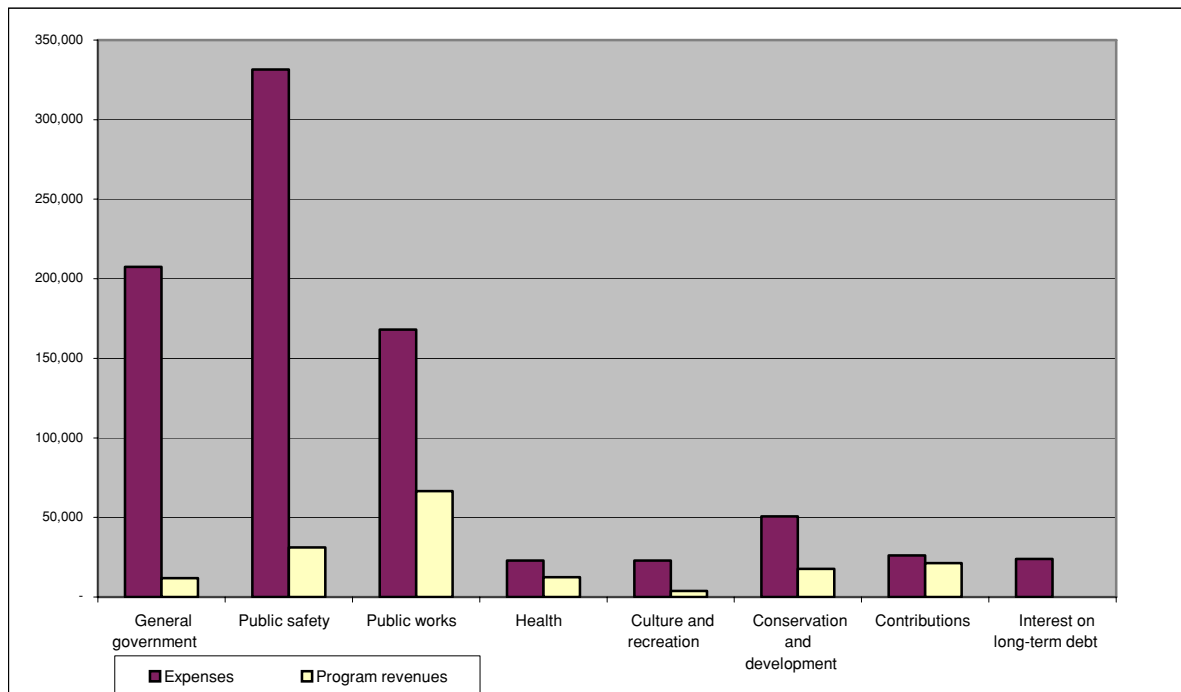


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. "Net cost" shows the financial placed on the city taxpayers by each of these functions.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2008	2009	2008	2009
General government	\$ 208,608	\$ 207,504	\$ 194,038	\$ 195,668
Public safety	314,935	331,409	283,373	300,285
Public works	174,629	167,983	115,234	101,405
Health	20,830	22,995	9,556	10,496
Culture and recreation	20,639	22,901	17,120	19,094
Conservation and development	61,693	50,683	40,103	33,076
Contributions	28,651	26,179	7,119	4,879
Interest on long-term debt	28,368	23,985	28,368	23,985
Total Governmental Activities	<u>\$ 858,353</u>	<u>\$ 853,639</u>	<u>\$ 694,911</u>	<u>\$ 688,888</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities decreased in 2009 to \$689 million from \$695 million in 2008 or 1% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total costs of service must be funded by general City taxes and State aids.

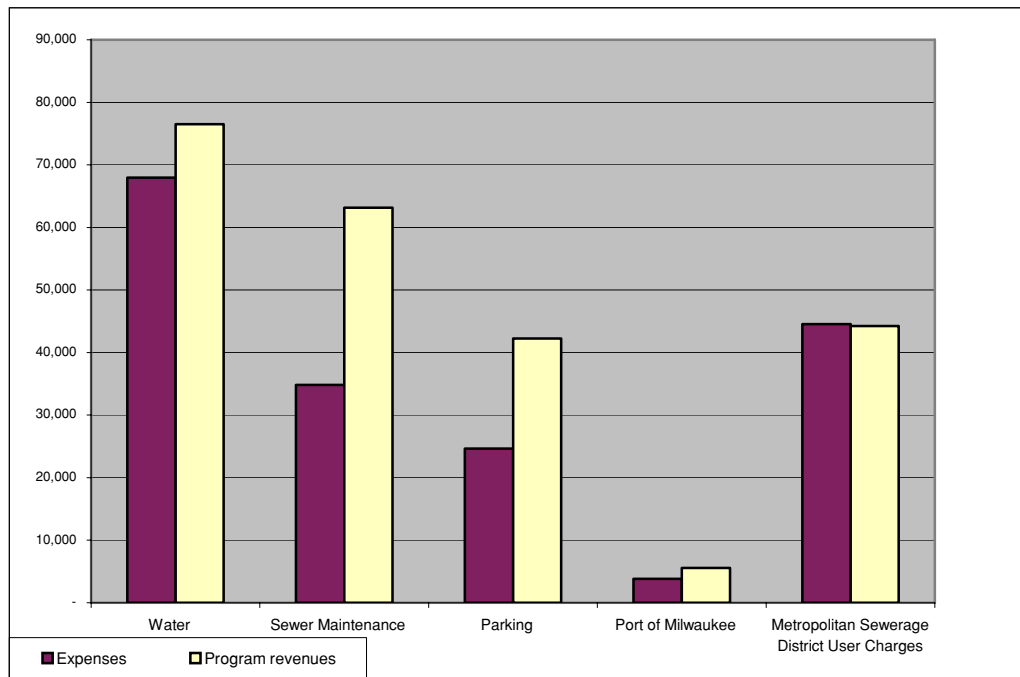
Business-type Activities

The three major enterprises or business-type activities for the City of Milwaukee are water services, sewer maintenance and parking operations. The Water Works had operating expenses of \$67 million and operating income of \$6 million. The Sewer Maintenance produced a net operating income of \$27 million after incurring expenses of \$21 million. The City parking facilities operating expenses during 2009 were \$24 million with net operating income of \$18 million.

Business-type revenues on Table 2 increased by \$17 million in 2009 compared to 2008, or 8%. Total expenses and transfers of all enterprise funds of the City increased \$15 million, from \$201 million in 2008 to \$216 million in 2009 (+7%). Overall, 2009 year-end Total Net Assets increased by \$16 million to \$681 million, or +2%.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Chart 2
2009 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting consistent with finance related legal requirements and external government 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 upcoming financing requirements. In particular, the Reserved for Tax Stabilization account in the General Fund serves as one useful measure of the City's net resources available for financing subsequent year's budget. This budgeted reserve is intended to help stabilize year-to-year fluctuations in the City property tax rate. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed 2009, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$226 million, an increase of \$23 million or 11% over 2008. The General Obligation Debt Service Fund and the Public Debt Amortization Fund generated nearly \$18 million of this increase. Non-major governmental funds produced a positive change from operations of \$6 million. The Capital Projects Fund balance increased by about \$1 million, although the total Fund balance remains negative (\$36 million). This negative balance persists because the City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects. This practice minimizes City borrowing costs and facilitates compliance with Federal IRS regulations. Debt issued for capital projects totaled \$84 million in 2009 compared to \$125 million in 2008.

The total reserves of the General Fund decreased 2% to \$71 million from \$73 million in 2008. This decrease was due to a reduction in required reserves for encumbrances, carryovers and inventory. Of the total year-end 2009 General Fund fund balance of \$71 million, \$29 million is reserved and available for 2011 and subsequent years' budgets, compared to \$20 million at year-end 2008 (+45%).

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Chart 3 and 4 graphically depict spending by function and revenues by source for all governmental funds.

Chart 3
2009 City Spending by Function - Governmental Funds

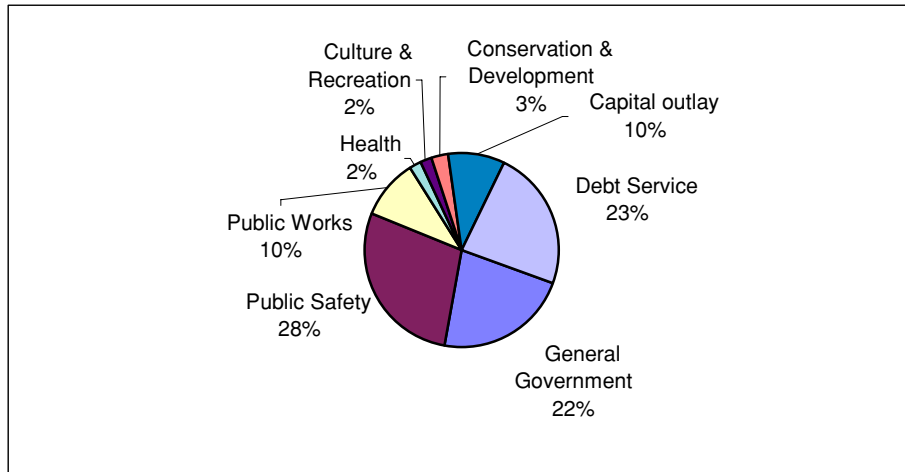
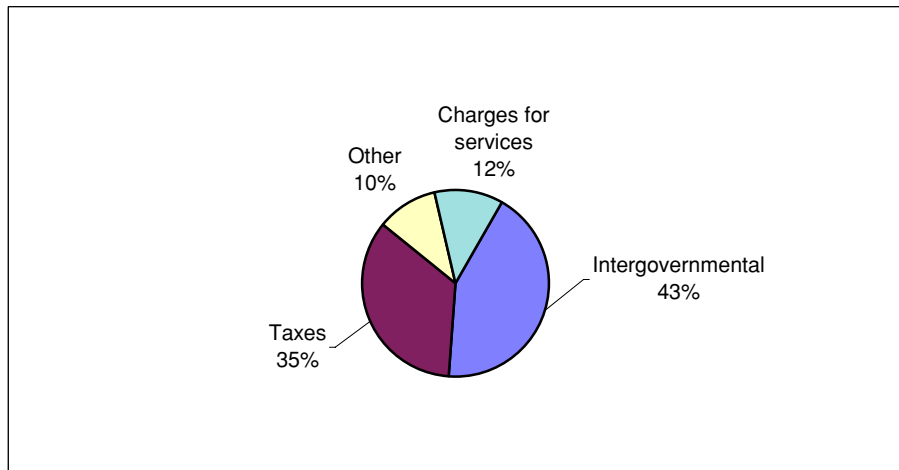


Chart 4
2009 Revenues by Source - Governmental Funds



Revenues for governmental functions overall totaled \$776 million in the fiscal year ended December 31, 2009 (+3%). Expenditures for governmental funds totaled \$1,024 million (+0.9%). Expenditures exceeded revenues by \$248 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of \$23 million for the year compared to an increase of \$18 million in 2008. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

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 by \$2 million or 2%. Revenues and other financing sources totaled approximately \$744 million and expenditures and other financing uses totaled approximately \$746 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by 5% over 2008), expenditures increased by 1% over 2008, with expenditures exceeding revenues by 8%. 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 \$45 million. This excludes the budgeted use of funds from the Reserve for Tax Stabilization account. Twenty-two million was budgeted from the Reserve for Tax Stabilization to fund the 2009 General Fund budget. This was a decrease of \$7 million from 2008.

Total General Fund revenues for 2009 totaled \$582 million. The largest revenue category is intergovernmental at \$272 million with 47% of the total revenue. The second largest revenue source is Property Taxes with \$156 million or 27%. Charges for Services, which includes revenues for services provided by City departments, comprises 16% or \$91 million. These three categories combined comprise 90% of the total revenues for 2009. The largest increase in revenues compared to 2008 was the Other category with a 55% increase.

The following table (Table 4) presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 4
General Fund
Summary of Revenues, Expenditures and Other Financing Sources and Uses
(Thousands of Dollars)

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2008	2009	% Change	Expenditures:	2008	2009	% Change
Property taxes	\$ 141,573	\$ 156,410	10.5%	General government.....	\$ 221,023	\$ 222,809	0.8%
Other taxes	4,839	3,504	-27.6%	Public safety.....	266,370	276,060	3.6%
Licenses and permits	12,918	12,186	-5.7%	Public works.....	103,149	97,093	-5.9%
Intergovernmental	271,100	272,337	0.5%	Health.....	10,118	10,446	3.2%
Charges for services	86,410	91,057	5.4%	Culture and recreation	16,782	17,329	3.3%
Fines and forfeits	5,277	4,802	-9.0%	Conservation and			
Contributions received	21,532	21,300	-1.1%	development	3,456	4,230	22.4%
Other	12,864	19,967	55.2%		-	-	
Total Revenues	556,513	581,563	4.5%	Total Expenditures	620,898	627,967	1.1%
Other Financing Sources				Other Financing Uses			
Debt proceeds	91,600	119,000	29.9%	Transfers out	92,080	118,081	28.2%
Transfers in	47,019	43,834	-6.8%	Total Expenditures			
Total Revenues and				and other Financing			
Other Financing Sources .	695,132	744,397	7.1%	Uses	\$ 712,978	\$ 746,048	4.6%
Excess of Revenues							
over Expenditures	(64,385)	(46,404)	27.9%				
Net Change in							
Fund Balance	\$ (17,846)	\$ (1,651)	90.7%				

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes (rather than Revenue Anticipation Notes) in advance of receipt of the State Shared Revenues. For 2009, \$116 million was issued. With the adoption of the 2009 budget, an amount equal to the estimated debt principal and interest on this debt is appropriated to the General Obligation Debt Service Fund.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

The City maintains two separate debt service funds. 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 Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from \$71 million to \$81 million or 14%. Total revenues of the General Obligation Debt Service increased from \$102 million 2008 to \$103 million in 2009. Revenues combined with *Other Financing Sources* totaled \$328 million; expenditures combined with *Other Financing Uses* totaled \$318 million; resulting in a *net increase in Fund Balance* for year end 2009 of \$10 million.

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. At year end, 2009 showed a fund balance deficit of \$36 million (an increase in the fund balance of \$1 million compared to a fund balance deficit of \$37 million in 2008). In 2009, total debt proceeds amounted to \$84 million as compared to \$125 million in 2008, a 33% decrease. Total revenues decreased 15% from \$20 million to \$17 million; expenditures decreased from \$115 million to \$98 million or 14%. The issuance of bonds and notes during 2009 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and also reduced the 2009 year end deficit in fund balance by \$1 million.

Proprietary Funds

The proprietary fund statements provide information on both short and long-term financial status, focusing on net assets and the change in net assets as a result of operations.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$19 million. This was a decrease from \$47 million at December 31, 2008 or 59%. This decrease consists of \$14 million in Water Works, \$13 million in Sewer Maintenance, \$0.3 million in Parking and \$0.3 million in the nonmajor enterprise funds.

In 2009, operating revenues of the enterprise funds totaled \$212 million (+4%); total operating expenses increased to \$160 million in 2009 (+5%). The Water Works is the largest enterprise activity for the City, comprising approximately 34% of the total operating revenues. The Sewer Maintenance Fund comprises 23% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2009, Water Works operating revenues decreased 0.6% while Sewer Maintenance operating revenues increased 18%; all other enterprise funds combined increased by 3%. Water Works non-operating revenues for 2009 are mainly composed of interest income. Investment income decreased by 87%, or 582,000, from 2008. Other miscellaneous non-operating revenue also decreased from \$194,000 to \$63,000 in 2009. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) decreased 68% from 2008.

The Water Works incurred total expenses of \$68 million for 2009 compared to \$65 million for 2008. Excluding depreciation expense, operating expenses increased over the previous year by \$3 million or 7%. The non-operating expenses (interest expense) of the Water Works decreased by \$142,000 due to the declining principal balances on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased 4% over 2008.

General Fund Budgetary Highlights

For the fiscal year ended December 31, 2009, the General Fund revenue budget exceeded actual revenues by \$2 million. Actual 2009 General Fund revenues also exceeded that of the prior year. General Fund actual revenues totaled \$560 million in 2009, a \$25 million (5%) increase over 2008. Property Taxes and Other Revenues increased by 10% and 55%, respectively. Noteworthy increases over 2008 actual revenue include a \$6 million increase in Other Revenue relating to the withdrawal of Employees' Retirement System funds to provide the required pension contribution and \$3 million (1/2 of total) in Vehicle Registration Fees received for various street maintenance expenses. Property Taxes increased nearly \$15 million due to a slight increase in the tax rate for City purposes of eight cents (from \$8.01 to \$8.09 per \$1,000 of Assessed Value). All other categories (Other Taxes, Licenses and permits, Intergovernmental, Charges for Services and Fines and forfeits) increased by over \$3 million or 0.9%. A major Other Revenue decrease was interest on investments, declining by \$3 million or 86%. The average interest earnings rate was 0.746% compared to 2.743% in 2008 with an increase in the average investable balance from \$218.2 million in 2008 to \$238.3 million in 2009.

The year 2009 also produced an unexpended budget surplus of \$18 million. The general government category contributed \$15 million; public safety had a surplus by \$2 million. Public works, health culture and recreation and conservation and development, in the aggregate, added nearly \$1 million. These savings included \$9.5 million from the wage supplement account due to delays in filling positions, two furlough days and savings on snow plowing operations due to the mild winter. In

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

addition, savings of \$3.5 million was realized in the non-departmental account for departments' contingencies primarily earmarked for snow operations. The remaining savings of \$5 million was achieved with \$2 million from various Police operating accounts and \$3 million from all other operating accounts of various departments.

During 2009, the Common Council adopted four resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional \$404,000 in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2008 less the encumbrances carried over to 2010. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2008 by the Common Council less those appropriations authorized for carryover to 2010. 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 2009 General Fund expenditure budget of \$616 million and the final budget of \$625 million. This is a 4% increase over the final 2008 budget of \$600 million. The original General Fund revenue budget totaled \$563 million with the final budget increasing approximately \$99,000. This is a 5% increase over the final 2008 revenue budget of \$538 million.

The General Fund Schedule of Expenditures-Budget and Actual (Exhibit I-9) details current year expenditures by department.

The City's General Fund's beginning fund balance of \$73 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$22 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2009 total \$1,725 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$14 million or 0.8%. Governmental activities' capital assets decreased \$25 million or a 3% decrease from 2008. Business-type activities' capital assets increased \$40 million or 5% at the end of 2009. A schedule comparing the assets by type for 2008 and 2009 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$79 million and deletions were \$104 million for 2009 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$31 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 65% of its total net assets with 27% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of 3%.

Debt issued to finance tax incremental districts (TID) totals \$158 million outstanding at year end. The majority of these expenditures have no related assets for TID, so the net increase in TID debt reduces unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was \$93 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statute, MPS cannot issue its own debt. As a result, the City issues debt for school purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, capital expenditures for school purposes also reduce unrestricted net assets by an equal amount.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Capital assets not being depreciated:						
Land	\$ 163,797	\$ 164,250	\$ 18,167	\$ 18,167	\$ 181,964	\$ 182,417
Construction in progress	123,768	40,839	61,966	18,095	185,734	58,934
Capital assets being depreciated:.....						
Buildings	194,782	257,076	85,421	89,407	280,203	346,483
Infrastructure	1,355,649	1,377,383	713,333	802,717	2,068,982	2,180,100
Improvements other than buildings	11,573	11,687	7,717	7,717	19,290	19,404
Machinery and equipment	162,573	164,265	212,266	215,306	374,839	379,571
Nonutility property	-	-	5,509	5,509	5,509	5,509
Accumulated depreciation	<u>(1,056,667)</u>	<u>(1,085,505)</u>	<u>(348,781)</u>	<u>(361,726)</u>	<u>(1,405,448)</u>	<u>(1,447,231)</u>
Total	<u>\$ 955,475</u>	<u>\$ 929,995</u>	<u>\$ 755,598</u>	<u>\$ 795,192</u>	<u>\$ 1,711,073</u>	<u>\$ 1,725,187</u>

Debt

At year-end, the City had \$780 million in general obligation bonds and notes, \$48 million in State loans, and \$58 million in revenue bonds outstanding as itemized in Table 6.

