

April 19, 2013

Supplement to the Preliminary Official Statement

CITY OF MILWAUKEE, WISCONSIN

\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2013 R1

\$85,635,000* General Obligation Promissory Notes, Series 2013 N2

\$17,270,000* General Obligation Corporate Purpose Bonds, Series 2013 B3

On the Cover, and in Appendix E of the Preliminary Official Statement dated April 16, 2013, the bid parameters for the N2 Notes and B3 Bonds in the Official Notice of Sale and the Bid Form are modified as follows (there is no change to the R1 Notes):

\$85,635,000* General Obligation Promissory Notes, Series 2013 N2

\$17,270,000* General Obligation Corporate Purpose Bonds, Series 2013 B3

Sale Date and Time:

Tuesday, April 23, 2013

11:30 a.m. Central Time

Bid Parameters:

The ascending coupon requirement is eliminated, and the Maximum Issue Price is increased to 120%. A revised Bid Form follows. The Bid Parameters are restated as follows:

Bid Parameters

No bid for less than all of the Obligations will be considered. **Coupons:** Bidders are required to name the interest rate or rates the Obligations are to bear. The rates shall be less than, or equal to 5.00%; and the rates shall be in multiples of one-eighth of one percent or one-twentieth of one percent. There shall be only one rate for Obligations maturing on the same date. **Minimum Maturity Price:** No maturity may have an initial offering price of less than 100% of par value plus accrued interest, if any. This parameter is not on the bid form, but will be enforced by confirmation with the bidder prior to the award. **Minimum Issue Price:** No bid of less than the par value plus accrued interest, if any, will be considered. **Maximum Issue Price:** No bid for more than 120% of par value plus accrued interest, if any, will be considered. The Maximum Issue Price restriction only applies to the original bid, and shall not take into account any downward adjustment in the principal amount of the Obligations.

Maturity Dates:

On the Bid Form, the maturity dates are corrected to show May 15.

* Subject to change in accordance with the Official Notice of Sale

OFFICIAL BID FORM (Revised April 19, 2013)
(Electronic Bids also accepted via Parity – See the Official Notice of Sale)

CITY OF MILWAUKEE, WISCONSIN
\$85,635,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2013 N2
AND
\$17,720,000* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2013 B3

April 23, 2013

Commissioners of the Public Debt
200 E. Wells St., Room 404
Milwaukee, Wisconsin 53202

Commissioners:

For all but no part of \$103,355,000* notes and bonds, comprised of the \$85,635,000* General Obligation Promissory Notes, Series 2013 N2 (the “Notes”) and the \$17,720,000* General Obligation Corporate Purpose Bonds, Series 2013 B3 (the “Bonds”), we offer to pay a price of \$_____ (not less than \$103,355,000, and not more than \$124,026,000.00), plus accrued interest from May 15, 2013, the dated date, to the date of delivery. The Notes and Bonds shall bear interest as follows:

Series 2013 N2 (Notes)		Series 2013 B3 (Bonds)	
May 15, 2014	_____%**	May 15, 2024	_____%**
May 15, 2015	_____%**	May 15, 2025	_____%**
May 15, 2016	_____%**	May 15, 2026	_____%**
May 15, 2017	_____%**	May 15, 2027	_____%**
May 15, 2018	_____%**	May 15, 2028	_____%**
May 15, 2019	_____%**	May 15, 2029	_____%**
May 15, 2020	_____%**	May 15, 2030	_____%**
May 15, 2021	_____%**		
May 15, 2022	_____%**		
May 15, 2023	_____%**		

** Rates must be less than, or equal to 5.00%, and in multiples of 1/8 or 1/20 of one percent. The minimum initial reoffering price for a maturity shall not be less than 100% of the par amount.

This bid is made for prompt acceptance and subject to the conditions of the Official Notice of Sale. As required by said Notice, enclosed herewith is a certified check or a cashier’s check drawn on a state or national bank or trust company in the amount of \$1,000,000 for as a good faith deposit, payable to the City Treasurer of the City of Milwaukee, which deposit is to be promptly returned to us if our bid is not accepted, but otherwise to be applied in accordance with said Notice.

If this bid is not accompanied by a Good Faith Deposit, we agree to the additional terms for Good Faith Deposit Submitted After Bids Are Due.

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

By: _____
Phone Number: _____

Company Name

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

* Subject to change in accordance with the Official Notice of Sale.