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$234 million, of which \$6 million related to Water Works, Sewer Maintenance, and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's February 2009 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,127 at the end of 2008 and \$1,155 at the end of 2009; an 8.6% increase from the prior year. As of December 31, 2009, the City's outstanding net general obligation debt for governmental activities was 2.09% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 43.3% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2009, notes were issued in the amount of approximately \$24.7 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Table 6
Outstanding Debt
General Obligation and Revenue Bonds
(Thousand of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
General obligation bonds and notes (backed by the City)	\$ 725,670	\$ 742,752	\$ 34,970	\$ 36,803	\$ 760,640	\$ 779,555
State loans	-	-	49,653	48,002	49,653	48,002
Revenue bonds (backed by specific fee revenues)	-	-	61,170	57,515	61,170	57,515
Total	\$ 725,670	\$ 742,752	\$ 145,793	\$ 142,320	\$ 871,463	\$ 885,072

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the city of Milwaukee for 2009 is 11%, three percentage points above that of 2008. City of Milwaukee per capita income for the most recent fiscal year available (2008) was \$36,880 - a 2.4% increase from 2007. The City's population over the last five years is depicted in the table below. This data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes and differs from the U.S. Census Bureau.

2005	592,765
2006	590,370
2007	590,190
2008	590,870
2009	584,000

The 2010 adopted City Budget is about \$1.4 billion with a General Fund budget of \$684 million. The General Fund budget increased 3% over the 2008 budget of \$667 million. In 2010, the City will expend \$120 million for health insurance and related costs compared to \$115 million budgeted for 2009, an increase of 4%. A major decrease from 2009 is the cost of salaries and wages. Recent and pending labor contract settlements and related constraints on cost of living rate increases, direct salaries, vacation pay, holiday pay and other salary constraints worked to reduce City personnel budgets for 2010. This decrease totals \$42 million below 2009 or a minus 9%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 361 FTE with the Police Department and the Fire Department showing a decrease of 177 and 64 FTE, respectively. The Department of Public Works decreased by 65 FTE's for 2010. The City reached agreements with its largest labor union (District Council (DC) 48) holding wage rates for 2010 and 2011 at 2009 levels, with progression steps not awarded. Also, the City increased mandatory furloughs to four furlough days for both 2010 and 2011.

Total property taxes levied for all funds of the City in 2009 for 2010 purposes increased \$.80 per thousand dollars of assessed valuation to a rate of \$8.89. The 2008 for 2009 rate increased \$.08 (from \$8.01 to \$8.09).

The total City property tax levy increased from \$237 million for 2009 to \$247 million for 2010 (+4%). The property tax levy will provide \$90 million for general City purposes in 2010. This represents a decrease of \$34 million from 2009 or -27%. The 2010 General City Purpose budget includes \$96 million in estimated revenue for City charges for services rendered, an increase of \$9 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate \$32 million for 2010. This fee represents 34% of the total charges for services in the 2010 budget. The Street Sweeping and Leaf Collection Fee is expected to generate \$12 million for 2010 (+21%) This Fee now comprises 13% of the total charges for services for 2010 compared to 12% in 2009.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total \$271 million; a slight decrease of \$1 million from 2009.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Revenue increases were also implemented in City enterprise funds for 2010 including the following: the Sewer Maintenance Fee was raised from \$86 to \$95, and the Storm Water Fee increased from \$47 to \$56. To offset the costs of certain service levels in the 2010 budget, the Council also raised the Overnight Parking Permit Fee from \$44 to \$55 per year.

The City remains in sound financial condition, as demonstrated by the financial statements and schedules included in this report. The General Fund Reserve for Tax Stabilization remained stable at \$42 million for both 12/31/08 and 12/31/09. Moreover, that portion of the Reserve for Tax Stabilization available for future years increased from \$20 million at year-end 2008 to \$29 million at year-end 2009 (+45%). With expected continuing limitations on State Shared Revenue, growing health care and post employment costs and other fiscal pressures, the City is taking action to restrain spending and increase revenues in 2010. . . .

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, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2009
(Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 238,763	\$ 38,743	\$ 277,506	\$ 55,778
Investments	2,855	-	2,855	10,347
Receivables (net):				
Taxes	214,885	-	214,885	2,837
Accounts	27,981	42,774	70,755	-
Unbilled accounts	1,225	15,060	16,285	-
Special assessments	12,889	-	12,889	-
Notes and loans	65,554	-	65,554	89,124
Accrued interest	215	113	328	4,443
Due from component units	18,295	-	18,295	-
Due from primary government	-	-	-	410
Due from other governmental agencies	247,078	-	247,078	19,412
Inventory of materials and supplies	7,075	2,616	9,691	-
Inventory of property for resale	26	-	26	8,225
Prepaid items	254	40	294	926
Deferred charges	2,043	370	2,413	1,056
Other assets	-	254	254	451
Total Noncapital Assets	839,138	99,970	939,108	193,009
Capital assets:				
Capital assets not being depreciated:				
Land	164,250	18,167	182,417	56,526
Construction in progress	40,839	18,095	58,934	3,179
Capital assets being depreciated:				
Buildings	257,076	89,407	346,483	488,043
Infrastructure	1,377,383	802,717	2,180,100	789
Improvements other than buildings	11,687	7,717	19,404	1,725
Machinery and equipment	164,265	215,306	379,571	3,509
Nonutility property	-	5,509	5,509	-
Accumulated depreciation	(1,085,505)	(361,726)	(1,447,231)	(244,430)
Total Capital Assets	929,995	795,192	1,725,187	309,341
Total Assets	1,769,133	895,162	2,664,295	502,350

Exhibit 1 (Continued)

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CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (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	\$ 207,504	\$ 9,011	\$ 2,825	\$ -
Public safety	331,409	16,649	14,475	-
Public works	167,983	62,553	4,025	-
Health	22,995	1,078	11,421	-
Culture and recreation	22,901	1,482	2,325	-
Conservation and development	50,683	284	17,323	-
Capital contribution to Milwaukee Public				
Schools	5,153	-	-	-
Contributions	21,026	-	21,300	-
Interest on long-term debt	23,985	-	-	-
Total Governmental Activities	853,639	91,057	73,694	-
Business-type Activities:				
Water	67,946	73,132	-	3,353
Sewer Maintenance	34,847	48,199	-	14,975
Parking	24,659	42,245	-	-
Port of Milwaukee	3,811	5,212	-	346
Metropolitan Sewerage District				
User Charges	44,545	44,244	-	-
Total Business-type Activities	175,808	213,032	-	18,674
Total Primary Government	\$ 1,029,447	\$ 304,089	\$ 73,694	\$ 18,674
Component units:				
Housing Authority	\$ 92,230	\$ 20,366	\$ 50,727	\$ 13,677
Redevelopment Authority	18,131	5,497	5,543	4,140
Milwaukee Economic Development Authority	3,601	3,340	906	-
Neighborhood Improvement Development Corporation				
Corporation	1,783	888	372	-
Total Component Units	\$ 115,745	\$ 30,091	\$ 57,548	\$ 17,817

General revenues:

Property taxes and other taxes	
State aids for General Fund	
Miscellaneous	
Transfers	
Total General Revenues and Transfers	

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (195,668)		\$ (195,668)	
(300,285)		(300,285)	
(101,405)		(101,405)	
(10,496)		(10,496)	
(19,094)		(19,094)	
(33,076)		(33,076)	
(5,153)		(5,153)	
274		274	
(23,985)		(23,985)	
<u>(688,888)</u>		<u>(688,888)</u>	
-	\$ 8,539	8,539	
-	28,327	28,327	
-	17,586	17,586	
-	1,747	1,747	
-	(301)	(301)	
-	55,898	55,898	
<u>(688,888)</u>	<u>55,898</u>	<u>(632,990)</u>	
			\$ (7,460)
			(2,951)
			645
			<u>(523)</u>
			<u>(10,289)</u>
270,191	-	270,191	-
272,337	-	272,337	-
47,217	120	47,337	4,371
40,111	(40,111)	-	-
<u>629,856</u>	<u>(39,991)</u>	<u>589,865</u>	<u>4,371</u>
(59,032)	15,907	(43,125)	(5,918)
<u>307,155</u>	<u>665,122</u>	<u>972,277</u>	<u>313,848</u>
<u>\$ 248,123</u>	<u>\$ 681,029</u>	<u>\$ 929,152</u>	<u>\$ 307,930</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 46,884
Investments	141
Receivables (net):	
Taxes	141,577
Accounts	25,712
Unbilled accounts	1,225
Special assessments	-
Notes and loans	37
Accrued interest	145
Due from other funds	76,750
Due from component units	1,538
Due from other governmental agencies	441
Advances to other funds	12,036
Inventory of materials and supplies	6,801
Inventory of property for resale	26
Prepaid items	254
Total Assets	<u>\$ 313,567</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 21,345
Accrued expenses	32,183
Due to other funds	1,891
Due to component units	1
Due to other governmental agencies	-
Deferred revenue	186,791
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>242,211</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	21,919
Reserved for inventory	6,827
Reserved for mortgage trust	141
Reserved for environmental remediation	303
Reserved for tax stabilization - 2010	13,070
Reserved for tax stabilization - 2011 and subsequent years' budgets and advances to other funds	29,096
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>71,356</u>
Total Liabilities and Fund Balances	<u>\$ 313,567</u>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 124,411	\$ 44,229	\$ 4,361	\$ 18,878	\$ 238,763
-	2,714	-	-	2,855
57,126	-	2,795	13,387	214,885
-	-	2,054	215	27,981
-	-	-	-	1,225
-	-	12,889	-	12,889
24,752	21,245	-	19,520	65,554
17	53	-	-	215
-	-	-	714	77,464
16,562	-	138	57	18,295
228,000	-	6,042	12,595	247,078
-	-	-	-	12,036
-	-	274	-	7,075
-	-	-	-	26
-	-	-	-	254
<u>\$ 450,868</u>	<u>\$ 68,241</u>	<u>\$ 28,553</u>	<u>\$ 65,366</u>	<u>\$ 926,595</u>
\$ 8	\$ -	\$ 8,366	\$ 5,246	\$ 34,965
6	-	295	280	32,764
3,269	-	21,509	7,305	33,974
-	-	262	147	410
-	-	-	355	355
138,805	-	22,570	9,749	357,915
228,000	-	-	-	228,000
-	-	12,036	-	12,036
<u>370,088</u>	<u>-</u>	<u>65,038</u>	<u>23,082</u>	<u>700,419</u>
80,780	68,241	-	14,849	163,870
-	-	-	10,830	10,830
-	-	-	829	829
-	-	2,017	-	23,936
-	-	274	-	7,101
-	-	-	-	141
-	-	-	-	303
-	-	-	-	13,070
-	-	-	-	29,096
-	-	(27,929)	15,776	(12,153)
-	-	(10,847)	-	(10,847)
<u>80,780</u>	<u>68,241</u>	<u>(36,485)</u>	<u>42,284</u>	<u>226,176</u>
<u>\$ 450,868</u>	<u>\$ 68,241</u>	<u>\$ 28,553</u>	<u>\$ 65,366</u>	<u>\$ 926,595</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 226,176

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	164,250	
Buildings, net of \$72,025 accumulated depreciation		185,051	
Infrastructure, net of \$911,616 accumulated depreciation		465,767	
Improvements other than buildings, net of \$7,731 accumulated depreciation		3,956	
Machinery and equipment, net of \$94,133 accumulated depreciation		70,132	
Construction in progress		<u>40,839</u>	
			929,995

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 2,043

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

Taxes to be collected after year-end	10,539		
Special assessments to be collected after year-end	11,627		
Other revenues to be collected after year-end	1,213		
Notes and loans receivable to repay long-term bonds and notes	<u>24,752</u>		
			48,131

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Accrued interest payable	(10,064)		
Bonds and notes payable	(742,752)		
Deferred amount on refunding	4,000		
Unamortized premiums	(23,839)		
Compensated absences	(38,904)		
Net other postemployment benefits obligation	(122,944)		
Claims and judgments	<u>(23,719)</u>		
			<u>(958,222)</u>

Total net assets of governmental activities (Exhibit 1) **\$ 248,123**

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 156,410
Other taxes	3,504
Special assessments	-
Licenses and permits	12,186
Intergovernmental	272,337
Charges for services	91,057
Fines and forfeits	4,802
Contributions received	21,300
Other	19,967
Total Revenues	<u>581,563</u>
Expenditures:	
Current:	
General government	222,809
Public safety	276,060
Public works	97,093
Health	10,446
Culture and recreation	17,329
Conservation and development	4,230
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>627,967</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(46,404)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	119,000
Proceeds current refunding	-
Payment current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	43,834
Transfers out	<u>(118,081)</u>
Total Other Financing Sources and Uses	<u>44,753</u>
Net Change in Fund Balances	(1,651)
Fund Balances - Beginning	<u>73,007</u>
Fund Balances - Ending	<u>\$ 71,356</u>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 70,606	\$ -	\$ 6,506	\$ 5,310	\$ 238,832
23,879	2,908	-	-	30,291
-	-	2,418	-	2,418
-	-	-	-	12,186
1,202	-	4,641	53,958	332,138
2,441	-	-	-	93,498
-	-	-	-	4,802
-	-	-	-	21,300
4,938	1,992	3,667	10,118	40,682
<u>103,066</u>	<u>4,900</u>	<u>17,232</u>	<u>69,386</u>	<u>776,147</u>
315	3	-	4,198	227,325
-	-	-	14,475	290,535
-	-	-	4,025	101,118
-	-	-	11,421	21,867
-	-	-	2,325	19,654
-	-	-	24,068	28,298
-	-	98,003	-	98,003
205,228	-	-	-	205,228
31,941	-	-	-	31,941
463	-	-	-	463
<u>237,947</u>	<u>3</u>	<u>98,003</u>	<u>60,512</u>	<u>1,024,432</u>
<u>(134,881)</u>	<u>4,897</u>	<u>(80,771)</u>	<u>8,874</u>	<u>(248,285)</u>
-	-	83,845	24,680	227,525
66,585	-	-	-	66,585
(71,800)	-	-	-	(71,800)
-	-	-	(250)	(250)
9,437	-	-	-	9,437
149,201	3,695	200	-	196,930
<u>(9,002)</u>	<u>(200)</u>	<u>(2,408)</u>	<u>(27,128)</u>	<u>(156,819)</u>
<u>144,421</u>	<u>3,495</u>	<u>81,637</u>	<u>(2,698)</u>	<u>271,608</u>
9,540	8,392	866	6,176	23,323
<u>71,240</u>	<u>59,849</u>	<u>(37,351)</u>	<u>36,108</u>	<u>202,853</u>
<u>\$ 80,780</u>	<u>\$ 68,241</u>	<u>\$ (36,485)</u>	<u>\$ 42,284</u>	<u>\$ 226,176</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, 2009
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3)		\$ 23,323
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$33,775) exceeded depreciation expense (\$47,702) in the current period less loss on disposals (\$11,553)		
		(25,480)
Notes and loans receivable to repay long-term bonds and notes		10,897
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Taxes accrued in prior years	\$ 1,068	
Special assessments deferred revenue beginning of the year \$12,922 less deferred at end of the year \$11,627	(1,295)	
Other revenues deferred at year end	<u>1,213</u>	
		986
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 issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(294,110)	
Issuance premiums	(9,437)	
Issuance costs	463	
Repayments:		
Principal retirement	277,028	
Amortization:		
Premiums	8,480	
Issuance costs	(470)	
Deferred amount on refunding	<u>(1,197)</u>	
		(19,243)
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	(7,696)	
Net other postemployment benefits obligation	(47,239)	
Claims and judgments	4,747	
Accrued interest on bonds and notes	<u>673</u>	
		(49,515)
Changes in net assets of governmental activities (Exhibit 2)		<u><u>\$ (59,032)</u></u>

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

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 6,565	\$ -	\$ 21,019	\$ -	\$ 27,584
Restricted cash and cash equivalents	667	1,823	-	-	2,490
Receivables (net):					
Accounts	14,092	14,675	718	13,289	42,774
Unbilled accounts	9,882	2,283	-	2,895	15,060
Accrued interest	4	109	-	-	113
Due from other funds	4,446	719	-	1,074	6,239
Due from other governmental agencies	-	-	-	-	-
Inventory of materials and supplies	2,616	-	-	-	2,616
Prepaid items	40	-	-	-	40
Deferred charges	-	370	-	-	370
Other assets	254	-	-	-	254
Total Current Assets	<u>38,566</u>	<u>19,979</u>	<u>21,737</u>	<u>17,258</u>	<u>97,540</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	8,669	-	-	8,669
Capital assets:					
Capital assets not being depreciated:					
Land	1,936	-	8,440	7,791	18,167
Construction in progress	15,635	16	2,435	9	18,095
Capital assets being depreciated:					
Buildings	24,135	-	51,788	13,484	89,407
Infrastructure	338,510	448,298	-	15,909	802,717
Improvements other than buildings	-	-	5,429	2,288	7,717
Machinery and equipment	202,027	4,419	4,068	4,792	215,306
Nonutility property	5,509	-	-	-	5,509
Accumulated depreciation	(193,770)	(111,415)	(34,793)	(21,748)	(361,726)
Net Capital Assets	<u>393,982</u>	<u>341,318</u>	<u>37,367</u>	<u>22,525</u>	<u>795,192</u>
Total Noncurrent Assets	<u>393,982</u>	<u>349,987</u>	<u>37,367</u>	<u>22,525</u>	<u>803,861</u>
Total Assets	<u>432,548</u>	<u>369,966</u>	<u>59,104</u>	<u>39,783</u>	<u>901,401</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 3,849	\$ 2,788	\$ 1,121	\$ 9,488	\$ 17,246
Accrued expenses	1,242	772	573	180	2,767
Accrued interest payable	280	-	188	44	512
Compensated absences	1,248	-	-	-	1,248
Due to other funds	9,492	27,958	-	12,279	49,729
Deferred revenue	-	-	25	-	25
General obligation debt payable - current	2,507	270	1,492	430	4,699
Revenue bonds payable - current	939	-	-	-	939
Total Current Liabilities	<u>19,557</u>	<u>31,788</u>	<u>3,399</u>	<u>22,421</u>	<u>77,165</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	-	4,901	-	-	4,901
Accrued interest payable	-	448	-	-	448
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>5,349</u>	<u>-</u>	<u>-</u>	<u>5,349</u>
Noncurrent Liabilities:					
General obligation debt	13,131	6,897	10,164	2,317	32,509
Revenue bonds payable	8,461	92,758	-	-	101,219
Other post employment benefits obligation	2,400	904	673	153	4,130
Total Noncurrent Liabilities	<u>23,992</u>	<u>100,559</u>	<u>10,837</u>	<u>2,470</u>	<u>137,858</u>
Total Liabilities	<u>43,549</u>	<u>137,696</u>	<u>14,236</u>	<u>24,891</u>	<u>220,372</u>
Net Assets:					
Invested in capital assets, net of related debt	368,944	236,492	25,711	19,778	650,925
Restricted for Debt Service	667	10,492	-	-	11,159
Unrestricted	<u>19,388</u>	<u>(14,714)</u>	<u>19,157</u>	<u>(4,886)</u>	<u>18,945</u>
Total Net Assets	<u>\$ 388,999</u>	<u>\$ 232,270</u>	<u>\$ 44,868</u>	<u>\$ 14,892</u>	<u>\$ 681,029</u>
The notes to the financial statements are an integral part of this statement.					

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 59,051	\$ -	\$ -	\$ -	\$ 59,051
Statutory sewer user fee	-	-	-	42,878	42,878
Sewer maintenance fee	-	48,199	-	-	48,199
Rent	-	-	7,574	5,106	12,680
Fire protection service	6,421	-	-	-	6,421
Parking meters	-	-	4,653	-	4,653
Parking permits	-	-	3,165	-	3,165
Vehicle towing	-	-	5,471	-	5,471
Parking forfeitures	-	-	20,879	-	20,879
Other	7,597	-	3	1,366	8,966
Total Operating Revenues	<u>73,069</u>	<u>48,199</u>	<u>41,745</u>	<u>49,350</u>	<u>212,363</u>
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	39,666	39,666
Employee services	-	8,522	7,857	1,901	18,280
Administrative and general	6,054	-	-	55	6,109
Depreciation	13,328	4,759	2,533	936	21,556
Transmission and distribution	22,483	-	-	3,450	25,933
Services, supplies, and materials	-	7,916	13,713	928	22,557
Water treatment	14,339	-	-	-	14,339
Water pumping	7,884	-	-	-	7,884
Billing and collection	2,819	-	-	1,274	4,093
Total Operating Expenses	<u>66,907</u>	<u>21,197</u>	<u>24,103</u>	<u>48,210</u>	<u>160,417</u>
Operating Income	<u>6,162</u>	<u>27,002</u>	<u>17,642</u>	<u>1,140</u>	<u>51,946</u>
Nonoperating Revenues (Expenses):					
Investment income	88	32	-	-	120
Grant Revenue	-	14,632	-	-	14,632
Interest expense	(1,039)	(3,552)	(556)	(146)	(5,293)
Gain (Loss) on disposal of fixed assets	-	-	-	-	-
Other	63	(10,098)	500	106	(9,429)
Total Nonoperating Revenues (Expenses)	<u>(888)</u>	<u>1,014</u>	<u>(56)</u>	<u>(40)</u>	<u>30</u>
Income before Contributions and Transfers.....	5,274	28,016	17,586	1,100	51,976
Capital contributions	3,353	343	-	346	4,042
Transfers in	-	-	-	670	670
Transfers out	<u>(9,440)</u>	<u>(9,300)</u>	<u>(19,940)</u>	<u>(2,101)</u>	<u>(40,781)</u>
Change in Net Assets	(813)	19,059	(2,354)	15	15,907
Total Net Assets - Beginning	<u>389,812</u>	<u>213,211</u>	<u>47,222</u>	<u>14,877</u>	<u>665,122</u>
Total Net Assets - Ending	<u>\$ 388,999</u>	<u>\$ 232,270</u>	<u>\$ 44,868</u>	<u>\$ 14,892</u>	<u>\$ 681,029</u>

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

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 67,381	\$ 45,406	\$ 41,005	\$ 48,808	\$ 202,600
Receipts from interfund services provided	5,408	-	-	-	5,408
Payments to suppliers	(22,063)	(7,244)	(13,902)	(45,001)	(88,210)
Payments to employees	(24,860)	(8,102)	(7,623)	(1,844)	(42,429)
Payments from other funds	-	15,078	-	1,714	16,792
Payments to other funds	(4,604)	-	-	(2,285)	(6,889)
Net Cash Provided by Operating Activities.....	<u>21,262</u>	<u>45,138</u>	<u>19,480</u>	<u>1,392</u>	<u>87,272</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	63	14,632	-	-	14,695
Other nonoperating expenses	-	(10,098)	-	-	(10,098)
Transfers from other funds	-	-	-	670	670
Transfers to other funds	(9,440)	(9,300)	(19,940)	(2,101)	(40,781)
Net Cash Used for Noncapital Financing Activities	<u>(9,377)</u>	<u>(4,766)</u>	<u>(19,940)</u>	<u>(1,431)</u>	<u>(35,514)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	1,346	1,346
Proceeds from sale of bonds and notes	225	3,863	2,595	-	6,683
Acquisition of property, plant, and equipment	(20,530)	(35,196)	(1,314)	(642)	(57,682)
Retirement of bonds, notes, and revenue bonds	(2,905)	(5,020)	(1,722)	(508)	(10,155)
Interest paid	(1,114)	(3,734)	(571)	(157)	(5,576)
Other	-	-	500	-	500
Net Cash Used for Capital and Related Financing Activities	<u>(24,324)</u>	<u>(40,087)</u>	<u>(512)</u>	<u>39</u>	<u>(64,884)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	<u>119</u>	<u>(73)</u>	<u>-</u>	<u>-</u>	<u>46</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,320)	212	(972)	-	(13,080)
Cash and Cash Equivalents - Beginning	<u>19,552</u>	<u>10,280</u>	<u>21,991</u>	<u>-</u>	<u>51,823</u>
Cash and Cash Equivalents - Ending	<u>\$ 7,232</u>	<u>\$ 10,492</u>	<u>\$ 21,019</u>	<u>\$ -</u>	<u>\$ 38,743</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:					
Unrestricted Cash	\$ 6,565	\$ -	\$ 21,019	\$ -	\$ 27,584
Restricted Cash	667	10,492	-	-	11,159
	<u>\$ 7,232</u>	<u>\$ 10,492</u>	<u>\$ 21,019</u>	<u>\$ -</u>	<u>\$ 38,743</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	\$ 6,162	\$ 27,002	\$ 17,642	\$ 1,140	\$ 51,946
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	13,328	4,759	2,533	936	21,556
Changes in assets and liabilities:					
Receivables	(703)	(2,611)	(714)	(615)	(4,643)
Due from other funds	1,370	(182)	-	(540)	648
Due from other governmental agencies	-	-	-	73	73
Inventories	(285)	-	-	-	(285)
Prepaid items	408	-	-	-	408
Other assets	31	-	-	-	31
Accounts payable	519	672	(188)	371	1,374
Accrued liabilities	(387)	96	(3)	2	(292)
Net other postemployment benefits obligation	819	324	236	56	1,435
Due to other funds	-	15,078	-	(31)	15,047
Deferred revenue	-	-	(26)	-	(26)
Net Cash Provided by Operating Activities	<u>\$ 21,262</u>	<u>\$ 45,138</u>	<u>\$ 19,480</u>	<u>\$ 1,392</u>	<u>\$ 87,272</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$3.4 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$64,608 with a net value of \$0, and, received donated assets in the amount of \$342,482.

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

Exhibit C-1

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

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 1,331	\$ -
Private donations	-	2,564
Total Contributions	<u>1,331</u>	<u>2,564</u>
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	6
Total Additions	<u>1,331</u>	<u>2,570</u>
Deductions		
Benefits	1,280	-
Fees remitted from Trust	-	2,084
Other	-	1,401
Total Deductions	<u>1,280</u>	<u>3,485</u>
Change in Net Assets	51	(915)
Net Assets - Beginning	<u>351</u>	<u>5,950</u>
Net Assets - Ending	<u>\$ 402</u>	<u>\$ 5,035</u>

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

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 28,001	\$ 17,204	\$ 8,872	\$ 1,701	\$ 55,778
Investments	3,247	6,800	-	300	10,347
Receivables (net):					
Accounts	2,465	229	55	88	2,837
Notes and loans	33,264	19,247	36,261	352	89,124
Accrued interest	4,042	121	152	128	4,443
Due from primary government	-	382	28	-	410
Due from other governmental agencies	1,933	962	16,517	-	19,412
Inventory of property for resale	-	4,811	1,594	1,820	8,225
Prepaid items	878	48	-	-	926
Deferred charges	236	820	-	-	1,056
Other assets	<u>372</u>	<u>-</u>	<u>79</u>	<u>-</u>	<u>451</u>
Total Noncapital Assets	<u>74,438</u>	<u>50,624</u>	<u>63,558</u>	<u>4,389</u>	<u>193,009</u>
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	39,898	16,628	-	-	56,526
Construction in progress	3,179	-	-	-	3,179
Capital assets being depreciated:					
Buildings	394,102	93,941	-	-	488,043
Infrastructure	-	789	-	-	789
Improvements other than buildings	882	843	-	-	1,725
Machinery and equipment	3,311	-	198	-	3,509
Accumulated depreciation	<u>(236,076)</u>	<u>(8,201)</u>	<u>(153)</u>	<u>-</u>	<u>(244,430)</u>
Total Capital Assets, Net of Depreciation	<u>205,296</u>	<u>104,000</u>	<u>45</u>	<u>-</u>	<u>309,341</u>
Total Assets	<u>279,734</u>	<u>154,624</u>	<u>63,603</u>	<u>4,389</u>	<u>502,350</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 5,669	\$ 3,185	\$ 2,226	\$ 19	\$ 11,099
Accrued expenses	4,879	8,224	-	-	13,103
Due to other governmental agencies	1,150	1,289	3	-	2,442
Deferred revenue	3,074	667	-	333	4,074
Other liabilities	<u>3,004</u>	<u>3,238</u>	<u>849</u>	<u>209</u>	<u>7,300</u>
Total Current Liabilities	<u>17,776</u>	<u>16,603</u>	<u>3,078</u>	<u>561</u>	<u>38,018</u>
Due to primary government:					
Due within one year	1,323	-	31	54	1,408
Due in more than one year	<u>-</u>	<u>15,436</u>	<u>1,451</u>	<u>-</u>	<u>16,887</u>
Total Due to Primary Government	<u>1,323</u>	<u>15,436</u>	<u>1,482</u>	<u>54</u>	<u>18,295</u>
Long-term obligations:					
Due within one year	4,494	-	-	-	4,494
Due in more than one year	<u>45,245</u>	<u>84,178</u>	<u>4,190</u>	<u>-</u>	<u>133,613</u>
Total Noncurrent Liabilities	<u>49,739</u>	<u>84,178</u>	<u>4,190</u>	<u>-</u>	<u>138,107</u>
Total Liabilities	<u>68,838</u>	<u>116,217</u>	<u>8,750</u>	<u>615</u>	<u>194,420</u>
NET ASSETS:					
Invested in capital assets, net of related debt	158,013	29,769	-	-	187,782
Restricted	5,099	4,395	8,095	1,052	18,641
Unrestricted	<u>47,784</u>	<u>4,243</u>	<u>46,758</u>	<u>2,722</u>	<u>101,507</u>
Total Net Assets	<u>\$ 210,896</u>	<u>\$ 38,407</u>	<u>\$ 54,853</u>	<u>\$ 3,774</u>	<u>\$ 307,930</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, 2009
(Thousands of Dollars)

Exhibit D-2

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Housing Authority				
Low income housing	\$ 92,230	\$ 20,366	\$ 50,727	\$ 13,677
Redevelopment Authority				
Prevention and elimination of blight	18,131	5,497	5,543	4,140
Milwaukee Economic Development Corporation				
Increase employment and expansion of business ..	3,601	3,340	906	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>1,783</u>	<u>888</u>	<u>372</u>	<u>-</u>
 Total Component Units	 <u>\$115,745</u>	 <u>\$ 30,091</u>	 <u>\$ 57,548</u>	 <u>\$ 17,817</u>

General revenues:

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning.....

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ (7,460)	\$ -	\$ -	\$ -	\$ (7,460)
-	(2,951)	-	-	(2,951)
-	-	645	-	645
<u>-</u>	<u>-</u>	<u>-</u>	<u>(523)</u>	<u>(523)</u>
<u>(7,460)</u>	<u>(2,951)</u>	<u>645</u>	<u>(523)</u>	<u>(10,289)</u>
<u>3,252</u>	<u>385</u>	<u>717</u>	<u>17</u>	<u>4,371</u>
<u>3,252</u>	<u>385</u>	<u>717</u>	<u>17</u>	<u>4,371</u>
(4,208)	(2,566)	1,362	(506)	(5,918)
<u>215,104</u>	<u>40,973</u>	<u>53,491</u>	<u>4,280</u>	<u>313,848</u>
<u>\$ 210,896</u>	<u>\$ 38,407</u>	<u>\$ 54,853</u>	<u>\$ 3,774</u>	<u>\$307,930</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a non-profit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; and NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the GASB Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Related Organizations

Milwaukee Area Workforce Investment Board

The Milwaukee Area Workforce Investment Board (MAWIB) was established to provide job training, employment services, and workforce development within Milwaukee County. MAWIB acts as the recipient, dispenser, and administer of funding provided under the Workforce Development Act for Milwaukee County.

The Governor designated the Mayor of the City of Milwaukee as Milwaukee County's chief local elected officer for the Workforce Investment Act of 1998. The directors of the MAWIB are appointed by the Mayor in accordance with the Workforce Investment Act. The City is not legally obligated for any of MAWIB obligations or debt. The City is not entitled to access funds of the Milwaukee Area Workforce Investment Board.

B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues and expenses are a result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise 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 nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

The City reports the following major enterprise funds:

Water Works – All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.0821, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities, and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire landscape and construct parking lots and structures.

Additionally, the City reports the following fiduciary fund types:

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

Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2009 that will be collected in 2010 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines, and forfeits are considered to be measurable and available only when cash is received.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day-to-day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company, or savings and loan association, which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security 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.
- 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2009 is \$2,877,000.

H. Unbilled Services

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

I. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is \$9,543,000 as of December 31, 2009.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

L. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

M. Capital Assets

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks, and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

N. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

O. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

P. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary, and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Q. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

R. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

S. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

T. Net Assets

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

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF MILWAUKEE
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U. Interfund Transactions

The City has the following types of interfund transactions:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

V. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

W. New Accounting Pronouncements

In June, 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City will implement this Statement beginning with the year ending December 31, 2010; however, the City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June, 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The City will implement this Statement beginning with the year ending December 31, 2010; however, the City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. This Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The City will implement this Statement beginning with the year ending December 31, 2011.

X. Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

CITY OF MILWAUKEE
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2. DEPOSITS AND INVESTMENTS

A. Primary Government

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

As of December 31, 2009, the City's deposits and investments are as follows:

	Investment Maturities (in Years)				
	(Thousands of Dollars)				
	Fair Value	Less than 1	1-5	6-10	Credit Rating
Governmental and Business-type activities:					
Investment type					
Pooled Deposits and Investments	\$ 172,066	\$ 172,066	\$ -	\$ -	see below
Segregated Deposits and Investments					
Interest Checking	2,135	2,135	-	-	not rated
Wisconsin Local Government					
Investment Pool	94,777	94,777	-	-	not rated
U.S. Treasury strips	2,714	1,098	1,104	512	AAA
Treasuries (Fiscal Agent)	8,669	8,669	-	-	AAA
	<u>\$ 280,361</u>	<u>\$ 278,745</u>	<u>\$ 1,104</u>	<u>\$ 512</u>	
Fiduciary activities:					
Investment type					
Investments in the Pool	\$ 327,794	\$ 327,794	\$ -	\$ -	see below
Other Deposits	457	457	-	-	not rated
Segregated Deposits and Investments					
Wisconsin Local Government					
Investment Pool	11,413	11,413	-	-	not rated
U.S. Treasury strips	2,717	414	1,589	714	AAA
	<u>\$ 342,381</u>	<u>\$ 340,078</u>	<u>\$ 1,589</u>	<u>\$ 714</u>	

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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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 Enterprise Fund, and component entities. Each fund's share of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

As of December 31, 2009, the City had the following investments and maturities in the Pool:

	Fair Value	Investment Maturities (in Years) (Thousands of Dollars)			Credit Rating
		Less than 1	1-5	6-10	
Pooled Deposits and Investments					
Bank Demand Deposits	\$ 32,634	\$ 32,634	\$ -	\$ -	not rated
Other Deposits	793	793	-	-	not rated
Deposits and Investments					
Interest Checking	376,328	376,328	-	-	not rated
Wisconsin Local Government Investment Pool	71,947	71,947	-	-	not rated
Government Money Market	108	108	-	-	AAA
Certificates of Deposits	18,050	18,050	-	-	not rated
	<u>\$ 499,860</u>	<u>\$ 499,860</u>	<u>\$ -</u>	<u>\$ -</u>	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. As of December 31, 2009, the City's bank balances of \$372,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

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

Credit risk

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

B. Component Units

Deposits and Investments

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

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.

CITY OF MILWAUKEE
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Credit Risk

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

The Component Units have the following investments on December 31, 2009:

	Investment Maturities (in Years)					
	(Thousands of Dollars)					
	Fair value	Less than 1	1-2	8-10	10 and greater	Credit Rating
Component Units:						
Local Government Investment Pool	\$ 21,516	\$ 21,516	-	-	-	not rated
U.S. Treasury Money Market Fund	9,052	9,052	-	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	798	11	-	787	-	Aaa
Certificates of Deposit	7,100	7,100	-	-	-	N/A
	<u>\$ 38,466</u>	<u>\$ 37,679</u>	<u>\$ -</u>	<u>\$ 787</u>	<u>\$ -</u>	

Custodial Credit Risk

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

As of December 31, 2009 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority	\$ 10,451,419	\$ 1,035,237
Redevelopment Authority	11,223,071	197,225
Milwaukee Economic Development Corporation	8,164,045	1,176,037
Neighborhood Improvement Development Corporation	2,011,086	725,954

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

As of December 31, 2009, the Redevelopment Authority had \$9,052,000 of investments exposed to custodial credit risk as uninsured and uncollateralized.