RECEIPT

Return of Good Faith Deposit is hereby acknowledged: _____

By: _____

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

Please attach a list of account members –

If we receive the award, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting and the amount of each firm's participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the City all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award. Immediately upon receiving the Final Official Statement from you, we agree to file it with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 16, 2013

NEW ISSUES
BOOK ENTRY ONLY

RATINGS:
R1 Notes:
N2 Notes and B3 Bonds:
(See “**Ratings**” herein.)

Moody's
Rating Requested
Rating Requested

Standard & Poor's
“SP-1+”
“AA”

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C, Bond Counsel, in connection with the issuance of the General Obligation Cash Flow Promissory Notes, Series 2013 R1, the General Obligation Promissory Notes, Series 2013 N2, and the General Obligation Corporate Purpose Bonds, Series 2013 B3 (collectively, the “Tax-Exempt Obligations”) under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Tax-Exempt Obligations will not be includable in gross income for federal income tax purposes. The Tax-Exempt Obligations are not “private activity bonds” and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate “alternative minimum taxable income.” However, interest on the Tax-Exempt Obligations is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Tax-Exempt Obligations is not exempt from Wisconsin income taxes.



CITY OF MILWAUKEE, WISCONSIN

\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2013 R1

\$85,635,000* General Obligation Promissory Notes, Series 2013 N2

\$17,720,000* General Obligation Corporate Purpose Bonds, Series 2013 B3

Dated: May 15, 2013

Due: As shown herein

The \$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2013 R1 (the “CFNs” or “R1 Notes”), the \$85,635,000* General Obligation Promissory Notes, Series 2013 N2 (the “N2 Notes”) and the \$17,720,000* General Obligation Corporate Purpose Bonds, Series 2013 B3 (the “B3 Bonds”) (the R1 Notes, N2 Notes and B3 Bonds, collectively, the “Tax-Exempt Obligations”) are direct general obligations of the City of Milwaukee, Wisconsin (the “City”), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount.

The CFNs will be dated May 15, 2013 (the “Dated Date”), and will be payable on December 5, 2013. The CFNs are being issued for the public purpose of financing the City’s operating budget on an interim basis in anticipation of the receipt of State of Wisconsin (the “State”) shared revenue payments. Interest on the CFNs shall be payable at maturity. The CFNs are not subject to optional redemption prior to maturity.

The N2 Notes and B3 Bonds will be dated the Dated Date, will bear interest payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2013 at the rates, and will mature on May 15, in the years and amounts, as detailed herein. The N2 Notes and B3 Bonds are being issued for the purpose of financing various public improvements and fiscal requirements of the City, and for the purpose of refunding of certain outstanding obligations of the City. The N2 Notes are not subject to optional redemption. The B3 Bonds are subject to optional redemption on any date on or after May 15, 2023 as provided herein.

The Tax-Exempt Obligations have been offered for sale by competitive bid in accordance with the Official Notices of Sale dated April 16, 2013 and other conditions specified in the Official Notices of Sale. The Tax-Exempt Obligations are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City. It is expected that the Tax-Exempt Obligations will be delivered through the facilities of the Depository Trust Company (“DTC”), New York, New York on or about May 15, 2013.

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

For Further Information Contact:

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

**ELECTRONIC BIDS WILL BE RECEIVED ON TUESDAY, APRIL 23, 2013 UNTIL
9:45 A.M. (CENTRAL TIME) FOR THE R1 NOTES
10:30 A.M. (CENTRAL TIME) FOR THE N2 NOTES AND THE B3 BONDS**

* Preliminary, subject to change in accordance with the Official Notice of Sale.

MATURITY SCHEDULES

\$100,000,000 GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2013 R1

The R1 Notes will be dated the Dated Date, and will mature on December 5, 2013 without the option of prior redemption. Interest will be payable at maturity, at the rate or rates shown below.

<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP (1) Base 602366</u>
\$100,000,000			

\$85,635,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2013 N2

The N2 Notes will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2013 and will mature on May 15 in the years and in the amounts shown below. The N2 Notes are **not** subject to optional redemption.

<u>Maturing (May 15)</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP (1) Base 602366</u>
2014	\$24,260,000			
2015	18,415,000			
2016	6,650,000			
2017	6,160,000			
2018	6,145,000			
2019	6,020,000			
2020	4,835,000			
2021	4,880,000			
2022	4,125,000			
2023	4,145,000			

*Preliminary, subject to change.