CITY OF MILWAUKEE
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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, 2009, 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>		
2004 and prior	\$ 918	\$ 1,365	\$ 2,283
2005	391	596	987
2006	925	1,397	2,322
2007	3,321	5,027	8,348
2008	<u>11,513</u>	<u>18,355</u>	<u>29,868</u>
 Total delinquent property taxes receivable	 <u>\$ 17,068</u>	 <u>\$ 26,740</u>	 43,808
 Property taxes receivable on foreclosed property			 15,784
 Less: Allowance for uncollectible taxes			 <u>(17,231)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 42,361</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 01-01-09	Additions	Deletions	Balance 12-31-09
		<i>(Thousands of Dollars)</i>		
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 163,797	\$ 510	\$ 57	\$ 164,250
Construction in progress	<u>123,768</u>	<u>9,628</u>	<u>92,557</u>	<u>40,839</u>
Total capital assets not being depreciated	<u>287,565</u>	<u>10,138</u>	<u>92,614</u>	<u>205,089</u>
<i>Capital assets being depreciated:</i>				
Buildings	194,782	81,709	19,415	257,076
Infrastructure.....	1,355,649	23,941	2,207	1,377,383
Improvements other than buildings	11,573	195	81	11,687
Machinery and equipment	<u>162,573</u>	<u>10,349</u>	<u>8,657</u>	<u>164,265</u>
Total capital assets being depreciated	<u>1,724,577</u>	<u>116,194</u>	<u>30,360</u>	<u>1,810,411</u>
Less accumulated depreciation for:				
Buildings	74,784	5,468	8,227	72,025
Infrastructure	883,878	29,945	2,207	911,616
Improvements other than buildings	7,469	338	76	7,731
Machinery and equipment	<u>90,536</u>	<u>11,951</u>	<u>8,354</u>	<u>94,133</u>
Total accumulated depreciation	<u>1,056,667</u>	<u>47,702</u>	<u>18,864</u>	<u>1,085,505</u>
Total capital assets being depreciated, net	<u>667,910</u>	<u>68,492</u>	<u>11,496</u>	<u>724,906</u>
Government activity capital assets, net	<u>\$ 955,475</u>	<u>\$ 78,630</u>	<u>\$ 104,110</u>	<u>\$ 929,995</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 350
Public safety				7,949
Public works				38,656
Health				221
Culture and recreation				<u>526</u>
Total				<u>\$ 47,702</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Balance 01-01-09	Additions	Deletions	Balance 12-31-09
Business-type activities		<i>(Thousands of Dollars)</i>		
Water Works				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,936	\$ -	\$ -	\$ 1,936
Construction in progress	10,975	22,967	18,307	15,635
Total capital assets not being depreciated	<u>12,911</u>	<u>22,967</u>	<u>18,307</u>	<u>17,571</u>
<i>Capital assets being depreciated:</i>				
Buildings	21,292	2,994	151	24,135
Infrastructure	331,142	8,528	1,160	338,510
Machinery and equipment	201,582	6,785	6,340	202,027
Nonutility property	5,509	-	-	5,509
Total capital assets being depreciated	<u>559,525</u>	<u>18,307</u>	<u>7,651</u>	<u>570,181</u>
Less accumulated depreciation for:				
Buildings	14,663	721	803	14,581
Infrastructure	78,324	3,770	1,165	80,929
Machinery and equipment	94,906	8,837	6,471	97,272
Nonutility property	783	205	-	988
Total accumulated depreciation	<u>188,676</u>	<u>13,533</u>	<u>8,439</u>	<u>193,770</u>
Total capital assets being depreciated, net	<u>370,849</u>	<u>4,774</u>	<u>(788)</u>	<u>376,411</u>
Water Works capital assets, net	<u>383,760</u>	<u>27,741</u>	<u>17,519</u>	<u>393,982</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	46,304	16	46,304	16
Total capital assets not being depreciated	<u>46,304</u>	<u>16</u>	<u>46,304</u>	<u>16</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	366,635	81,727	64	448,298
Machinery and equipment	4,320	99	-	4,419
Total capital assets being depreciated	<u>370,955</u>	<u>81,826</u>	<u>64</u>	<u>452,717</u>
Less accumulated depreciation for:				
Infrastructure	104,765	4,415	64	109,116
Machinery and equipment	1,955	344	-	2,299
Total accumulated depreciation	<u>106,720</u>	<u>4,759</u>	<u>64</u>	<u>111,415</u>
Total capital assets being depreciated, net	<u>264,235</u>	<u>77,067</u>	<u>-</u>	<u>341,302</u>
Sewer Maintenance capital assets, net	<u>310,539</u>	<u>77,083</u>	<u>46,304</u>	<u>341,318</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Balance 01-01-09	Additions	Deletions	Balance 12-31-09
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,440	\$ -	\$ -	\$ 8,440
Construction in progress	4,687	663	2,915	2,435
Total capital assets not being depreciated	13,127	663	2,915	10,875
<i>Capital assets being depreciated:</i>				
Buildings	50,645	1,143	-	51,788
Improvements other than buildings	5,429	-	-	5,429
Machinery and equipment	1,645	2,423	-	4,068
Total capital assets being depreciated	57,719	3,566	-	61,285
Less accumulated depreciation for:				
Buildings	28,003	2,047	-	30,050
Improvements other than buildings	3,394	218	-	3,612
Machinery and equipment	863	268	-	1,131
Total accumulated depreciation	32,260	2,533	-	34,793
Total capital assets being depreciated, net	25,459	1,033	-	26,492
Parking capital assets, net	38,586	1,696	2,915	37,367
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	7,791	-	-	7,791
Construction in progress	-	9	-	9
Total capital assets not being depreciated	7,791	9	-	7,800
<i>Capital assets being depreciated:</i>				
Buildings	13,484	-	-	13,484
Infrastructure-port.....	15,556	368	15	15,909
Improvements other than buildings	2,288	-	-	2,288
Machinery and equipment	4,719	408	335	4,792
Total capital assets being depreciated	36,047	776	350	36,473
Less accumulated depreciation for:				
Buildings	6,796	259	-	7,055
Infrastructure-port.....	8,736	352	12	9,076
Improvements other than buildings	1,616	90	-	1,706
Machinery and equipment	3,977	235	301	3,911
Total accumulated depreciation	21,125	936	313	21,748
Total capital assets being depreciated, net	14,922	(160)	37	14,725
Other business-type activities, net	22,713	(151)	37	22,525
Business-type activity capital assets, net	\$ 755,598	\$ 106,369	\$ 66,775	\$ 795,192

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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	Balance 01-01-09	Additions	Deletions	Balance 12-31-09
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 54,187	\$ 3,322	\$ 983	\$ 56,526
Construction in Progress	<u>2,301</u>	<u>2,808</u>	<u>1,930</u>	<u>3,179</u>
Total capital assets not being depreciated	<u>56,488</u>	<u>6,130</u>	<u>2,913</u>	<u>59,705</u>
<i>Capital assets being depreciated:</i>				
Buildings	480,524	9,689	2,170	488,043
Infrastructure	789	-	-	789
Improvements other than buildings	1,531	194	-	1,725
Machinery and equipment	<u>3,277</u>	<u>555</u>	<u>323</u>	<u>3,509</u>
Total capital assets being depreciated	<u>486,121</u>	<u>10,438</u>	<u>2,493</u>	<u>494,066</u>
Less accumulated depreciation for:				
Buildings	229,574	13,014	1,136	241,452
Infrastructure	13	27	-	40
Improvements other than buildings	207	117	-	324
Machinery and equipment	<u>2,704</u>	<u>229</u>	<u>319</u>	<u>2,614</u>
Total accumulated depreciation	<u>232,498</u>	<u>13,387</u>	<u>1,455</u>	<u>244,430</u>
Total capital assets being depreciated, net	<u>253,623</u>	<u>(2,949)</u>	<u>1,038</u>	<u>249,636</u>
Component units capital assets, net	<u>\$ 310,111</u>	<u>\$ 3,181</u>	<u>\$ 3,951</u>	<u>\$ 309,341</u>

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2009 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes	\$ 176,991	\$ 97,499	\$ 4,767	\$ -	\$ 279,257
Delinquent property taxes	7,982	-	-	2,557	10,539
Unearned revenue	1,818	-	6,176	7,036	15,030
Long-term receivables	-	41,306	-	156	41,462
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>11,627</u>	<u>-</u>	<u>11,627</u>
Total	<u>\$ 186,791</u>	<u>\$ 138,805</u>	<u>\$ 22,570</u>	<u>\$ 9,749</u>	<u>\$ 357,915</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

6. SHORT-TERM DEBT

During 2009, the City issued and repaid \$116,000,000 of General Obligation Cash Flow Promissory Notes, Series 2009 R3 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2009.

As of December 31, 2008, the City had outstanding \$210,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2009, the City repaid the outstanding balance and issued \$228,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 2% and will mature on June 30, 2010. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2009 were as follows:

	Balance 01-01-09	Additions	Deductions	Balance 12-31-09	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 637,897	\$ 278,060	\$ 266,651	\$ 649,306	\$ 91,279
Milwaukee Public Schools	87,773	16,050	10,377	93,446	10,247
Deferred amount on refundings	(5,197)	-	(1,197)	(4,000)	-
Unamortized premiums	22,882	9,437	8,480	23,839	-
Compensated absences	31,208	9,792	2,096	38,904	3,011
Net other postemployment benefits obligation	75,705	74,005	26,766	122,944	-
Claims and judgments	28,466	10,233	14,980	23,719	4,436
Total governmental activities	<u>\$ 878,734</u>	<u>\$ 397,577</u>	<u>\$ 328,153</u>	<u>\$ 948,158</u>	<u>\$ 108,973</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 17,050	\$ 225	\$ 1,990	\$ 15,285	\$ 2,507
Deferred amount on refundings	(357)	-	(140)	(217)	-
Unamortized premiums	751	-	181	570	-
Revenue bonds	10,315	-	915	9,400	939
Compensated absences	1,108	1,701	1,561	1,248	1,248
Net other postemployment benefits obligation	1,581	1,932	1,113	2,400	-
Total Water Works	<u>30,448</u>	<u>3,858</u>	<u>5,620</u>	<u>28,686</u>	<u>4,694</u>
Sewer Maintenance					
General obligation bonds and notes	3,934	3,500	267	7,167	270
State Loans	49,653	362	2,013	48,002	2,061
Revenue bonds	50,855	-	2,740	48,115	2,840
Unamortized premiums	1,755	-	213	1,542	-
Net other postemployment benefits obligation	580	764	440	904	-
Total Sewer Maintenance	<u>106,777</u>	<u>4,626</u>	<u>5,673</u>	<u>105,730</u>	<u>5,171</u>
Parking					
General obligation bonds and notes	10,743	2,595	1,722	11,616	1,492
Deferred amount on refundings	(153)	-	(39)	(114)	-
Unamortized premiums	203	-	49	154	-
Net other postemployment benefits obligation	437	557	321	673	-
Total Parking	<u>11,230</u>	<u>3,152</u>	<u>2,053</u>	<u>12,329</u>	<u>1,492</u>
Other Enterprise Funds					
General obligation bonds and notes	3,243	-	508	2,735	430
Deferred amount on refundings	(36)	-	(9)	(27)	-
Unamortized premiums	51	-	12	39	-
Net other postemployment benefits obligation	97	131	75	153	-
Total Other Enterprise	<u>3,355</u>	<u>131</u>	<u>586</u>	<u>2,900</u>	<u>430</u>
Total business-type activities	<u>\$ 151,810</u>	<u>\$ 11,767</u>	<u>\$ 13,932</u>	<u>\$ 149,645</u>	<u>\$ 11,787</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Balance 01-01-09	New Issues	Repayments	Balance 12-31-09	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Component Units					
Revenue bonds	\$ 97,199	\$ -	\$ 2,806	\$ 94,393	\$ 515
Unamortized discounts	(104)	-	(7)	(97)	-
Notes payable	40,719	5,068	4,523	41,264	3,647
Advance from other organizations	-	-	-	-	-
Compensated Absences.....	854	252	-	1,106	332
Net other postemployment benefits.....	991	562	112	1,441	-
Total component units	<u>\$ 139,659</u>	<u>\$ 5,882</u>	<u>\$ 7,434</u>	<u>\$ 138,107</u>	<u>\$ 4,494</u>

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2009, general obligation bonds totaling \$2,433,000 were issued. \$143,000 was issued to finance capital improvements, \$1,350,000 for school purposes and \$940,000 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.

Through 2009, \$148,100,647 has been borrowed and outstanding for forty-eight tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$185,480,436. Active Tax increments received through 2009 total \$150,858,554. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$93,446,000 of Milwaukee Public School long-term debt outstanding at December 31, 2009 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2009, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$995,883,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2009, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of \$362,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2009, installment loans totaling \$41,612,000 were issued. \$12,352,000 was issued to finance capital improvements, \$2,700,000 for school purposes, \$1,880,000 for business-type activities and \$24,680,000 to purchase 2008's delinquent taxes.

During 2009, the City continued to issue General Obligation Commercial Paper Promissory Notes 2008 Program Series C2 totaling \$61,800,000. \$55,300,000 was issued to finance capital improvements, \$3,500,000 for business-type activities and \$3,000,000 for general fiscal requirements of the City. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above:

Balance			Balance
01-01-09	Additions	Deletions	12-31-09
104,600	61,800	76,400	90,000

In order to provide a source for payment of the principal and interest on the General Obligation Commercial Paper Promissory Notes, on January 1, 2008, the City entered into an irrevocable letter of credit and reimbursement agreement with a bank. The letter of credit and reimbursement agreement has an authorized maximum draw of \$125 million, and expires on December 1, 2012. Each advance on the letter of credit is due and payable on the 60th day following the date of the draw; however, the agreement allows the bank to make a three-year term loan available upon each advance not repaid within 60 days, for which payments will begin one year after the date the term loan began. Principal payments on the term loan shall be made quarterly. Interest is required to be paid monthly, and the rate varies based on the period the advance is outstanding, as follows:

Period Outstanding	Interest Rate
30 days or less	Prime rate
31 days to 60 days	Prime rate plus 1%
Greater than 60 days (term loan)	Prime rate plus 2%

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2009, the City had no outstanding draws on the letter of credit.

E. Qualified Schools Construction Bonds Payable

During the year ended December 31, 2009, the City issued Qualified Schools Construction Bonds totaling \$12,000,000 to finance schools construction projects which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

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	
(Thousands of Dollars)					
Governmental activities					
2010	\$ 101,526	\$ 28,828	\$ -	\$ -	\$ 130,354
2011	72,874	24,979	-	-	97,853
2012	64,290	21,775	-	-	86,065
2013	60,545	18,797	-	-	79,342
2014	55,000	15,916	-	-	70,916
2015-2019	288,547	44,789	-	-	333,336
2020-2024	83,369	8,779	-	-	92,148
2025-2029	16,601	169	-	-	16,770
Total	<u>\$ 742,752</u>	<u>\$ 164,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 906,784</u>
Business-type activities					
Water Works					
2010	\$ 2,507	\$ 762	\$ 939	\$ 236	\$ 4,444
2011	2,981	643	964	211	4,799
2012	2,506	502	989	185	4,182
2013	2,116	367	1,015	158	3,656
2014	2,301	258	1,042	131	3,732
2015-2019	2,799	226	4,451	239	7,715
2020-2024	75	9	-	-	84
Total	<u>\$ 15,285</u>	<u>\$ 2,767</u>	<u>\$ 9,400</u>	<u>\$ 1,160</u>	<u>\$ 28,612</u>
Sewer Maintenance					
2010	\$ 270	\$ 176	\$ 4,901	\$ 3,399	\$ 8,746
2011	272	165	5,053	3,226	8,716
2012	273	153	5,213	3,039	8,678
2013	293	141	5,390	2,837	8,661
2014	296	129	5,578	2,621	8,624
2015-2019	4,932	415	31,207	9,559	46,113
2020-2024	831	63	27,491	3,313	31,698
2025-2029	-	-	11,284	515	11,799
Total	<u>\$ 7,167</u>	<u>\$ 1,242</u>	<u>\$ 96,117</u>	<u>\$ 28,509</u>	<u>\$ 133,035</u>
Parking					
2010	\$ 1,492	\$ 526	\$ -	\$ -	\$ 2,018
2011	1,424	460	-	-	1,884
2012	1,268	395	-	-	1,663
2013	1,146	337	-	-	1,483
2014	1,127	283	-	-	1,410
2015-2019	3,541	757	-	-	4,298
2020-2024	1,618	160	-	-	1,778
Total	<u>\$ 11,616</u>	<u>\$ 2,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,534</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Other Enterprise					
2010	\$ 430	\$ 133	\$ -	\$ -	\$ 563
2011	429	111	-	-	540
2012	388	89	-	-	477
2013	350	70	-	-	420
2014	341	52	-	-	393
2015-2019	696	87	-	-	783
2020-2024	101	6	-	-	107
Total	<u>\$ 2,735</u>	<u>\$ 548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,283</u>
Total Component Units					
2010	\$ 3,648	\$ 1,336	\$ 515	\$ 713	\$ 6,212
2011	141	1,249	535	689	2,614
2012	149	1,240	795	660	2,844
2013.....	159	1,230	990	630	3,009
2014.....	171	1,218	1,195	598	3,182
2015-2019	6,265	5,821	6,715	2,414	21,215
2020-2024	2,390	5,073	19,953	1,325	28,741
2025-2029	262	4,803	40,670	613	46,348
2030-2034.....	365	4,702	23,025	133	28,225
2035-2039	2,299	4,119	-	-	6,418
2040-2044	4,904	3,226	-	-	8,130
2045-2049	16,946	1,602	-	-	18,548
2050-2054	2,330	765	-	-	3,095
2055-2059.....	1,235	450	-	-	1,685
Total	<u>\$ 41,264</u>	<u>\$ 36,834</u>	<u>\$ 94,393</u>	<u>\$ 7,775</u>	<u>\$ 180,266</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, 2009, the City's legal debt margin was \$1,559,252,000. Of this amount, \$645,150,000 was for school purposes and \$914,102,000 was for City purposes.

H. Refundings

During February 2009, the City issued General Obligation Promissory Notes, Series 2009 N1 with a par amount of \$51,568,000 and interest rates from 2.5% to 5% and Corporate Purpose Bonds, Series 2009 B2 with a par amount of \$15,017,000 and interest rates from 4% to 5%. The current refunding of \$71,800,000 General Obligation Commercial Paper Promissory Notes will provide long-term financing for temporary borrowing.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2009, \$108,855,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. Conduit Debt

From time to time, 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, 2009 is approximately \$47,996,000 for the City and \$579,000,000 for RACM.

8. RETIREMENT PLANS

Pension Benefits

Plan Description – The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2009, 2008, and 2007, were \$19,294,000, \$23,532,000, and \$23,330,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides other postemployment benefits (OPEB) to its retirees for health and life insurance.

Plan Description. The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employee Retirement System (MERS). The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes a Health Maintenance Organization (HMO) plan currently offered to active employees. The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or at age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters and police officers with single enrollment status. The City contribution for firefighters and police officers between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

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 2009, the City paid approximately \$27,613,000 and \$1,102,000, respectively, toward medical and life insurance for retirees.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you basis), and the changes in the City's net OPEB obligation:

ARC	\$ 76,855,000
Interest on Net OPEB Obligation	3,528,000
Adjustment to ARC	<u>(2,994,000)</u>
Annual OPEB Cost	77,389,000
Contribution made	<u>28,715,000</u>
Increase in net OPEB Obligation	48,674,000
Net OPEB obligation - beginning of year	<u>78,400,000</u>
Net OPEB obligation - end of year	<u>\$ 127,074,000</u>

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 67,600,000	43.5%	\$ 38,200,000
12/31/2008	73,100,000	45.0%	78,400,000
12/31/2009	77,389,000	37.1%	127,074,000

Funded Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$959,562,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$959,562,000. The covered payroll (annual payroll of active employees covered by the plan) was \$419,811,000 and the ratio of the UAAL to the covered payroll was 229 percent.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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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 the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method produces an explicit normal cost and actuarial accrued liability. The normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay.

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 9% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2009, approximately \$8,657,000 was paid for sick leave from all funds. At December 31, 2009, accumulated sick leave earned but not taken totaled approximately \$175,212,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2009, terminal leave payments totaled \$2,096,000 to employees retiring during the year. As of December 31, 2009, the City has accrued approximately \$20,748,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$38,904,000 with the remainder accrued vacation leave of \$18,156,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$42,166,000 at December 31, 2009, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$12,036,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$12,036,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Fund deficit

The Capital Projects Fund had a deficit fund balance of \$36,485,000 as of December 31, 2009, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2010.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2009:

		Due From					
		General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
		(Thousands of Dollars)					
Due To	General Fund	\$ -	\$ 714	\$ 1,177	\$ -	\$ -	\$ 1,891
	General Obligation Debt	-	-	3,269	-	-	3,269
	Capital Projects	21,509	-	-	-	-	21,509
	Nonmajor Governmental Funds	7,305	-	-	-	-	7,305
	Water Works	7,699	-	-	719	1,074	9,492
	Sewer Maintenance	27,958	-	-	-	-	27,958
	Nonmajor Enterprise Funds ...	<u>12,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,279</u>
	Totals	<u>\$ 76,750</u>	<u>\$ 714</u>	<u>\$ 4,446</u>	<u>\$ 719</u>	<u>\$ 1,074</u>	<u>\$ 83,703</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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Interfund transfers for the year ended December 31, 2009 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	\$ 4,642	Funding for debt payments
	Nonmajor Governmental Funds	8,260	Subsidize uncollected property taxes
	Nonmajor Governmental Funds	7	Grant variance closeouts
	Water Works	9,440	Payment in Lieu of taxes
	Parking	1,252	Payment in Lieu of taxes
	Parking	18,132	Subsidy for operations
	Nonmajor Enterprise Funds	2,101	Excess earnings of Port
	Subtotal General Fund	<u>43,834</u>	
General Obligation Debt	General	116,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Capital Projects	2,408	Tax Incremental District closeouts
	Nonmajor Governmental Funds	18,861	Funding for debt payments
	Sewer Maintenance	9,300	Subsidy for operations
	Parking	556	Subsidy for operations
	Subtotal Debt Service	<u>149,201</u>	
Public Debt Amortization	General Obligation Debt	<u>3,695</u>	Funding for debt payments
	Subtotal Public Debt Amortization	<u>3,695</u>	
Capital Projects	Public Debt Amortization	<u>200</u>	Subsidy for operations
	Subtotal Capital Projects	<u>200</u>	
Nonmajor Enterprise	General Fund	5	Subsidy for operations
	General Obligation Debt	<u>665</u>	Funding for debt payments
	Subtotal Nonmajor Proprietary	<u>670</u>	
	Total Interfund Transfers	<u>\$ 197,600</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, 2009

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2009:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 1,323
Due from HACM for payment in lieu of taxes	
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	15,111
Due from RACM for reimbursable expenditures	326
Due from MEDC for tax incremental district loans	1,482
Due from NIDC for home and Community Development Block grants	48
Due from NIDC for reimbursements for expenditures	<u>5</u>
Total	<u>\$ 18,295</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to RACM for tax incremental projects.....	\$ 123
Due to RACM for urban renewal projects.....	139
Due to RACM Community Development Block grants and Home grants.....	120
Due to MEDC Community Development Block grants and Home grants.....	<u>28</u>
Total	<u>\$ 410</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2009 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount
<i>(Thousands of Dollars)</i>	
2010	\$ 5,447
2011	4,520
2012	4,202
2013	4,212
2014	3,529
2015-2019	14,050
2020-2024	6,472
2025-2029	2,851
2030 and beyond	<u>7,121</u>
Total	<u>\$ 52,404</u>

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial 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 motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide financial statements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2009 are as follows:

General liability claims	\$ 11,395,000
Workers' compensation claims	7,765,000
Unemployment claims	1,018,000
Health insurance claims	2,043,000
Pollution remediation obligation.....	1,498,000

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

	2008	2009
Beginning of year liability	\$ 25,021,000	\$ 28,466,000
Current year claims and changes in estimates	11,245,000	10,233,000
Claim payments	<u>(7,800,000)</u>	<u>(14,980,000)</u>
End of year liability	<u>\$ 28,466,000</u>	<u>\$ 23,719,000</u>

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employees' Retirement System (ERS) was prohibited by City ordinance from spending more than \$3 million to purchase and install a computer information system. It is estimated that the total cost of ERS information system is approximately \$25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP), has joined the lawsuit as a plaintiff. The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS. On November 11, 2009, each defendant filed its motion for summary judgment.