\$17,720,000* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2013 B3

The B3 Bonds will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2013 and will mature on May 15 in the years and in the amounts shown below. The B3 Bonds are subject to optional redemption on any date on or after May 15, 2023, as provided herein.

<u>Maturing (May 15)</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP (1) Base 602366</u>
2024	\$3,300,000			
2025	3,315,000			
2026	3,335,000			
2027	3,355,000			
2028	3,370,000			
2029	510,000			
2030	535,000			

*Preliminary, subject to change.

- (1) The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Tax-Exempt Obligations. The City is not responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Tax-Exempt Obligations, or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Tax-Exempt Obligations.

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

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and Appendices, is to set forth certain information concerning the City of Milwaukee (the “City”), located in Milwaukee County, Wisconsin, and to set forth information concerning the following securities issued by the City:

\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2013 R1 (the “CFNs” or “R1 Notes”)

\$85,635,000* General Obligation Promissory Notes, Series 2013 N2 (the “N2 Notes”)

\$17,720,000* General Obligation Corporate Purpose Bonds, Series 2013 B3 (the “B3 Bonds”)

The following summary statement is furnished solely to provide limited introductory information regarding the City’s Tax-Exempt Obligations, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the Appendices hereto.

Summary Statement – CFNs

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2013 R1
Dated Date:	May 15, 2013.
Maturity:	December 5, 2013
Principal:	\$100,000,000
Interest Payment Date:	Payable at maturity. Interest is calculated on the basis of 30-day months and a 360-day year (term of 200 days assuming a May 15, 2013 delivery date).
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The CFNs are issued for the purpose of financing the City’s operating budget on an interim basis in anticipation of the receipt of State shared revenue payments (“State Aid Payments”).
Security:	Principal and interest on the CFNs will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City. The City has also pledged and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged all other general fund revenues included in the budget for the current calendar year which are due the City, which have not been received as of the date of delivery of the Notes and which are not otherwise pledged or assigned. (See “ The CFNs – Security for the CFNs ” herein).
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the CFNs in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.12(12) of the Wisconsin Statutes.

* Preliminary, subject to change.

Form of Issuance: The CFNs will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the CFNs. (See “**BOOK-ENTRY-ONLY SYSTEM**” herein).

Tax Status of Interest: Bond Counsel are of the opinion that under existing law, interest on the CFNs is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “*Code*”), Bond Counsel are of the opinion that interest on the CFNs will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the CFNs is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includable in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the CFNs is not exempt from Wisconsin income taxes. (See “**TAX MATTERS**” herein).

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

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

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois
Hurtado, S.C.
Wauwatosa, Wisconsin
Financial Advisor: Public Financial Management, Inc.
Milwaukee, Wisconsin
Paying Agent: City of Milwaukee, Comptroller’s Office
Milwaukee, Wisconsin

Record Date: December 1, 2013.

Delivery: Delivery of the CFNs will be on or about May 15, 2013 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

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

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

Summary Statement – N2 Notes

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$85,635,000* General Obligation Promissory Notes, Series 2013 N2
Dated Date:	May 15, 2013.
Principal Due Date:	May 15 of the years 2014 through 2023.
Interest Payment Date:	Interest on the N2 Notes is due each May 15 and November 15 commencing November 15, 2013. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The N2 Notes are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects, fiscal requirements of the City, and to refund certain outstanding obligations of the City and the Redevelopment Authority of the City of Milwaukee.
Security:	Principal and interest on the N2 Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the N2 Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The N2 Notes will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Notes. (See “ BOOK-ENTRY-ONLY SYSTEM ” herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), Bond Counsel are of the opinion that interest on the N2 Notes will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the N2 Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but is includable in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the N2 Notes is not exempt from Wisconsin income taxes. (See “ TAX MATTERS ” herein).
Redemption Feature:	The N2 Notes are <u>not</u> subject to redemption prior to maturity. (See “ Redemption Provisions ” herein.)

* Preliminary, subject to change.

Official Statement: The City will provide the original purchaser of the N2 Notes and B3 Bonds with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the N2 Notes.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois
Hurtado, S.C.
Wauwatosa, Wisconsin

Financial Advisor: Public Financial Management, Inc.
Milwaukee, Wisconsin

Paying Agent: City of Milwaukee, Comptroller's Office
Milwaukee, Wisconsin

Record Date: May 1 and November 1 (whether or not a business day).