On October 24, 2004, a claimant attended a party in the city that was hosted by a Milwaukee police officer and a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with the claimant who alleges that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with the claimant only after they suspected that he had stolen a badge from one of them. They also claim that the claimant resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and claimant alleges that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking him. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. All proceedings had been stayed pending the outcome of criminal trials. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a discovery period. Discovery, including expert testimony, has been extended through November 1, 2010 and dispositive motions are due December 31, 2010.

Environmental Liabilities

The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PBC 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 \$563,000 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, clean up 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

During 2009, the City spent \$306,000 in pollution remediation-related activities. At December 31, 2009, the City has an outstanding liability of \$1.5 million related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$690,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost's*, establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$31,633,000 and \$7,060,155, respectively, for various capital improvement projects at December 31, 2009.

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, 2009.

14. SUBSEQUENT EVENTS

On February 19, 2010, the City issued \$137,565,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on February 1 of each year beginning 2011 until 2020. Interest is payable on February 1 and August 1 commencing August 1, 2010.

On February 19, 2010, the City issued \$7,970,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 1 of each year beginning 2021 until 2027. Interest is payable on February 1 and August 1 commencing August 1, 2010.

On April 15, 2010, the City issued \$147,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 15, 2010 with interest.

On April 15, 2010, the City issued \$49,420,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on May 1 of each year beginning 2011 until 2027. Interest is payable on May 1 and November 1 commencing November 1, 2010.

On June 15, 2010, the City issued \$37,300,000 of general obligation corporate purpose bonds (Qualified School Construction Bonds) for the purpose of financing schools construction projects. These bonds mature on February 15, 2027. Interest is payable on February 15 and August 15 commencing August 15, 2010.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
Revenues:				
Property taxes	\$ 164,629	\$ 164,629	\$ 156,410	\$ (8,219)
Other taxes	5,103	5,103	3,504	(1,599)
Licenses and permits	13,138	13,138	12,186	(952)
Intergovernmental	272,252	272,252	272,337	85
Charges for services	83,328	83,427	91,057	7,630
Fines and forfeits	5,593	5,593	4,802	(791)
Other	18,530	18,530	19,967	1,437
Total Revenues	562,573	562,672	560,263	(2,409)
Expenditures:				
Current:				
General government	223,306	217,243	202,066	15,177
Public safety	270,389	278,323	276,060	2,263
Public works	91,925	97,448	97,093	355
Health	10,233	10,486	10,446	40
Culture and recreation	16,743	17,330	17,329	1
Conservation and development	3,896	4,665	4,230	435
Total Expenditures	616,492	625,495	607,224	18,271
Deficiency of Revenues over Expenditures	(53,919)	(62,823)	(46,961)	15,862
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	3,000	119,000	116,000
Transfers in	31,746	36,389	43,834	7,445
Transfers out	-	(5)	(118,081)	(118,076)
Contributions received	27,698	28,003	21,300	(6,703)
Contributions used	(27,627)	(27,888)	(20,743)	7,145
Use of fund balance - reserved for tax stabilization ...	22,379	22,379	22,379	-
Total Other Financing Sources and Uses	54,196	61,878	67,689	5,811
Net Change in Fund Balance	277	(945)	20,728	21,673
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	50,628	50,628	50,628	-
Fund Balance - Ending	\$ 50,905	\$ 49,683	\$ 71,356	\$ 21,673

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 \$22.379 million at January 1, 2009.

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
SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit E-2

Retiree Health and Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	-	\$ 806,300,000	\$ 806,300,000	0.0%	\$ 412,731,863	195.4%
7/1/2008	-	880,700,000	880,700,000	0.0%	425,360,370	207.0%
1/1/2009	-	959,562,000	959,562,000	0.0%	419,811,361	228.6%

See accompanying independent auditors' report.

CITY OF MILWAUKEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2009

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 Fund - Delinquent Tax, Debt Service Fund - Public Debt Amortization and Capital Projects Funds. The Debt Service Fund - General Obligation Debt 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.

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	January 1, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	20.4% initial HMO
	7.7% initial Basic Plan
	4.5% ultimate

**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.

Economic Development Fund – This fund provides expenditure authority for owner financed economic development in commercial areas, including the Business Improvement District program.

CITY OF MILWAUKEE
**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**
DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit F-1

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 3,200	\$ -	\$ 14,849	\$ 829	\$ 18,878
Receivables (net):					
Taxes	-	-	13,387	-	13,387
Accounts	115	100	-	-	215
Notes and loans	16,997	2,523	-	-	19,520
Due from other funds	-	714	-	-	714
Due from component units	40	17	-	-	57
Due from other governmental agencies	10,959	1,636	-	-	12,595
Total Assets	\$ 31,311	\$ 4,990	\$ 28,236	\$ 829	\$ 65,366
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,298	\$ 1,948	\$ -	\$ -	\$ 5,246
Accrued expenses	163	117	-	-	280
Due to other funds	7,305	-	-	-	7,305
Due to component units	-	147	-	-	147
Due to other governmental agencies	255	100	-	-	355
Deferred revenue	7,036	156	2,557	-	9,749
Total Liabilities	18,057	2,468	2,557	-	23,082
Fund Balances:					
Reserved for debt service	-	-	14,849	-	14,849
Reserved for delinquent taxes receivable ..	-	-	10,830	-	10,830
Reserved for economic development	-	-	-	829	829
Unreserved, undesignated	13,254	2,522	-	-	15,776
Total Fund Balances	13,254	2,522	25,679	829	42,284
Total Liabilities and Fund Balances	\$ 31,311	\$ 4,990	\$ 28,236	\$ 829	\$ 65,366
<i>See accompanying independent auditors' report.</i>					

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (Thousands of Dollars)

Exhibit F-2

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ -	\$ 5,310	\$ -	\$ 5,310
Intergovernmental	36,324	17,634	-	-	53,958
Other	-	-	3,281	6,837	10,118
Total Revenues	36,324	17,634	8,591	6,837	69,386
Expenditures:					
Current:					
General government	-	2,825	1,373	-	4,198
Public safety	11,848	2,627	-	-	14,475
Public works	3,530	495	-	-	4,025
Health	11,421	-	-	-	11,421
Culture and recreation	962	1,363	-	-	2,325
Conservation and development	7,001	10,322	-	6,745	24,068
Total Expenditures	34,762	17,632	1,373	6,745	60,512
Excess (deficiency) of Revenues over Expenditures	1,562	2	7,218	92	8,874
Other Financing Sources (Uses):					
General obligation bonds and notes issued .	-	-	24,680	-	24,680
Loans receivable activities.....	(734)	484	-	-	(250)
Transfers out	(7)	-	(27,121)	-	(27,128)
Total Other Financing Sources and Uses	(741)	484	(2,441)	-	(2,698)
Net Change in Fund Balances	821	486	4,777	92	6,176
Fund Balances - Beginning	12,433	2,036	20,902	737	36,108
Fund Balances - Ending	\$ 13,254	\$ 2,522	\$ 25,679	\$ 829	\$ 42,284

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, 2009
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 36,515	\$ 36,324	\$ (191)
Expenditures:			
Current:			
Public safety	12,299	11,848	451
Public works	3,530	3,530	-
Health	11,631	11,421	210
Culture and recreation	1,060	962	98
Conservation and development	7,995	7,001	994
Total Expenditures	36,515	34,762	1,753
Excess of Revenues over (under) Expenditures	-	1,562	1,562
Other Financing Sources (Uses):			
Loans receivable activities	-	(734)	(734)
Transfers out	-	(7)	(7)
Net Change in Fund Balance	-	821	821
Fund Balance - Beginning	-	12,433	12,433
Fund Balance - Ending	\$ -	\$ 13,254	\$ 13,254

See accompanying independent auditors' report.

Exhibit F-4

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit F-5

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other	\$ 7,143	\$ 6,837	\$ (306)
Expenditures:			
Current:			
Conservation and development	7,179	6,745	\$ 434
Excess of Revenues over (under) Expenditures	(36)	92	128
Fund Balance - Beginning	737	737	-
Fund Balance - Ending	\$ 701	\$ 829	\$ 128

See accompanying independent auditors' report.

Nonmajor Enterprise Funds

Enterprise 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.

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 ASSETS
NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit G-1

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Receivables (net):			
Accounts	\$ 955	\$ 12,334	\$ 13,289
Unbilled accounts	-	2,895	2,895
Due from other funds	-	1,074	1,074
Due from other governmental agencies	-	-	-
Total Current Assets	<u>955</u>	<u>16,303</u>	<u>17,258</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated:			
Land	7,791	-	7,791
Construction in progress	9	-	9
Capital assets being depreciated:			
Buildings	13,484	-	13,484
Infrastructures	15,909	-	15,909
Improvements other than buildings	2,288	-	2,288
Machinery and equipment	4,792	-	4,792
Accumulated depreciation	<u>(21,748)</u>	<u>-</u>	<u>(21,748)</u>
Total Noncurrent Assets	<u>22,525</u>	<u>-</u>	<u>22,525</u>
Total Assets	<u>23,480</u>	<u>16,303</u>	<u>39,783</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	123	9,365	9,488
Accrued expenses	178	2	180
Accrued interest payable	44	-	44
Due to other funds	176	12,103	12,279
General obligation debt payable - current	<u>430</u>	<u>-</u>	<u>430</u>
Total Current Liabilities	<u>951</u>	<u>21,470</u>	<u>22,421</u>
Noncurrent Liabilities:			
General obligation debt	2,317	-	2,317
Other post employment benefits obligation	<u>153</u>	<u>-</u>	<u>153</u>
Total Noncurrent Liabilities	<u>2,470</u>	<u>-</u>	<u>2,470</u>
Total Liabilities	<u>3,421</u>	<u>21,470</u>	<u>24,891</u>
NET ASSETS:			
Invested in capital assets, net of related debt	19,778	-	19,778
Unrestricted	<u>281</u>	<u>(5,167)</u>	<u>(4,886)</u>
Total Net Assets (Accumulated Deficit)	<u>\$ 20,059</u>	<u>\$ (5,167)</u>	<u>\$ 14,892</u>
<i>See accompanying independent auditors' report.</i>			

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (Thousands of Dollars)

Exhibit G-2

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Statutory sewer user fee	\$ -	\$ 42,878	\$ 42,878
Rent	5,106	-	5,106
Other	-	1,366	1,366
Total Operating Revenues	<u>5,106</u>	<u>44,244</u>	<u>49,350</u>
Operating Expenses:			
Milwaukee Metropolitan Sewerage District Charges	-	39,666	39,666
Employee services	1,801	100	1,901
Administrative and general	-	55	55
Depreciation	936	-	936
Transmission and distribution	-	3,450	3,450
Services, supplies and materials	928	-	928
Billing and collection	-	1,274	1,274
Total Operating Expenses	<u>3,665</u>	<u>44,545</u>	<u>48,210</u>
Operating Income (Loss)	<u>1,441</u>	<u>(301)</u>	<u>1,140</u>
Nonoperating Revenues (Expenses):			
Interest expense	(146)	-	(146)
Other	<u>106</u>	<u>-</u>	<u>106</u>
Total Nonoperating Revenues (Expenses)	<u>(40)</u>	<u>-</u>	<u>(40)</u>
Income (Loss) before Contributions and Transfers	1,401	(301)	1,100
Capital contributions	346	-	346
Transfers in	670	-	670
Transfers out	<u>(2,101)</u>	<u>-</u>	<u>(2,101)</u>
Change in Net Assets	316	(301)	15
Total Net Assets (Accumulated Deficit) - Beginning	<u>19,743</u>	<u>(4,866)</u>	<u>14,877</u>
Total Net Assets (Accumulated Deficit) - Ending	<u>\$ 20,059</u>	<u>\$ (5,167)</u>	<u>\$ 14,892</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit G-3

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 6,420	\$ 42,388	\$ 48,808
Payments to suppliers	(1,537)	(43,464)	(45,001)
Payments to employees	(1,746)	(98)	(1,844)
Payments from other funds	-	1,714	1,714
Payments to other funds	(1,745)	(540)	(2,285)
Net Cash Provided by Operating Activities	<u>1,392</u>	<u>-</u>	<u>1,392</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	670	-	670
Transfers to other funds	(2,101)	-	(2,101)
Net Cash Used for Noncapital Financing Activities	<u>(1,431)</u>	<u>-</u>	<u>(1,431)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	1,346	-	1,346
Acquisition of property, plant and equipment	(642)	-	(642)
Retirement of bonds, notes and revenue bonds	(508)	-	(508)
Interest paid	(157)	-	(157)
Other	-	-	-
Net Cash Used for Capital and Related Financing Activities	<u>39</u>	<u>-</u>	<u>39</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - Beginning	-	-	-
Cash and Cash Equivalents - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,441	\$ (301)	\$ 1,140
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	936	-	936
Changes in assets and liabilities:			
Receivables	1,241	(1,856)	(615)
Due from other funds	-	(540)	(540)
Due from other governmental agencies	73	-	73
Accounts payable	(610)	981	371
Accrued liabilities	56	2	58
Due to other funds	(1,745)	1,714	(31)
Deferred revenue	-	-	-
Net Cash Provided by Operating Activities	<u>\$ 1,392</u>	<u>\$ -</u>	<u>\$ 1,392</u>
<i>See accompanying independent auditors' report.</i>			

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, 2009
 (Thousands of Dollars)

Exhibit H-1

	Balance 01-01-09	Additions	Deductions	Balance 12-31-09
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and cash equivalents	\$ 221,393	\$ 1,449,163	\$ 1,441,660	\$ 228,896
Taxes receivable	-	154,918	154,918	-
Total Assets	\$ 221,393	\$ 1,604,081	\$ 1,596,578	\$ 228,896
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	\$ 221,393	\$ 1,449,163	\$ 1,441,660	\$ 228,896
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 104,053	\$ 228,038	\$ 225,948	\$ 106,143
Taxes Receivable	-	121,730	121,730	-
Total Assets	\$ 104,053	\$ 349,768	\$ 347,678	\$ 106,143
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	\$ 21	\$ 5,638	\$ 5,623	\$ 36
Milwaukee County	59,211	124,428	122,977	60,662
Menomonee Falls School District	-	185	185	-
Milwaukee Area District Board of Vocational Technical & Adult Education	26,307	57,561	57,022	26,846
Milwaukee Metropolitan Sewerage District	18,514	40,192	40,107	18,599
Waukesha County	-	34	34	-
Total Liabilities	\$ 104,053	\$ 228,038	\$ 225,948	\$ 106,143
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	\$ 151	\$ 1,270	\$ 1,230	\$ 191
LIABILITIES				
Accounts payable	\$ 151	\$ 1,270	\$ 1,230	\$ 191
See accompanying independent auditors' report.				

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (Thousands of Dollars)

Exhibit H-1 (Continued)

	Balance 01-01-09	Additions	Deductions	Balance 12-31-09
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 390	\$ 3,827	\$ 3,833	\$ 384
LIABILITIES				
Accounts payable	\$ -	\$ 87	\$ 87	\$ -
Due to Other Governmental Agencies:				
State of Wisconsin	351	3,024	2,991	384
Milwaukee County	39	716	755	-
Total Liabilities	\$ 390	\$ 3,827	\$ 3,833	\$ 384
OTHER				
ASSETS				
Cash and cash equivalents	\$ 1,161	\$ 13,310	\$ 13,151	\$ 1,320
LIABILITIES				
Accounts payable	\$ 1,161	\$ 13,310	\$ 13,151	\$ 1,320
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 327,148	\$ 1,695,608	\$ 1,685,822	\$ 336,934
Receivables:				
Taxes	-	276,648	276,648	-
Total Assets	\$ 327,148	\$ 1,972,256	\$ 1,962,470	\$ 336,934
LIABILITIES				
Accounts payable	\$ 1,312	\$ 14,667	\$ 14,468	\$ 1,511
Due to other governmental agencies	325,836	1,680,941	1,671,354	335,423
Total Liabilities	\$ 327,148	\$ 1,695,608	\$ 1,685,822	\$ 336,934
<i>See accompanying independent auditors' report.</i>				

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**MISCELLANEOUS
FINANCIAL
DATA**

Exhibit I-1

[illegible]

CITY OF MILWAUKEE
COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - PRIMARY GOVERNMENT
 DECEMBER 31, 2009
 (Thousands of Dollars)

Exhibit I-2

Cash and Cash Equivalents:

Cash	\$ 33,722	
Local Government Pooled - Investment Fund	178,137	
Institutional Money Market Fund	108	
Cash with Fiscal Agent	8,690	
Certificates of Deposit	<u>396,514</u>	
 Total Cash and Cash Equivalents		 \$ 617,171

Investments:

Treasury Notes, Bills and Agencies	5,430	
Other	<u>141</u>	
 Total Investments		 <u>5,571</u>

Total Cash and Cash Equivalents and Investments	<u>\$ 622,742</u>
---	-------------------

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Cash and Cash Equivalents and Investments - Fund:				
General	\$ 46,884	\$ 141	\$ -	\$ 47,025
General Obligation Debt Service	124,411	-	-	124,411
Public Debt Amortization	44,229	2,714	-	46,943
Capital Projects	4,361	-	-	4,361
Nonmajor Governmental Funds	18,878	-	-	18,878
Water Works	6,565	-	667	7,232
Sewer Maintenance	-	-	10,492	10,492
Parking	21,019	-	-	21,019
Nonmajor Enterprise Funds	-	-	-	-
Pension and Other Employee Benefit Trusts	402	-	-	402
Private-Purpose Trusts	2,158	2,887	-	5,045
Agency Funds	<u>336,934</u>	<u>-</u>	<u>-</u>	<u>336,934</u>
 Total Cash and Cash Equivalents and Investments - Fund	 <u>\$ 605,841</u>	 <u>\$ 5,742</u>	 <u>\$ 11,159</u>	 <u>\$ 622,742</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit I-3

Year	Bridges		Economic Development		Finance Real and Personal Property Tax Receivables	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,860	\$ 717	\$ 21	\$ 1	\$ 22,799	\$ 959
2011	1,685	624	2	1	8,446	475
2012	1,588	541	2	-	3,902	263
2013	1,484	464	2	-	2,696	149
2014	1,351	390	1	-	1,775	65
2015	1,337	324	1	-	890	14
2016	1,105	259	-	-	-	-
2017	954	209	-	-	-	-
2018	7,868	145	-	-	-	-
2019	743	104	-	-	-	-
2020	556	75	-	-	-	-
2021	740	45	-	-	-	-
2022	296	24	-	-	-	-
2023	193	15	-	-	-	-
2024	193	8	-	-	-	-
2025	184	1	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Totals	22,137	3,945	29	2	40,508	1,925
Total Requirements	<u>\$26.082</u>		<u>\$31</u>		<u>\$42.433</u>	

See accompanying independent auditors' report.

Fire		Grant and Aid Improvements - City Share		Harbor	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 2,367	\$ 838	\$ 62	\$ 10	\$ 430	\$ 133
2,350	731	62	7	429	111
2,330	623	39	5	388	89
2,303	517	39	3	350	70
2,290	407	15	1	341	52
1,601	313	15	1	314	36
1,281	244	7	-	142	21
1,639	174	-	-	95	14
2,796	108	-	-	75	10
790	70	-	-	70	6
319	43	-	-	44	4
309	27	-	-	44	2
309	12	-	-	9	-
42	3	-	-	4	-
42	1	-	-	-	-
4	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>20,772</u>	<u>4,111</u>	<u>239</u>	<u>27</u>	<u>2,735</u>	<u>548</u>
<u>\$24,883</u>		<u>\$266</u>		<u>\$3,283</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Industrial Land Bank		Lakefront Development		Library	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 14	\$ 1	\$ 2	\$ -	\$ 1,047	\$ 357
2011	2	-	-	-	895	308
2012	1	-	-	-	852	266
2013	1	-	-	-	877	224
2014	1	-	-	-	829	182
2015	1	-	-	-	602	144
2016	-	-	-	-	594	116
2017	-	-	-	-	534	88
2018	-	-	-	-	1,320	60
2019	-	-	-	-	307	44
2020	-	-	-	-	252	30
2021	-	-	-	-	195	20
2022	-	-	-	-	145	12
2023	-	-	-	-	86	7
2024	-	-	-	-	86	2
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Totals	20	1	2	-	8,621	1,860
Total Requirements	<u>\$21</u>		<u>\$2</u>		<u>\$10,481</u>	

See accompanying independent auditors' report.

Local Improvement Projects/ Special Assessments		Milwaukee Exposition and Convention Center and Arena		Parking	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 1,370	\$ 579	\$ 7	\$ 1	\$ 1,492	\$ 526
1,160	517	1	-	1,424	460
958	467	1	-	1,268	395
1,137	410	1	-	1,146	337
1,045	353	-	-	1,127	283
677	308	-	-	1,016	231
2,421	273	-	-	850	183
2,130	173	-	-	628	142
2,073	86	-	-	556	113
23	1	-	-	491	88
-	-	-	-	449	66
-	-	-	-	377	46
-	-	-	-	364	29
-	-	-	-	255	15
-	-	-	-	173	4
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,994</u>	<u>3,167</u>	<u>10</u>	<u>1</u>	<u>11,616</u>	<u>2,918</u>
<u>\$16,161</u>		<u>\$11</u>		<u>\$14,534</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
 DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Playgrounds/ Recreational Facilities		Police		Public Buildings	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,364	\$ 354	\$ 5,458	\$ 1,573	\$ 17,116	\$ 7,161
2011	1,195	296	4,807	1,302	16,592	6,408
2012	954	247	4,894	1,070	15,583	5,682
2013	1,041	203	4,248	850	15,534	4,983
2014	996	155	3,257	641	14,827	4,261
2015	815	112	3,363	492	14,014	3,579
2016	677	78	1,974	336	13,373	2,946
2017	508	49	1,803	242	11,001	2,375
2018	2,327	24	2,162	155	21,537	1,860
2019	317	8	817	103	9,641	1,413
2020	-	-	387	74	7,135	1,019
2021	-	-	531	51	8,039	662
2022	-	-	343	34	3,846	402
2023	-	-	282	21	3,758	240
2024	-	-	282	10	2,935	93
2025	-	-	175	1	1,187	7
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Totals	10,194	1,526	34,783	6,955	176,118	43,091
Total Requirements	<u>\$11,720</u>		<u>\$41,738</u>		<u>\$219,209</u>	

See accompanying independent auditors' report.

Resource Recovery		Schools		Sewer Maintenance	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 5	\$ -	\$ 10,247	\$ 4,037	\$ 270	\$ 176
1	-	9,857	3,536	272	165
1	-	8,730	3,068	273	153
-	-	8,107	2,636	293	141
-	-	7,544	2,237	296	129
-	-	6,512	1,886	299	115
-	-	8,542	1,567	302	101
-	-	6,228	1,170	277	88
-	-	5,375	865	3,777	63
-	-	4,706	612	277	48
-	-	3,837	401	277	35
-	-	497	211	277	21
-	-	497	189	277	7
-	-	497	167	-	-
-	-	270	148	-	-
-	-	12,000	142	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7</u>	<u>-</u>	<u>93,446</u>	<u>22,872</u>	<u>7,167</u>	<u>1,242</u>
<u>\$7</u>		<u>\$116,318</u>		<u>\$8,409</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Sewers		Streets		Tax Incremental Districts	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 5,874	\$ 1,858	\$ 9,466	\$ 3,538	\$ 20,147	\$ 6,043
2011	5,350	1,572	8,045	3,094	10,291	5,418
2012	5,138	1,316	7,740	2,718	9,637	4,921
2013	4,578	1,061	7,151	2,363	9,725	4,441
2014	4,328	834	6,314	2,018	8,753	3,958
2015	3,758	625	5,638	1,729	8,401	3,539
2016	2,827	436	4,862	1,463	8,064	3,104
2017	1,763	295	4,238	1,233	9,914	2,691
2018	1,781	208	31,020	956	41,456	1,914
2019	740	157	2,498	816	8,033	1,367
2020	683	124	2,239	704	7,069	983
2021	851	86	4,285	538	7,204	631
2022	704	54	3,528	385	5,280	325
2023	488	31	3,397	252	3,485	110
2024	368	15	3,297	118	535	13
2025	368	2	2,245	13	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Totals	39,599	8,674	105,963	21,938	157,994	39,458
Total Requirements	<u>\$48,273</u>		<u>\$127,901</u>		<u>\$197,452</u>	

See accompanying independent auditors' report.

Urban Renewal		Water		Total Requirements	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 2,300	\$ 801	\$ 2,507	\$ 762	\$ 106,225	\$ 30,425
2,133	690	2,981	643	77,980	26,358
1,940	588	2,506	502	68,725	22,914
1,621	493	2,116	367	64,450	19,712
1,674	414	2,301	258	59,065	16,638
1,500	332	1,691	148	52,445	13,928
1,032	259	997	59	49,050	11,445
582	208	36	8	42,330	9,159
2,525	176	37	6	126,685	6,749
514	151	38	5	30,005	4,993
363	130	15	3	23,625	3,691
801	100	15	3	24,165	2,443
727	69	15	2	16,340	1,544
598	44	15	1	13,100	906
568	21	15	-	8,764	433
438	3	-	-	16,601	169
-	-	-	-	-	-
-	-	-	-	-	-
19,316	4,479	15,285	2,767	779,555	171,507
<u>\$23.795</u>		<u>\$18.052</u>		<u>\$951.062</u>	

Exhibit I-4

Year	Principal	Interest	Total Requirements
2010	939	236	1,175
2011	964	211	1,175
2012	989	185	1,174
2013	1,015	158	1,173
2014	1,042	131	1,173
2015	1,069	104	1,173
2016	1,098	75	1,173
2017	1,127	45	1,172
2018	<u>1,157</u>	<u>15</u>	<u>1,172</u>
	<u>\$ 9,400</u>	<u>\$ 1,160</u>	<u>\$ 10,560</u>

See accompanying independent auditors' report.

Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 and 5 for 2009 consisted of gross revenues plus interest income in the amount of \$73,157, less operating expenses (excluding depreciation but including the payment in lieu of taxes) of \$63,019. As a result, the net revenue available for debt service was \$10,138. Debt service requirements consisted of \$1,175 for 2009. At the end of the year, bond coverage computes to 8.63.

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
2010	2,840	2,274	2,061	1,125	4,901	3,399
2011	2,940	2,151	2,113	1,075	5,053	3,226
2012	3,050	2,015	2,163	1,024	5,213	3,039
2013	3,175	1,865	2,215	972	5,390	2,837
2014	3,310	1,703	2,268	918	5,578	2,621
2015	3,465	1,539	2,322	863	5,787	2,402
2016	3,625	1,361	2,378	807	6,003	2,168
2017	3,800	1,170	2,435	749	6,235	1,919
2018	3,975	975	2,494	690	6,469	1,665
2019	4,160	776	2,553	629	6,713	1,405
2020	4,360	564	2,615	567	6,975	1,131
2021	4,565	341	2,677	504	7,242	845
2022	2,375	168	2,742	439	5,117	607
2023	2,475	54	2,807	372	5,282	426
2024	-	-	2,875	304	2,875	304
2025	-	-	2,944	235	2,944	235
2026	-	-	3,014	163	3,014	163
2027	-	-	3,086	90	3,086	90
2028	-	-	2,237	27	2,237	27
2029	-	-	3	-	3	-
	<u>\$ 48,115</u>	<u>\$ 16,956</u>	<u>\$ 48,002</u>	<u>\$ 11,553</u>	<u>\$ 96,117</u>	<u>\$ 28,509</u>

See accompanying independent auditors' report.

Note: Sewerage System Revenue Bonds coverage consisted of gross revenues plus interest income in the amount of \$48,231 less operating expenses (excluding depreciation) of \$16,438. As a result, the net revenue available for debt service was \$31,793. Debt service requirements consisted of \$5,126 for 2009. At the end of the year, bond coverage computes to 6.20.

CITY OF MILWAUKEE
SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
 DECEMBER 31, 2009
 (Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	\$1,544	\$ 730	\$ -	\$ -	\$ -
Receivables (net):					
Taxes	-	50	-	-	-
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governmental agencies	99	-	-	-	3
Inventory of materials and supplies	-	-	-	-	-
Total Assets	<u>\$1,643</u>	<u>\$ 780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 721	\$ 2	\$ 173	\$ 950	\$ 148
Accrued expenses	44	-	-	1	5
Due to other funds	-	-	73	321	286
Due to component units	-	-	-	-	-
Deferred revenue	-	85	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>765</u>	<u>87</u>	<u>246</u>	<u>1,272</u>	<u>439</u>
Fund Balance:					
Reserved for encumbrances, prepaids, and carryovers	878	693	-	-	-
Reserved for inventory	-	-	-	-	-
Unreserved:					
Undesignated	-	-	(246)	(1,272)	(436)
Special assessment (deficit)	-	-	-	-	-
Total Fund Balance	<u>878</u>	<u>693</u>	<u>(246)</u>	<u>(1,272)</u>	<u>(436)</u>
Total Liabilities and Fund Balance	<u>\$1,643</u>	<u>\$ 780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ 374	\$ 1,466	\$ -	\$ 247	\$ -	\$ -	\$ -	\$ 4,361
172	141	-	103	-	2,329	-	2,795
-	-	161	-	1,893	-	-	2,054
-	-	-	-	-	-	12,889	12,889
-	-	-	-	-	138	-	138
-	-	-	-	5,940	-	-	6,042
-	-	274	-	-	-	-	274
<u>\$ 546</u>	<u>\$ 1,607</u>	<u>\$ 435</u>	<u>\$ 350</u>	<u>\$ 7,833</u>	<u>\$ 2,467</u>	<u>\$ 12,889</u>	<u>\$ 28,553</u>
\$ 449	\$ 885	\$ 115	\$ 469	\$ 3,190	\$ 1,191	\$ 73	\$ 8,366
5	36	-	-	189	15	-	295
-	-	1,926	5,035	685	13,183	-	21,509
-	-	-	139	-	123	-	262
293	240	22	175	6,154	3,974	11,627	22,570
-	-	-	-	-	-	12,036	12,036
<u>747</u>	<u>1,161</u>	<u>2,063</u>	<u>5,818</u>	<u>10,218</u>	<u>18,486</u>	<u>23,736</u>	<u>65,038</u>
-	446	-	-	-	-	-	2,017
-	-	274	-	-	-	-	274
(201)	-	(1,902)	(5,468)	(2,385)	(16,019)	-	(27,929)
-	-	-	-	-	-	(10,847)	(10,847)
<u>(201)</u>	<u>446</u>	<u>(1,628)</u>	<u>(5,468)</u>	<u>(2,385)</u>	<u>(16,019)</u>	<u>(10,847)</u>	<u>(36,485)</u>
<u>\$ 546</u>	<u>\$ 1,607</u>	<u>\$ 435</u>	<u>\$ 350</u>	<u>\$ 7,833</u>	<u>\$ 2,467</u>	<u>\$ 12,889</u>	<u>\$ 28,553</u>

CITY OF MILWAUKEE
**SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -
 CAPITAL PROJECTS BY PURPOSE**
 FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	\$ -	\$ 25	\$ -	\$ -	\$ 640
Special Assessments	-	-	-	-	-
Intergovernmental	468	-	-	-	90
Other	<u>520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>988</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>730</u>
Expenditures:					
Capital outlay	<u>5,188</u>	<u>28</u>	<u>2,667</u>	<u>2,264</u>	<u>3,507</u>
Excess (deficiency) of Revenues over Expenditures	<u>(4,200)</u>	<u>(3)</u>	<u>(2,667)</u>	<u>(2,264)</u>	<u>(2,777)</u>
Other Financing Sources (Uses):					
General obligation bonds and notes issued	7,000	-	2,000	1,115	2,075
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>7,000</u>	<u>-</u>	<u>2,000</u>	<u>1,115</u>	<u>2,075</u>
Net Change in Fund Balance	2,800	(3)	(667)	(1,149)	(702)
Fund Balance (Deficit) - Beginning	<u>(1,922)</u>	<u>696</u>	<u>421</u>	<u>(123)</u>	<u>266</u>
Fund Balance (Deficit) - Ending	<u>\$ 878</u>	<u>\$ 693</u>	<u>\$ (246)</u>	<u>\$ (1,272)</u>	<u>\$ (436)</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Schools Financing	Total
\$ 160	\$ 439	\$ -	\$ 500	\$ -	\$ 4,742	\$ -	\$ -	\$ 6,506
-	-	-	-	-	-	2,418	-	2,418
-	-	-	-	4,083	-	-	-	4,641
<u>-</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>534</u>	<u>2,573</u>	<u>-</u>	<u>-</u>	<u>3,667</u>
<u>160</u>	<u>439</u>	<u>40</u>	<u>500</u>	<u>4,617</u>	<u>7,315</u>	<u>2,418</u>	<u>-</u>	<u>17,232</u>
<u>1,401</u>	<u>12,335</u>	<u>335</u>	<u>7,369</u>	<u>31,352</u>	<u>14,400</u>	<u>1,107</u>	<u>16,050</u>	<u>98,003</u>
<u>(1,241)</u>	<u>(11,896)</u>	<u>(295)</u>	<u>(6,869)</u>	<u>(26,735)</u>	<u>(7,085)</u>	<u>1,311</u>	<u>(16,050)</u>	<u>(80,771)</u>
1,000	13,792	500	2,052	28,261	10,000	-	16,050	83,845
-	-	-	200	-	-	-	-	200
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,408)</u>	<u>-</u>	<u>-</u>	<u>(2,408)</u>
<u>1,000</u>	<u>13,792</u>	<u>500</u>	<u>2,252</u>	<u>28,261</u>	<u>7,592</u>	<u>-</u>	<u>16,050</u>	<u>81,637</u>
(241)	1,896	205	(4,617)	1,526	507	1,311	-	866
<u>40</u>	<u>(1,450)</u>	<u>(1,833)</u>	<u>(851)</u>	<u>(3,911)</u>	<u>(16,526)</u>	<u>(12,158)</u>	<u>-</u>	<u>(37,351)</u>
<u>\$ (201)</u>	<u>\$ 446</u>	<u>\$ (1,628)</u>	<u>\$ (5,468)</u>	<u>\$ (2,385)</u>	<u>\$ (16,019)</u>	<u>\$ (10,847)</u>	<u>\$ -</u>	<u>\$ (36,485)</u>

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 128,741	\$ 120,522	\$ (8,219)
Provision for Employees' Retirement	35,888	35,888	-
Total Property Taxes	<u>164,629</u>	<u>156,410</u>	<u>(8,219)</u>
Other Taxes:			
Payment in lieu of taxes	1,302	1,038	(264)
Interest on city tax certificates and other taxes	<u>3,801</u>	<u>2,466</u>	<u>(1,335)</u>
Total Other Taxes	<u>5,103</u>	<u>3,504</u>	<u>(1,599)</u>
Licenses and Permits:			
Licenses:			
Business and occupational	4,804	4,802	(2)
Other	79	119	40
Permits:			
Building	6,697	5,800	(897)
Zoning	281	323	42
Other	<u>1,277</u>	<u>1,142</u>	<u>(135)</u>
Total Licenses and Permits	<u>13,138</u>	<u>12,186</u>	<u>(952)</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes	238,481	237,924	(557)
Local street aids	27,269	27,167	(102)
Payment for municipal services	2,225	2,079	(146)
Other	<u>4,277</u>	<u>5,167</u>	<u>890</u>
Total Intergovernmental	<u>272,252</u>	<u>272,337</u>	<u>85</u>
Charges for Services:			
General government	8,928	9,011	83
Public safety	15,748	16,649	901
Public works	55,454	62,553	7,099
Health	1,421	1,078	(343)
Culture and recreation	1,414	1,482	68
Conservation and development	<u>462</u>	<u>284</u>	<u>(178)</u>
Total Charges for Services	<u>83,427</u>	<u>91,057</u>	<u>7,630</u>
Fines and Forfeits:			
Court and contract forfeitures	5,593	4,790	(803)
Other	-	12	12
Total Fines and Forfeits	<u>5,593</u>	<u>4,802</u>	<u>(791)</u>
Other:			
Interest on temporary investments	3,600	500	(3,100)
Miscellaneous	<u>14,930</u>	<u>19,467</u>	<u>4,537</u>
Total Other	<u>18,530</u>	<u>19,967</u>	<u>1,437</u>
Total	<u>\$ 562,672</u>	<u>\$ 560,263</u>	<u>\$ (2,409)</u>
<i>See accompanying independent auditors' report.</i>			

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(Thousands of Dollars)

Exhibit I-9

		2009 Actual				
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Zoning Appeals	\$ 246	\$ 186	\$ 37	\$ -	\$ 223	\$ 23
Mayor	925	801	38	-	839	86
Common Council - City Clerk	6,802	5,219	1,207	107	6,533	269
Municipal Court	3,216	2,161	1,011	21	3,193	23
City Attorney	11,403	4,817	6,361	91	11,269	134
Administration	7,332	4,956	2,164	16	7,136	196
Employee Relations	113,772	3,122	110,345	9	113,476	296
Election Commission	1,078	474	601	-	1,075	3
Comptroller	32,577	3,369	19,619	1	22,989	9,588
City Treasurer	3,010	1,523	1,335	3	2,861	149
Assessor's Office	3,562	3,086	427	-	3,513	49
Employee's Retirement	19,148	144	18,592	-	18,736	412
Interest Expense	4,642	-	4,642	-	4,642	-
Pension Reserve Fund	5,581	-	5,581	-	5,581	-
Non-departmental - unallocated ..	3,949	-	-	-	-	3,949
Total General Government	217,243	29,858	171,960	248	202,066	15,177
Public Safety:						
Fire and Police Commission	803	630	69	6	705	98
Fire Department	81,355	75,654	4,793	908	81,355	-
Police Department	183,994	167,614	11,879	2,391	181,884	2,110
Neighborhood Services	12,171	8,697	3,356	63	12,116	55
Total Public Safety	278,323	252,595	20,097	3,368	276,060	2,263
Public Works:						
General Office	3,490	2,810	636	39	3,485	5
Infrastructure	23,710	15,117	8,374	101	23,592	118
Operations	70,248	40,382	27,769	1,865	70,016	232
Total Public Works	97,448	58,309	36,779	2,005	97,093	355
Health	10,486	8,545	1,885	16	10,446	40
Culture and Recreation:						
Public Library	17,330	13,153	2,399	1,777	17,329	1
Conservation and Development:						
Department of City Development .	4,665	2,991	1,239	-	4,230	435
Total	\$ 625,495	\$365,451	\$ 234,359	\$ 7,414	\$ 607,224	\$ 18,271

See accompanying independent auditors' report.