Delivery: Delivery of the N2 Notes will be on or about May 15, 2013 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price or yield of the N2 Notes will be set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the N2 Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).

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Summary Statement – B3 Bonds

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$17,720,000* General Obligation Corporate Purpose Bonds, Series 2013 B3
Dated Date:	May 15, 2013.
Principal Due Dates:	May 15 of the years 2024 through 2030.
Interest Payment Dates:	Interest on the B3 Bonds is due each May 15 and November 15 commencing November 15, 2013. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The B3 Bonds are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects and to current refund certain outstanding obligations of the City.
Security:	Principal and interest on the B3 Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The B3 Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the B3 Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the B3 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the <i>“Code”</i>), Bond Counsel are of the opinion that interest on the B3 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the B3 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includable in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the B3 Bonds is not exempt from Wisconsin income taxes. (See “TAX MATTERS” herein).
Redemption Feature:	The B3 Bonds are subject to optional redemption on any date on or after May 15, 2023. (See “Redemption Provisions” herein.)

* Preliminary, subject to change.

Official Statement: The City will provide the original purchaser of the N2 Notes and B3 Bonds with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the B3 Bonds.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois
Hurtado, S.C.
Wauwatosa, Wisconsin

Financial Advisor: Public Financial Management, Inc.
Milwaukee, Wisconsin

Paying Agent: City of Milwaukee, Comptroller's Office
Milwaukee, Wisconsin

Record Date: May 1 and November 1 (whether or not a business day).

Delivery: Delivery of the B3 Bonds will be on or about May 15, 2013 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price(s) or yield(s) of the B3 Bonds will be set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the B3 Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).

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THE CFNs

Authority and Purpose

The Common Council of the City has authorized the issuance and sale of the CFNs for the public purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments, by the adoption of an authorizing Resolution on February 5, 2013 in accordance with the provisions of Section 67.12(12) of the Wisconsin Statutes.

Security for the CFNs

The CFNs shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the CFNs.

Under and by virtue of Sections 67.05(10) and 67.12(12)(ee), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on the CFNs as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid notes or bonds are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

The City also has pledged, and will irrevocably segregate upon receipt, State Aid Payments due in November, 2013 in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged other General Fund Revenues included in the budget for the current calendar year which are due to the City, but which have not been received as of the date of delivery of the CFNs.

Statutory Borrowing Limitation

Wisconsin Statutes limit the amount of direct general obligation debt the City may issue. The CFNs are within these limitations. (See "**DEBT STRUCTURE**" herein for further details).

THE N2 NOTES AND B3 BONDS

Authority and Purpose

The N2 Notes and B3 Bonds are being issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes to finance various public improvement projects, and fiscal requirements of the City, to refund certain outstanding bonds of the City and the Redevelopment Authority of the City of Milwaukee and to pay the associated financing costs. The Common Council of the City adopted Resolutions on January 16, 2009, January 20, 2010, January 19, 2011, December 20, 2011, February 5, 2013 and April 9, 2013 which authorize the issuance of the N2 Notes and B3 Bonds. In addition, various initial Resolutions have been adopted authorizing purposes for the B3 Bonds that have been combined into the corporate purpose bond issues.

Proceeds of the sale of the N2 Notes and B3 Bonds are anticipated to be used for various public improvements of the City as follows:

Purposes*	
Streets	\$ 24,691,982
Bridges.....	10,043,010
Public Buildings	7,316,770
Tax Incremental Districts	5,515,000
Police	4,433,100
Parking.....	1,419,960
Library	1,104,150
Renewal and Development.....	938,700
Sanitation	843,100
Parks	440,130
Harbor.....	336,463
Fire.....	232,635
Financing Receivables.....	34,145,000
Refunding of long-term debt	11,895,000
Less: Premium applied to Purposes.....	(0)
Total.....	<u><u>\$103,355,000</u></u>

* Preliminary, subject to change. Reflects the refunding of \$22,000,000 of Commercial Paper.

Plan of Refunding

In addition to providing long-term financing for \$22,000,000 of outstanding Extendable Municipal Commercial Paper, the City is also refunding the following Bonds:

City Bonds to be Refunded

<u>Dated Date</u>	<u>Series</u>	<u>Amount</u>	<u>Maturities</u>	<u>Redemption Date</u>
10/16/2003	2003 B6	\$9,090,000 (1)	2014-2018	10/1/2013
5/6/2004	2004 B1	4,140,000	2015	2/15/2014

(1) \$6,080,000 will be redeemed using City cash.

Redevelopment Authority of the City of Milwaukee Bonds to be Refunded

Redevelopment Lease Revenue Bonds, Series 2005A
(Milwaukee Public Schools – Congress Craig and Fratney Schools)

<u>Dated Date</u>	<u>Amount</u>	<u>Maturities</u>	<u>Redemption Date</u>
11/17/2005	\$4,745,000	2014-2020	8/1/2013

The refunding proceeds for the Extendable Municipal Commercial Paper and the City Bonds, will be deposited in the City's General Obligation Debt Service Fund pending redemption of the refunded obligations. The refunding proceeds for the Redevelopment Authority of the City of Milwaukee Bonds will be deposited with the Trustee for the 2005A bonds pending redemption of the refunded obligations.

Security for the N2 Notes and B3 Bonds

The N2 Notes and B3 Bonds will be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the N2 Notes and B3 Bonds.

Under and by virtue of Sections 67.05(10) and 67.12(12)(ee), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay, and for the express purpose of paying, the interest on the N2 Notes and B3 Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid notes or N2 Notes and B3 Bonds are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

Maturity and Interest Rates

The N2 Notes and B3 Bonds are to be dated May 15, 2013, and will bear interest from that date at the rates, and shall mature each May 15 in the amounts and on the dates as set forth on the inside front cover pages of this Preliminary Official Statement. Interest on the N2 Notes and B3 Bonds will be payable commencing November 15, 2013 and thereafter semiannually on May 15 and November 15 of each year and is calculated on the basis of 30-day months and a 360-day year.

Redemption Provisions

The N2 Notes are **not** subject to call and redemption prior to maturity. The B3 Bonds will be subject to redemption prior to their maturity, at the option of the City, on any date on or after May 15, 2023 at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding B3 Bonds are called for redemption, the B3 Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the B3 Bonds of the same series and maturity are called for redemption, the particular B3 Bonds of such series and maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any B3 Bonds to be redeemed in whose name such B3 Bonds are registered as of a record date, which shall be 60 days prior to the redemption date. While in Book Entry Form, as the Registered Owner, DTC will receive the Redemption Notice. The City is not responsible for DTC's notification of redemption to Participants and Beneficial Owners.

Statutory Borrowing Limitation

Wisconsin Statutes limit direct general obligation debt the City may issue. The N2 Notes and B3 Bonds do not cause these limitations to be exceeded. (See **"DEBT STRUCTURE"** herein for further details).

INVESTMENT POLICIES

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments; and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Group, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("*SWIB*") provides the Local Government Investment Pool ("*LGIP*") as a subset of the State Investment Fund (the "*Fund*"). The LGIP includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The LGIP portion of the Fund is additionally secured as to credit risk.

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "*money market*" account. When other investment options provide more favorable returns, such options are utilized. As of December 31, 2012, the City had approximately 16.25% (\$105,122,549) of its and Milwaukee Public Schools investments deposited in the LGIP.

SWIB invests the assets of the Fund, which includes assets of the LGIP. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "*Trustees*"). The Trustees establish long-term investment policies, set guidelines for each investment portfolio and monitor investment performance.

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Given of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

THE CITY

Location, Organization and Government

General

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 595,425 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("MSA") includes the principal cities of Milwaukee, Waukesha and West Allis; the counties of Milwaukee, Ozaukee, Waukesha and Washington; and has a population of nearly 1.6 million.

The Port of Milwaukee provides access to the sea lanes of the world. General Mitchell International Airport is served by domestic and international airlines. Five rail lines serve the City and provide transportation links throughout the United States. The City is also connected with the interstate highway system.

The City was incorporated as a city on January 31, 1846, pursuant to the laws of the Territory of Wisconsin. Wisconsin gained statehood in 1848. The City, operating under a Home Rule Charter since 1874, has a council mayor form of government.

Elected Officials

The Mayor, City Attorney, Comptroller, Treasurer and Common Council members are elected officials of the City. Local elections are non-partisan. The Mayor, City Attorney, Comptroller and Treasurer are elected at-large for identical four-year terms.

The Common Council represents fifteen Aldermanic districts. Each Alderperson represents, and is elected from, an aldermanic district with a population of approximately 40,000.