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CITY OF MILWAUKEE
NET ASSETS BY COMPONENT

Table 1

LAST EIGHT YEARS

(Accrual Basis of Accounting) (Thousands of Dollars)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets,					
net of related debt	\$ 392,967	\$ 420,357	\$ 444,873	\$ 492,841	\$ 500,045
Restricted	135,885	104,600	110,417	109,149	115,803
Unrestricted	(97,970)	(99,195)	(159,507)	(196,677)	(200,581)
Total governmental activities net assets ...	<u>430,882</u>	<u>425,762</u>	<u>395,783</u>	<u>405,313</u>	<u>415,267</u>
Business-type activities					
Invested in capital assets,					
net of related debt	506,502	518,861	529,213	560,899	554,966
Restricted	3,715	26,329	8,123	8,383	8,748
Unrestricted	<u>67,505</u>	<u>58,061</u>	<u>89,077</u>	<u>63,657</u>	<u>82,725</u>
Total business-type activities net assets ...	<u>577,722</u>	<u>603,251</u>	<u>626,413</u>	<u>632,939</u>	<u>646,439</u>
Primary government					
Invested in capital assets,					
net of related debt	899,469	939,218	974,086	1,053,740	1,055,011
Restricted	139,600	130,929	118,540	117,532	124,551
Unrestricted	<u>(30,465)</u>	<u>(41,134)</u>	<u>(70,430)</u>	<u>(133,020)</u>	<u>(117,856)</u>
Total primary government net assets	<u>\$ 1,008,604</u>	<u>\$ 1,029,013</u>	<u>\$ 1,022,196</u>	<u>\$ 1,038,252</u>	<u>\$ 1,061,706</u>
	Fiscal Year				
	2007	2008	2009		
Governmental activities					
Invested in capital assets,					
net of related debt	\$ 558,328	\$ 559,343	\$ 367,061		
Restricted	116,516	143,951	164,011		
Unrestricted	<u>(298,676)</u>	<u>(396,139)</u>	<u>(282,949)</u>		
Total governmental activities net assets ...	<u>376,168</u>	<u>307,155</u>	<u>248,123</u>		
Business-type activities					
Invested in capital assets,					
net of related debt	581,594	607,122	650,478		
Restricted	9,528	10,935	11,159		
Unrestricted	<u>60,566</u>	<u>47,065</u>	<u>19,392</u>		
Total business-type activities net assets ...	<u>651,688</u>	<u>665,122</u>	<u>681,029</u>		
Primary government					
Invested in capital assets,					
net of related debt	1,139,922	1,166,465	1,017,539		
Restricted	126,044	154,886	175,170		
Unrestricted	<u>(238,110)</u>	<u>(349,074)</u>	<u>(263,557)</u>		
Total primary government net assets	<u>\$ 1,027,856</u>	<u>\$ 972,277</u>	<u>\$ 929,152</u>		

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in 2002.

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

Table 2

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental Activities				
General government	\$ 159,681	\$ 166,270	\$ 177,761	\$ 180,975
Public safety	229,167	257,207	241,027	263,852
Public works	132,198	137,693	150,591	155,048
Health	22,125	24,679	27,251	27,036
Culture and recreation	22,924	19,520	29,014	19,931
Conservation and development	50,828	64,197	57,967	57,245
Capital contribution to Milwaukee Public				
Schools	18,725	8,904	15,686	18,002
Contributions	20,378	22,499	20,582	25,465
Interest on long-term debt	29,908	26,981	24,159	22,589
Total Governmental Activities Expenses.....	<u>685,934</u>	<u>727,950</u>	<u>744,038</u>	<u>770,143</u>
Business-type Activities				
Water	52,821	56,554	54,030	58,230
Sewer Maintenance	24,214	26,440	24,361	26,096
Parking	21,893	21,438	22,283	22,369
Other activities	33,924	34,936	34,214	34,789
Total Business-type Activities	<u>132,852</u>	<u>139,368</u>	<u>134,888</u>	<u>141,484</u>
Total Primary Government Expenses	<u>818,786</u>	<u>867,318</u>	<u>878,926</u>	<u>911,627</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	14,411	10,822	10,460	11,049
Public safety	8,081	8,348	13,153	13,888
Public works	31,652	32,777	33,305	35,382
Health	877	890	911	693
Culture and recreation	2,308	2,366	2,412	1,808
Conservation and development	420	511	584	590
Operating grants and contributions	89,217	94,646	82,664	87,718
Total Governmental Activities				
Program Revenues.....	<u>146,966</u>	<u>150,360</u>	<u>143,489</u>	<u>151,128</u>
Business-type Activities				
Charges for services				
Water	74,300	74,136	71,579	71,903
Sewer Maintenance	28,007	32,657	30,959	31,072
Parking	37,735	39,279	41,470	38,961
Other activities	33,416	34,363	33,631	36,395
Capital grants and contributions	1,108	2,053	2,236	1,850
Total Business-type Activities				
Program Revenues.....	<u>174,566</u>	<u>182,488</u>	<u>179,875</u>	<u>180,181</u>
Total Primary Government				
Program Revenues	<u>321,532</u>	<u>332,848</u>	<u>323,364</u>	<u>331,309</u>
Net (Expense)/Revenue				
Governmental Activities	(538,968)	(577,590)	(600,549)	(619,015)
Business-type Activities	41,714	43,120	44,987	38,697
Total primary government net expense	<u>(497,254)</u>	<u>(534,470)</u>	<u>(555,562)</u>	<u>(580,318)</u>

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in 2002.

Table 2 (continued)

Fiscal Year			
2006	2007	2008	2009
\$ 179,647	\$ 204,724	\$ 208,608	\$ 207,504
263,608	297,711	314,935	331,409
154,644	157,701	174,629	167,983
27,316	23,102	20,830	22,995
21,506	21,298	20,639	22,901
66,092	70,025	61,693	50,683
14,028	2,788	6,474	5,153
25,412	21,915	22,177	21,026
32,131	30,536	28,368	23,985
<u>784,384</u>	<u>829,800</u>	<u>858,353</u>	<u>853,639</u>
58,074	62,064	64,562	67,946
26,605	29,928	29,167	34,847
22,609	24,025	25,078	24,659
35,603	37,927	44,401	48,356
<u>142,891</u>	<u>153,944</u>	<u>163,208</u>	<u>175,808</u>
<u>927,275</u>	<u>983,744</u>	<u>1,021,561</u>	<u>1,029,447</u>
12,174	12,408	12,589	9,011
13,522	15,121	17,998	16,649
44,722	45,855	53,348	62,553
667	798	644	1,078
1,892	1,888	1,443	1,482
551	426	388	284
<u>91,271</u>	<u>75,074</u>	<u>77,032</u>	<u>73,694</u>
<u>164,799</u>	<u>151,570</u>	<u>163,442</u>	<u>164,751</u>
69,636	72,808	73,731	73,132
34,261	37,756	40,724	48,199
40,736	39,730	43,961	42,245
35,489	37,199	45,096	49,456
7,780	6,062	10,203	18,674
<u>187,902</u>	<u>193,555</u>	<u>213,715</u>	<u>231,706</u>
<u>352,701</u>	<u>345,125</u>	<u>377,157</u>	<u>396,457</u>
(619,585)	(678,230)	(694,911)	(688,888)
<u>45,011</u>	<u>39,611</u>	<u>50,507</u>	<u>55,898</u>
<u>(574,574)</u>	<u>(638,619)</u>	<u>(644,404)</u>	<u>(632,990)</u>

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

Table 2 (continued)

	Fiscal Year			
	2002	2003	2004	2005
General Revenues and Other Changes in Net Assets				
Governmental Activities				
Taxes	\$ 207,944	\$ 213,014	\$ 217,762	\$ 224,918
State aids for General Fund	283,068	284,565	273,865	272,875
Miscellaneous	57,999	56,815	56,321	82,796
Special item - receipt of loans receivable	-	-	-	14,325
Transfers	11,151	18,073	22,622	33,631
Total Governmental Activities	<u>560,162</u>	<u>572,467</u>	<u>570,570</u>	<u>628,545</u>
Business-type Activities				
Miscellaneous	686	482	797	1,460
Transfers	(11,151)	(18,073)	(22,622)	(33,631)
Total Business-type Activities	<u>(10,465)</u>	<u>(17,591)</u>	<u>(21,825)</u>	<u>(32,171)</u>
Total Primary Government	<u>549,697</u>	<u>554,876</u>	<u>548,745</u>	<u>596,374</u>
Change in Net Assets				
Governmental Activities	21,194	(5,123)	(29,979)	9,530
Business-type Activities	31,249	25,529	23,162	6,526
Total Primary Government	<u>\$ 52,443</u>	<u>\$ 20,406</u>	<u>\$ (6,817)</u>	<u>\$ 16,056</u>

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in 2002.

Table 2 (continued)

Fiscal Year			
2006	2007	2008	2009
\$ 236,043	\$ 243,654	\$ 257,210	\$ 270,191
272,417	272,539	271,100	272,337
87,510	84,042	61,949	47,217
-	-	-	-
<u>33,569</u>	<u>36,483</u>	<u>38,052</u>	<u>40,111</u>
<u>629,539</u>	<u>636,718</u>	<u>628,311</u>	<u>629,856</u>
2,058	2,121	979	120
<u>(33,569)</u>	<u>(36,483)</u>	<u>(38,052)</u>	<u>(40,111)</u>
<u>(31,511)</u>	<u>(34,362)</u>	<u>(37,073)</u>	<u>(39,991)</u>
<u>598,028</u>	<u>602,356</u>	<u>591,238</u>	<u>589,865</u>
9,954	(41,512)	(66,600)	(59,032)
<u>13,500</u>	<u>5,249</u>	<u>13,434</u>	<u>15,907</u>
<u>\$ 23,454</u>	<u>\$ (36,263)</u>	<u>\$ (53,166)</u>	<u>\$ (43,125)</u>

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

Table 3

	Fiscal Year			
	2002	2003	2004	2005
Revenues:				
Property taxes	\$ 183,697	\$ 197,499	\$ 198,938	\$ 205,205
Other taxes	16,579	16,336	19,284	20,461
Special assessments	4,053	4,482	4,665	4,651
Licenses and permits	10,814	10,883	11,530	13,374
Intergovernmental	356,730	362,778	337,058	355,406
Charges for services	63,726	61,478	66,409	68,762
Fines and forfeits	5,210	6,115	5,647	5,893
Contributions received	21,107	22,499	22,236	25,187
Other	26,806	24,040	24,811	32,333
Total Revenues	<u>688,722</u>	<u>706,110</u>	<u>690,578</u>	<u>731,272</u>
Expenditures:				
Current:				
General government	183,046	189,789	203,331	209,446
Public safety	227,416	259,379	241,100	262,934
Public works	92,028	91,406	93,047	92,701
Health	22,219	24,696	27,365	26,970
Culture and recreation	20,893	19,031	19,736	19,162
Conservation and development	40,113	38,519	34,629	32,079
Capital outlay	93,515	107,829	104,842	138,839
Debt Service:				
Principal retirement	76,046	73,696	68,618	81,206
Interest	28,980	28,250	28,620	29,593
Bond issuance costs	1,104	542	411	887
Total Expenditures	<u>785,360</u>	<u>833,137</u>	<u>821,699</u>	<u>893,817</u>
Excess (deficiency) of Revenues over Expenditures	(96,638)	(127,027)	(131,121)	(162,545)
Other Financing Sources (Uses):				
General obligation bonds and notes issued	101,838	81,901	89,331	126,828
Refunding bonds issued	138,044	16,563	-	28,112
Payment to refunded bond escrow agent	(150,999)	(17,648)	-	(30,492)
Payment - current refunding	-	-	-	-
Loans receivable activities	-	-	-	-
Issuance premium	19,313	6,589	10,467	13,692
Capital lease	-	563	-	-
Transfers in	47,776	50,318	57,312	71,699
Transfers out	(36,625)	(32,245)	(34,690)	(38,068)
Total Other Financing Sources and Uses.....	<u>119,347</u>	<u>106,041</u>	<u>122,420</u>	<u>171,771</u>
Special Item:				
Receipt of loans receivable	-	-	-	14,325
Net Change in Fund Balances	<u>\$ 22,709</u>	<u>\$ (20,986)</u>	<u>\$ (8,701)</u>	<u>\$ 23,551</u>
Debt service as a percentage of noncapital expenditures	<u>14.7%</u>	<u>13.2%</u>	<u>12.6%</u>	<u>13.6%</u>

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in 2002.

Table 3 (Continued)

Fiscal Year			
2006	2007	2008	2009
\$ 214,833	\$ 221,082	\$ 227,637	\$ 238,832
20,910	20,867	27,746	30,291
3,823	3,542	3,631	2,418
13,729	13,704	12,918	12,186
345,078	336,870	333,345	332,138
84,191	79,754	88,224	93,498
5,541	5,800	5,277	4,802
25,807	22,270	21,532	21,300
44,169	43,990	33,563	40,682
<u>758,081</u>	<u>747,879</u>	<u>753,873</u>	<u>776,147</u>
206,581	225,893	224,444	227,325
267,669	268,456	279,934	290,535
90,539	97,778	109,196	101,118
27,782	22,288	20,748	21,867
20,409	19,714	18,858	19,654
34,801	30,954	31,796	28,298
145,095	127,336	114,825	98,003
146,721	152,077	181,102	205,228
34,798	35,360	33,637	31,941
484	78	147	463
<u>974,879</u>	<u>979,934</u>	<u>1,014,687</u>	<u>1,024,432</u>
(216,798)	(232,055)	(260,814)	(248,285)
215,763	102,928	237,368	227,525
1,785	-	-	66,585
-	-	-	(71,800)
(1,819)	-	-	-
1,007	4,975	(518)	(250)
8,033	2,129	3,694	9,437
-	-	-	-
139,533	145,447	201,073	196,930
<u>(105,964)</u>	<u>(108,964)</u>	<u>(163,021)</u>	<u>(156,819)</u>
<u>258,338</u>	<u>146,515</u>	<u>278,596</u>	<u>271,608</u>
-	-	-	-
<u>\$ 41,540</u>	<u>\$ (85,540)</u>	<u>\$ 17,782</u>	<u>\$ 23,323</u>
<u>20.5%</u>	<u>20.7%</u>	<u>22.5%</u>	<u>22.7%</u>

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

Table 4

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 86,010	\$ 89,981	\$ 87,036	\$ 85,227	\$ 105,175
All Other Governmental Funds					
Reserved	\$ 161,094	\$ 135,708	\$ 135,777	\$ 148,440	\$ 171,682
Unreserved, reported in:					
Capital projects funds	(11,897)	(11,468)	(13,116)	(15,093)	(14,400)
Nonmajor governmental funds	-	-	(4,177)	10,497	8,154
Total all other governmental funds	\$ 149,197	\$ 124,240	\$ 118,484	\$ 143,844	\$ 165,436

	Fiscal Year		
	2007	2008	2009
General Fund			
Reserved	\$ 90,853	\$ 73,007	\$ 71,356
All Other Governmental Funds			
Reserved	\$ 90,812	\$ 154,448	\$ 177,820
Unreserved, reported in:			
Capital projects funds	(12,951)	(39,071)	(38,776)
Nonmajor governmental funds	16,357	14,469	15,776
Total all other governmental funds	\$ 94,218	\$ 129,846	\$ 154,820

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in 2002.

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
2000	9,163,659	5,103,186	633,182	205,861	566,871	101,091
2001	10,292,623	5,612,522	741,472	218,677	621,414	96,287
2002	10,358,671	5,716,180	717,831	215,683	597,457	93,962
2003	12,027,395	6,176,332	765,130	205,531	593,878	97,989
2004	12,938,633	6,493,805	729,858	187,208	560,426	99,587
2005	14,301,662	6,903,490	733,600	178,275	558,290	97,103
2006	16,116,818	7,547,715	721,966	185,601	541,831	108,218
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
Budget Year	Total Taxable Assessed Value			Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Total Assessed to Total Estimated Actual Value
2000	15,773,850			9.69	16,701,225	94.4
2001	17,582,995			10.49	17,344,251	101.4
2002	17,699,784			10.87	19,453,830	90.9
2003	19,866,255			10.15	20,298,387	97.9
2004	21,009,517			9.73	21,730,754	96.7
2005	22,772,420			9.19	23,491,774	96.9
2006	25,222,149			8.75	26,256,714	96.1
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
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 lease once every four year period.					
Note:	Beginning with the year 2002, property is reassessed each year. Prior to 2002 property was reassessed every two years.					

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

Table 6

	Budget Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Direct Rates (A)										
City of Milwaukee	\$ 9.12	\$ 9.86	\$ 10.22	\$ 9.51	\$ 9.22	\$ 8.52	\$ 8.08	\$ 7.28	\$ 7.46	\$ 7.59
Allocation of Debt Service incurred for Schools	<u>0.57</u>	<u>0.63</u>	<u>0.65</u>	<u>0.64</u>	<u>0.51</u>	<u>0.64</u>	<u>0.67</u>	<u>0.71</u>	<u>0.55</u>	<u>0.50</u>
Total Direct Rate	9.69	10.49	10.87	10.15	9.73	9.16	8.75	7.99	8.01	8.09
Overlapping Rates (B)										
Milwaukee School Board	8.95	8.81	9.11	8.55	8.12	8.84	8.35	7.48	7.96	8.75
Less: allocation of Debt Service in City rate	<u>(0.57)</u>	<u>(0.63)</u>	<u>(0.65)</u>	<u>(0.64)</u>	<u>(0.51)</u>	<u>(0.64)</u>	<u>(0.67)</u>	<u>(0.71)</u>	<u>(0.55)</u>	<u>(0.50)</u>
Total School Rate	8.38	8.18	8.46	7.91	7.61	8.20	7.68	6.77	7.41	8.25
Milwaukee Area District Board of Vocational, Technical and Adult Education	2.16	2.00	2.23	2.05	2.04	2.00	1.96	1.89	1.92	1.94
County of Milwaukee	5.82	5.46	5.91	5.20	4.94	4.70	4.43	4.18	4.22	4.20
State of Wisconsin	0.21	0.20	0.22	0.20	0.21	0.21	0.20	0.19	0.19	0.18
Milwaukee Metropolitan Sewerage District	<u>1.80</u>	<u>1.68</u>	<u>1.87</u>	<u>1.74</u>	<u>1.64</u>	<u>1.59</u>	<u>1.48</u>	<u>1.39</u>	<u>1.39</u>	<u>1.37</u>
Total Tax Rate (C)	<u>\$ 28.06</u>	<u>\$ 28.01</u>	<u>\$ 29.56</u>	<u>\$ 27.25</u>	<u>\$ 26.17</u>	<u>\$ 25.86</u>	<u>\$ 24.50</u>	<u>\$ 22.41</u>	<u>\$ 23.14</u>	<u>\$ 24.03</u>

(A) State law prohibits the City from raising property taxes more than 2% plus 60% growth of new development.