City Officials

As of March, 2013 (initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	Martin Matson	(2012)
City Treasurer	Spencer Coggs	(2012)

Common Council

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	Jose G. Perez	(2012)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

*The terms of all the above elected positions expire in April 2016.

Public Services and Facilities

The City, employing approximately 6,400 people on a full time basis plus others in a seasonal capacity, is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City-owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to borrow directly and issue revenue backed financings.

Other major local governmental units and their related government services are the Milwaukee Public Schools (education); Milwaukee County (parks, airport/mass transit/highways, social services and court system); Milwaukee Metropolitan Sewerage District (wastewater treatment); and the Milwaukee Area Technical College (higher education). Wisconsin Statutes require the City to issue debt for Milwaukee Public Schools. The other governmental units listed each have the statutory authority to issue general obligation debt.

Two special purpose governmental units exist with the ability to borrow and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball Park District (the “*SWPBP District*”), a public entity created by State legislation, encompassing southeastern Wisconsin counties, including Milwaukee County, to finance construction/operations of a new baseball facility (“*Miller Park*”) for the National League Milwaukee Brewers baseball club. Miller Park opened in March, 2001. The SWPBP District has issued \$199 million of revenue bonds supported by a five-county, one-tenth of one percent sales tax and other ancillary revenue streams. In addition, \$45 million of lease certificates of participation have been issued by the SWPBP District to finance acquisition and installation of facility equipment, scoreboards, etc.

The second special purpose governmental unit is the Wisconsin Center District (“*WC District*”), a public entity created by the City pursuant to Section 229.42, Wisconsin Statutes, which oversees construction and operation of the Delta Airline Center (originally, the Wisconsin Center Convention Center), the City’s major convention complex. This complex also includes the US Cellular Arena and the Milwaukee Theater facilities, formerly known as “*MECCA*.” The Delta Airline Center, was financed by \$185 million of revenue bonds issued by the WC District and secured by a pledge of dedicated sales tax revenues from lodging, restaurant, and vehicle rentals collected in the WC District. Phase One of the Delta Airline Center was completed during 1998. Phase Two was completed in 1999. In 2001, the WC District issued \$30 million of bonds to renovate the Milwaukee Theatre.

In addition to the facilities noted above, the City is home to a 17,000+ seat indoor sports and concert venue, the BMO Harris Bradley Center, located in the heart of downtown. This facility serves the National Basketball Association Milwaukee Bucks, the Marquette University Golden Eagles basketball team and the Milwaukee Admirals International Hockey League club. The City is home to the Milwaukee Art Museum, as well as major symphony, ballet and opera companies, and other theatre and performing arts.

On the lakefront is the Milwaukee Art Museum, which combines art, dramatic architecture and landscape design. The Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

Finally, the Milwaukee area is the site of a number of higher education institutions including Marquette University, the University of Wisconsin – Milwaukee, Alverno College, Mount Mary College and the Milwaukee School of Engineering.

Employee Relations

The City has approximately 6,400 full-time employees. 2,700 employees are part of three public safety unions that are not required to recertify. 700 employees are in nine non-public safety unions that have recertified. 3,000 employees are not represented.

The agreements covering nine recertified non-public safety unions had the following expiration dates: December 31, 2006, December 31, 2011, May 31, 2012, and July 31, 2012. The agreements with the non-public safety unions that did not recertify covered approximately 2,700 employees and expired on December 31, 2011. The agreements covering the three public safety unions expired on December 31, 2012. The City is in negotiations with public safety unions and recertified unions; however, it is not negotiating with non-certified unions.

Pursuant to 2011 Act 10, enacted by the State of Wisconsin non-public safety unions' right to collective bargaining is limited solely to employee wages. 2011 Act 10 does not affect the ability of public safety unions to collectively bargain on most issues.

On March 30, 2012, a Federal Court declared null and void a provision of 2011 Act 10 that requires non-public safety public employee unions to hold certification elections each year. On January 18, 2013, the ruling was overturned by the United States Court of Appeals, which upheld 2011 Act 10 in its entirety. The City is not a party to the litigation, but anticipates that there will be an appeal of the ruling.

In addition to the federal action, in September, 2012, a Dane County Circuit Court overturned certain provisions of 2011 Act 10 related to city, county and school employees, including its limitations on collective bargaining. That, and other cases, are pending in State court and are in various levels of appeals. None of the cases brought to date were in circuit courts having jurisdiction over the City. It is uncertain whether any circuit court ruling related to 2011 Act 10 is binding on local units of government outside the jurisdictions in which those cases are located and as a result whether the overturned provisions of 2011 Act 10 are in effect for the City.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

General

Based on 2010 census results, the City's population is 594,833. Population in the four county area surrounding the City is estimated at 1,619,429 and represents 28% of the population of the State of Wisconsin.

**City of Milwaukee
Selected Economic Data**

Year	Population		Adjusted Gross Income Per Return
	Department of Administration	U.S. Census	
2012	595,425		Not Available
2011	595,525		\$34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
2008	590,870		33,160
2007	590,190		33,240
2000	605,572	596,974	32,370

Sources: U.S. Census and the Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis. The Division's population estimates are used in the distribution of State Shared Revenues.

Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2008 through December 2012.

General Total

Year	Value	Permits Issued
2012	\$254,896,334	2,297
2011	269,386,167	2,340
2010	283,026,280	2,065
2009	290,326,431	1,723
2008	249,992,533	2,067

Residential Building

Year	Single Family		Multi-Family		Total		Permits Issued
	Value	# Of Units	Value	# Of Units	Value	# Of Units	
2012	\$ 4,408,472	44	\$30,455,000	281	\$34,863,472	325	60
2011	17,892,282	139	42,327,598	364	60,219,880	503	222
2010	8,400,090	84	91,179,501	726	99,579,591	810	118
2009	7,269,207	59	37,354,152	409	44,623,359	468	72
2008	15,632,811	90	63,975,007	509	79,607,818	599	104

Commercial Building

Year	Value	Permits Issued
2012	\$52,952,469	51
2011	58,518,315	47
2010	53,319,884	67
2009	127,122,466	37
2008	59,502,236	74

Public Building

Year	Value	Permits Issued
2012	\$43,046,652	211
2011	49,456,901	256
2010	22,238,704	129
2009	10,808,648	107
2008	9,107,611	85

Alterations and Additions

Year	Value	Permits Issued
2012	\$124,033,741	1,975
2011	101,191,071	1,815
2010	107,888,101	1,751
2009	107,771,958	1,506
2008	101,774,868	1,804

Sources: Development Center, Department of City Development. Data accumulated from monthly reports submitted to U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division, Washington D.C.

Leading Business and Industrial Firms Located Within Milwaukee County

The listing of large employers in the Milwaukee County area that follows reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list, which includes only employers with the majority or all of their employment in Milwaukee County.

Employer	2012 Employment Estimates	Type of Business or Service
Aurora Health Care	31,000	Health Care
Milwaukee Public Schools	11,766	Education
U.S. Government (Includes Zablocki V.A. Medical Center)	10,500	Government
Froedert Memorial Lutheran Hospital and Community Health	8,900	Health care provider
Wheaton Franciscan Healthcare	8,699	Health care provider
Kohl's Corporation	8,400	Specialty department stores
Roundy's Supermarket	7,630	Retail grocer
Quad Graphics	6,900	Commercial printing
City of Milwaukee	6,400	Government
Medical College of Wisconsin	5,492	Medical school/academic/health care
GE Healthcare	5,000	Medical imaging, healthcare services
Northwestern Mutual	5,000	Insurance
ProHealth Care, Inc.	4,716	Health care provider
Milwaukee County	4,661	Government
Columbia-St. Mary's	4,429	Health care provider
Target Corporation	4,362	Discount department store chain
BMO Harris Bank	4,070 (1)	Holding company banking/finance and data services
WE Energies	4,005	Electric/natural gas utility
University of Wisconsin-Milwaukee	3,881	Education
Walgreens Co.	3,765	Retail drugstore chain
Children's Hospital of Wisconsin	3,726	Health care provider
Johnson Controls Inc.	3,632	Building and automotive
U.S. Bank	3,540	Finance, banking
Wells Fargo	3,500	Finance, banking
Goodwill Industries	3,215	Retail services

(1) Formerly M&I Marshall & Ilsley Bank, acquired by BMO Financial Group.

Source: The 2013 Business Journal Book of Lists, Employer contacts March 2013, and the U.S. Bureau of Labor Statistics February 2013.

EMPLOYMENT AND INDUSTRY

During 2012, the City's unemployment rate averaged approximately 10.1%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2008 through December 2012.