(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.

Table 7

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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 Levy Year (B)		Collections Purchased Delinquents Original Levy Year (C)		Total Collections to Date	
				Current Tax Collections	Percent Original Levy Collected		Total Adjusted Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
2000	\$ 177,438	\$ 16,890	\$ 194,328	\$ 172,451	97.19%	\$ 8,555	\$ 13,185	\$ 194,191	99.93%
2001	211,311	19,306	230,617	206,173	97.57	13,621	10,719	230,513	99.96
2002	222,708	19,678	242,386	217,242	97.55	13,599	11,338	242,179	99.91
2003	234,485	20,419	254,904	228,345	97.38	12,918	13,433	254,696	99.92
2004	240,643	22,420	263,063	235,012	97.66	15,497	11,936	262,445	99.77
2005	248,267	22,885	271,152	242,587	97.71	14,992	12,664	270,243	99.67
2006	261,685	24,476	286,161	255,823	97.76	15,664	13,574	285,061	99.62
2007	265,319	30,891	296,210	257,350	97.00	18,581	17,793	293,724	99.16
2008	286,180	39,104	325,284	277,119	96.83	23,952	15,713	316,784	97.39
2009	276,186	37,390	313,576	265,691	96.20	18,018	-	283,709	90.48
(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.								

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

Table 9

Governmental Activities						
	General	Less:		Estimated	Percentage	
	Obligation	Amounts		Actual	of Total	
	Bonds	Available		Taxable	Taxable	
	and	in Debt		Value of	Value of	Per
<u>Year</u>	<u>Notes</u>	<u>Service Fund</u>	<u>Total</u>	<u>Property</u>	<u>Property</u>	<u>Capita</u>
2000	\$ 522,503	\$ 30,436	\$ 492,067	\$ 16,701,225	2.95%	\$ 812.57
2001	566,429	42,137	524,292	17,344,251	3.02%	880.41
2002	591,155	40,466	550,689	19,453,830	2.83%	924.04
2003	598,275	35,365	562,910	20,298,387	2.77%	945.68
2004	618,988	43,807	575,181	21,730,754	2.65%	968.45
2005	664,285	44,207	620,078	23,491,774	2.64%	1,046.08
2006	733,327	52,284	681,043	26,256,714	2.59%	1,153.59
2007	669,404	56,778	612,626	30,226,985	2.03%	1,038.01
2008	725,670	59,849	665,821	31,887,192	2.09%	1,126.85
2009	742,752	68,241	674,511	32,257,525	2.09%	1,154.98
Business-Type Activities						
	General		State		Percentage	
	Obligation		Loans		of	
	Bonds		(Revenue	Total	Personal	Per
	and	Revenue	Bonds)	Primary	Income (A)	Capita (A)
<u>Year</u>	<u>Notes</u>	<u>Bonds</u>		<u>Government</u>		
2000	\$ 82,737	\$ 16,773	\$ -	\$ 591,577	2.23%	\$ 976.89
2001	76,954	45,124	-	646,370	2.30%	1,085.41
2002	68,394	44,426	-	663,509	2.31%	1,113.35
2003	61,807	76,528	-	701,245	2.41%	1,178.08
2004	53,943	74,690	-	703,814	2.36%	1,185.03
2005	46,125	71,476	-	737,679	2.39%	1,244.47
2006	74,135	68,150	-	823,328	2.53%	1,394.60
2007	58,936	64,711	14,369	750,642	2.20%	1,271.86
2008	34,970	61,170	49,653	811,614	2.31%	1,373.59
2009	36,803	57,515	48,002	816,831	not available	1,398.87
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.						
(A)	See Table 13 for personal income and population data					

CITY OF MILWAUKEE
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
(Thousand of Dollars)

Table 10

	Fiscal Year				
	2000	2001	2002	2003	2004
Debt limit	\$ 1,214,098	\$ 1,361,768	\$ 1,420,887	\$ 1,521,153	\$ 1,644,424
Total net debt applicable to limit	<u>574,804</u>	<u>601,246</u>	<u>619,083</u>	<u>624,717</u>	<u>629,124</u>
Legal debt margin	<u>\$ 639,294</u>	<u>\$ 760,522</u>	<u>\$ 801,804</u>	<u>\$ 896,436</u>	<u>\$ 1,015,300</u>
Total net debt applicable to the limit as a percentage of debt limit ...	47.34%	44.15%	43.57%	41.07%	38.26%

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt limit	\$ 1,837,970	\$ 1,837,970	\$ 2,115,889	\$ 2,232,103	\$ 2,258,027
Total net debt applicable to limit	<u>666,203</u>	<u>755,178</u>	<u>671,562</u>	<u>689,401</u>	<u>698,775</u>
Legal debt margin	<u>\$ 1,171,767</u>	<u>\$ 1,082,792</u>	<u>\$ 1,444,327</u>	<u>\$ 1,542,702</u>	<u>\$ 1,559,252</u>
Total net debt applicable to the limit as a percentage of debt limit ...	36.25%	41.09%	31.74%	30.89%	30.95%

CITY OF MILWAUKEE
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
(Thousand of Dollars)

Table 10 (continued)

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value		<u>\$ 30,431,675</u>
Equalized Value		<u>32,257,525</u>
Debt Limit 7% of Equalized Value		2,258,027
Amount of Debt Applicable to Debt Limit:		
General Obligation bonds	\$ 400,169	
General Obligation notes	342,583	
Parking bonds and notes	11,616	
Harbor bonds and notes	2,735	
Water Works bonds	15,285	
Sewer Maintenance bonds and notes...	7,167	
Water Works revenue bonds	9,400	
Sewer revenue bonds	<u>48,115</u>	
Total Debt		\$ 837,070
Deduct:		
Assets in Debt Service Funds	80,780	
Water Works revenue bonds (A)	9,400	
Sewer revenue bonds	<u>48,115</u>	
Total Deductions		<u>138,295</u>
Total Amount of Debt Applicable to Debt Limit		<u>698,775</u>
Legal Debt Margin		<u>\$ 1,559,252</u>

(A) *The Water Revenue Bonds and Sewer Revenue Bonds 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, 2009 was \$645,150 for school purposes and \$914,102 for general purposes.*

CITY OF MILWAUKEE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2009
(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)	\$ 657,575	100%	\$ 657,575
Overlapping Debt:			
Milwaukee Area Technical College District	81,980	38.57	31,585
County of Milwaukee	730,822	48.50	350,795
Milwaukee Metropolitan Sewerage Area (B)	892,726	48.17	<u>430,026</u>
Total Direct and Overlapping Debt			<u>\$ 1,469,981</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 \$47,996 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.			
(B) Includes \$611,286 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.			

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		
2000	\$63,188	\$ 42,046	\$ 21,142	\$ 787	\$ 446	\$ 1,233	17.15
2001	62,328	41,824	20,504	744	433	1,177	17.42
2002	74,245	37,948	36,297	763	414	1,177	30.84
2003	74,161	42,072	32,089	782	394	1,176	27.29
2004	71,546	47,884	23,662	803	373	1,176	20.12
2005	72,661	51,953	20,708	824	352	1,176	17.61
2006	71,149	51,365	19,784	846	330	1,176	16.82
2007	74,211	55,514	18,697	868	307	1,175	15.91
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
Sewer Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
2001	\$18,899	\$ 14,093	\$ 4,806	\$ -	\$ 113	\$ 113	42.53
2002	28,307	15,283	13,024	-	1,357	1,357	9.60
2003	32,792	14,722	18,070	1,000	1,340	2,340	7.72
2004	31,279	13,557	17,722	1,035	2,827	3,862	4.59
2005	31,390	15,022	16,368	2,390	2,762	5,152	3.18
2006	34,630	14,834	19,796	2,480	2,667	5,147	3.85
2007	38,170	17,747	20,423	2,570	2,575	5,145	3.97
2008	41,033	16,334	24,699	2,650	2,487	5,137	4.81
2009	48,231	16,438	31,793	2,740	2,386	5,126	6.20
Note: Water Revenue Bonds issued in 1998. Sewer Revenue bonds issued in 2001 and 2003. 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, or amortization expenses, but does include the transfer for Payment in Lieu of Taxes.							

CITY OF MILWAUKEE
DEMOGRAPHIC AND ECONOMIC STATISTICS,
 LAST TEN CALENDAR YEARS

Table 13

Year	Population (A)	County of Milwaukee		Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
		Personal Income (Thousands of Dollars (B))	Per Capita Income (C)			
2000	605,572	26,959,514	28,688	30.6	103,541	5.9
2001	595,508	28,574,888	30,265	30.6	103,397	7.4
2002	595,958	29,330,490	30,927	30.6	103,464	8.9
2003	595,245	29,889,605	31,427	30.6	103,769	7.9
2004	593,920	30,600,378	32,134	30.6	102,309	6.8
2005	592,765	31,392,845	33,001	30.6	100,262	6.5
2006	590,370	33,341,148	35,008	30.6	97,509	6.5
2007	590,190	34,284,550	36,006	30.6	87,360	6.5
2008	590,870	35,182,312	36,880	36.0	85,369	7.9
2009	584,000	Not available	Not available	36.0	82,444	11.0
(A)	The December 31, 2000 through 2009 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2008 and 2009 is from the Wisconsin Department of Administration estimates. (The population data differs from the Census Bureau.)					
(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.					
(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.					
(D)	Median age of the population is determined only during a census. These figures represent the data collected by 2000 Regular Census.					
(E)	Annual School Census by Board of School Directors. Represents Public Schools only.					
(F)	State of Wisconsin, Department of Workforce Development.					

CITY OF MILWAUKEE
PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Table 14

Employer	2009 Estimates (1)			2000		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Aurora Health Care	21,570	1	5.12%	10,566	2	2.31%
U.S. Government (Excludes Zablocki V.A. Medical Center)	11,100	2	2.64%	6,353	5	1.39%
Milwaukee Public Schools	10,943	3	2.60%	11,352	1	2.48%
Wheaton Franciscan Healthcare	9,371	4	2.23%			
Wal-Mart Stores	7,682	5	1.82%			
City of Milwaukee	7,307	6	1.74%	7,700	3	1.68%
Roundy's Supermarkets	6,800	7	1.62%			
Quad Graphics	6,600	8	1.57%			
GE Healthcare	6,000	9	1.43%			
Kohl's Corp.	5,920	10	1.41%			
Milwaukee County				7,310	4	1.60%
Covenant Health Care				5,552	6	1.21%
Wisconsin Electric Power Company				5,372	7	1.17%
M&I Marshall & Ilsley				4,957	8	1.08%
Allen-Bradley (now Rockwell)				4,200	9	0.92%
Briggs and Stratton				3,948	10	0.86%
	<u>93,293</u>		<u>22.18%</u>	<u>67,310</u>		<u>14.69%</u>
(1) Reflects full-time equivalent employees.						
Note: Data includes all of Milwaukee County.						
Source: The 2010 Business Journal Book of Lists. City from internal records.						
The 2000 data was from the Department of Administration January 2001 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".						
Total employment data (2000 = 458,091) (2009 = 420,938) from the State of Wisconsin Workforce Development.						

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

Table 15

Functions/Programs	Adopted budgeted positions for the year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government	803	748	747	727	685	678	673	692	696	694
Temporary - Election Commission	1,711	1,338	103	65	103	63	103	29	104	11
Public Safety										
Fire										
Fire Fighting Force	1,077	1,077	1,075	1,079	1,039	1,033	1,007	1,077	1,001	985
Civilians	63	66	66	67	64	74	75	75	75	79
Police										
Law Enforcement	2,138	2,135	2,130	2,134	2,149	2,155	2,159	2,156	2,156	2,144
Civilian	554	546	582	576	563	564	567	613	606	616
School Crossing Guards	241	241	241	241	241	241	241	241	241	241
Neighborhood Services	277	280	288	216	223	227	224	228	229	229
Public Works										
Administrative Services	71	73	71	69	64	65	65	64	63	63
Infrastructure Services	801	786	783	783	728	711	703	698	696	707
Operations	1,820	1,824	1,814	1,755	1,619	1,606	1,588	1,577	1,530	1,557
Sanitation emergency	500	500	500	500	250	-	-	-	-	-
Winter relief	262	262	262	237	159	74	66	66	66	66
Health	374	368	377	367	359	345	326	337	312	306
Culture and recreation	446	447	449	445	409	409	402	398	396	377
Conservation and development	300	287	271	325	252	238	236	232	220	193
Youth initiative positions	-	-	-	-	-	-	25	25	25	25
Water	412	400	388	382	363	363	355	346	346	348
Sewer Maintenance	190	191	193	209	198	198	199	189	179	172
Parking	99	125	128	128	128	128	129	128	129	129
Port of Milwaukee	<u>35</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>33</u>	<u>29</u>	<u>30</u>	<u>31</u>	<u>35</u>	<u>35</u>
Subtotal	12,174	11,729	10,503	10,339	9,629	9,201	9,173	9,202	9,105	8,977
Less: General Government										
Temporary - Election Commission	<u>(1,711)</u>	<u>(1,338)</u>	<u>(103)</u>	<u>(65)</u>	<u>(103)</u>	<u>(63)</u>	<u>(103)</u>	<u>(29)</u>	<u>(104)</u>	<u>(11)</u>
Total Budgeted Positions	<u>10,463</u>	<u>10,391</u>	<u>10,400</u>	<u>10,274</u>	<u>9,526</u>	<u>9,138</u>	<u>9,070</u>	<u>9,173</u>	<u>9,001</u>	<u>8,966</u>

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

Note: Beginning in 2004 Fire auxiliary positions were unfunded and therefore excluded. After 2001 temporary poll workers are no longer considered City employees.

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

Table 16

Functions/Programs	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Investment portfolio return	6.14%	4.12%	1.70%	1.20%	1.50%	3.00%	4.78%	5.09%	2.74%	0.75%
Courtroom cases			114,978	131,117	137,432	116,388	114,949	110,130	102,721	112,765
Public safety										
Police										
Dispatched assignments						292,927	297,286	286,535	266,577	254,044
Traffic citations	100,612	132,732	141,464	146,210	108,346	98,044	93,369	95,327	120,618	114,447
Homicide clearance rates	80.99%	83.46%	78.70%	79.44%	80.68%	71.31%	71.84%	83.80%	92.96%	83.00%
Fire										
Number of medical emergency assists						51,091	51,862	52,735	53,898	53,047
Number of fires extinguished						2,662	2,527	2,438	2,073	1,930
Civilian fire deaths						12	16	14	6	7
Building Inspection										
Complaints reported	33,443	33,985	30,096	31,479	31,284	34,078	34,431	33,576	34,161	35,940
Orders issued	33,306	42,144	41,762	44,042	44,564	55,443	54,976	52,729	51,760	66,559
Public Works										
Major streets paving (miles)	6.74	11.31	4.63	6.72	3.32	5.94	7.81	4.01	13.01	5.40
Asphalt patching/pot holes (tons)	9,409	10,360	10,500	10,459	10,236	10,014	10,344	10,560	14,900	10,700
Refuse tonnage	302,565	323,577	314,795	322,613	335,033	317,122	312,451	292,775	310,517	298,780
Recycling tonnage	29,137	28,544	27,270	26,101	25,802	25,483	25,300	23,716	22,937	21,862
Health										
Food inspections	4,805	4,920	4,622	4,420	4,113	4,889	5,153	4,972	4,721	5,005
Immunizations	29,756	26,912	23,490	18,941	15,302	22,794	27,444	26,700	30,449	46,838
Culture and Recreation										
Library hours of operation	36,229	36,229	36,229	35,842	36,552	33,339	33,218	34,302	34,372	32,608
Collections size	2,969,977	3,017,395	3,022,382	3,062,142	3,104,911	3,030,281	3,018,232	2,828,429	2,848,244	2,756,141
Public computers	449	454	454	474	488	481	495	490	505	505
Conservation and Development										
Jobs created	4,653	545	514	1,193	2,037	2,466	3,494	2,354	1,073	366
Jobs retained	1,813	2,203	1,925	1,321	14,108	2,775	9,182	2,092	2,103	888
New housing units						1,538	982	1,037	196	527
Water										
Millions gallons sold	41,730	40,813	39,970	36,473	37,237	38,439	35,486	35,049	34,085	33,341
Population served	833,322	831,850	831,979	830,719	833,112	852,857	849,981	858,920	857,816	867,599
Sewer Maintenance										
Sewer service backups	76	46	58	59	32	43	40	42	47	28
Street flooding complaints	5,538	4,428	2,728	2,500	1,724	4,143	4,810	3,366	7,238	3,690
Parking										
Citations issued	772,508	1,217,168	1,075,501	1,002,923	1,113,620	929,714	932,346	906,423	880,859	885,802
Vehicle tows	27,790	31,646	31,541	29,728	29,333	26,799	31,659	36,273	34,898	31,516
Port										
Metric tonnage total	2,509,752	2,927,447	2,724,231	2,654,876	2,923,364	3,424,827	3,481,541	3,568,929	2,931,125	2,910,515

Sources: Various city departments

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

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

Table 17

Functions/Programs	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety										
Police										
Stations	7	7	7	7	7	7	7	7	8	8
Lock-up facilities	6	7	7	7	7	7	7	7	7	7
Patrol vehicles	496	514	495	498	503	482	485	478	521	533
Patrol motorcycles	55	57	57	57	59	59	57	57	57	57
Fire Stations	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets - paved	1,417	1,418	1,418	1,418	1,418	1,418	1,418	1,418	1,418	1,418
Streets - unpaved	15	14	14	14	14	15	15	15	15	15
Alleys	415	416	416	416	416	415	415	415	415	415
Street lights	6,692	66,419	66,861	67,065	67,294	67,427	67,742	67,447	67,709	67,798
Alley lights	8,766	8,790	8,787	8,792	8,803	8,803	8,917	8,790	8,925	8,931
Garbage/snow trucks	205	205	198	195	199	188	173	172	187	188
Health										
Health centers	5	5	5	5	5	5	5	3	3	3
Culture and Recreation										
Playgrounds, playfields, tot lots, recreation centers	277	277	277	277	277	277	277	277	277	276
Libraries	13	13	13	13	13	13	13	13	13	13
Water										
Miles of mains	1,952	1,953	1,954	1,956	1,960	1,961	1,964	1,966	1,967	1,955
Hydrants	19,594	19,623	19,730	19,734	19,758	19,754	19,780	19,632	19,824	19,811
Million gallons pumped	45,419	44,997	46,253	46,102	44,309	44,560	41,862	41,873	40,848	39,617
Million gallons consumed	41,730	40,813	39,915	39,435	37,289	38,401	35,486	35,050	34,085	33,341
Miles of Sewers										
Storm	950	953	955	956	955	956	956	958	959	960
Sanitary	932	934	935	934	935	935	935	938	939	940
Combined	546	546	547	548	547	548	547	547	547	547
Parking										
Parking lots	51	51	52	51	51	48	46	45	45	45
Parking structures	6	6	4	4	4	4	4	5	5	5
Port										
Cargo terminals	6	6	6	6	6	6	6	6	6	6
Rental warehouses and buildings	4	4	4	4	5	5	5	5	5	5
Ferry terminal					1	1	1	1	1	1
Cranes and forklifts	13	13	13	11	11	11	10	10	10	10
Vessel berths	13	13	13	13	13	13	13	13	13	13

Sources: Various city departments

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