Annual Unemployment Rates (Not Seasonally Adjusted)				
<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2012	10.1%	7.4%	6.9%	8.1%
2011	10.8	7.9	7.5	8.9
2010	11.9	8.9	8.5	9.6
2009	11.4	8.9	8.7	9.3
2008	6.7	4.9	4.8	5.8

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

Recent Monthly Unemployment Rates (Not Seasonally Adjusted)				
<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
February, 2013	11.1% (1)	8.4%(1)	8.2% (1)	8.1%

(1) Preliminary.

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

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. In Milwaukee County, service sector (service, finance, insurance, real estate and retail trade) employs 80% of the workforce. Construction and Manufacturing firms employ 14% of the workforce. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

Ten Largest Taxpayers With 2012 Estimated Equalized Valuations

US Bank Corp	\$240,036,585
Northwestern Mutual Life Ins.	155,165,291
Mandel Group	99,583,015
Metropolitan Associates	94,185,117
411 East Wisconsin LLC	93,720,408
Marcus Corp/Milw City Center/Pfister	87,806,236
100 E. Wisconsin – CW Wisconsin Ave. LLC	80,717,922
Towne Realty	80,206,430
Flanders Westborough	58,696,760
Riverbend Place	57,893,136

Source: City of Milwaukee, Assessor's Office December 2012.

DEBT STRUCTURE

The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City issued any refunding securities for the purpose of preventing default in principal or interest on its debt obligations.

Legal Debt Limitations

Section 67.03 of the Wisconsin Statutes, as supplemented and amended, limits direct general obligation borrowing by the City to an amount equivalent to five percent of the equalized valuation of taxable property within the City. Section 119.49 of the Wisconsin Statutes, as supplemented and amended, further authorizes referendum approved-bonding in an additional amount equivalent to two percent of the equalized taxable property within the City for school capital purposes.

Debt Margin (Includes the Tax-Exempt Obligations to be issued by the City)

2012 Equalized Value of Taxable Property in the City.....		\$26,421,932,000
Legal Debt Limitation for City Borrowing		
5% of Equalized Value.....		1,321,096,600
General Obligation Debt Outstanding subject to 5% Limit as of 05/01/13.....	\$759,015,000	
Plus: 2013 R1, N2, B3	203,355,000*	
Less: Provision for current year maturities	(42,505,000)	
Less: Refunded Long-term Debt	(13,230,000)*	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 05/01/13		\$906,635,000*
Total Debt Margin for City Borrowing (in Dollars)		\$414,461,600*
As a percentage		31.4%*
including Extendable Municipal Commercial Paper (1).....		26.0%*
including Extendable Municipal Commercial Paper (1), and excluding GO Cash Flow Notes		33.6%*

Legal Debt Limitation for School Purpose Borrowing

2% of Equalized Value.....		\$528,438,640
General Obligation Debt Outstanding subject to 2% Limit as of 05/01/13.....	\$14,774,150	
Less: Provision for current year maturities	—	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 05/01/13		\$14,774,150
Total Debt Margin for School Purpose Borrowing (in Dollars)		\$513,664,490
(As a percentage).....		97.2%

* Preliminary, subject to change

(1) Excludes EMCP to be refunded by this Issue, and EMCP issued for Cash Flow purposes

Debt Refunded

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

\$113,430,000 General Obligation Promissory Notes, Series 2012 N2 and \$8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3, for the purpose of refunding portions of five general obligation issues, with a final escrow payment in 2015, with The Bank of New York Mellon Trust Company, N.A. as escrow agent.

None of the refunded debt is reflected in the “*Debt Margin*” presentation above.

**Analysis of General Obligation Debt
Outstanding as of May 1, 2013**

Tax Increment Districts.....	\$181,213,631
Public Buildings.....	131,250,783
Streets.....	125,644,177
Schools (5% City Borrowing).....	99,068,793
Schools (2% School Purpose Borrowing).....	14,774,150
Finance Real & Personal Property Tax Receivables.....	33,910,000
Sewers.....	31,602,892
Blight Elimination/Urban Renewal.....	28,633,249
Police.....	25,528,755
Bridges.....	24,339,837
Water.....	18,638,100
Fire.....	16,281,472
Library.....	12,700,709
Parking.....	10,889,760
Local Improvement Projects/Special Assessments.....	9,463,724
Playground/Recreational Facilities.....	7,112,440
Harbor.....	2,669,357
Grant & Aid Improvements City Share.....	61,278
Economic Development.....	2,739
Industrial Land Bank.....	1,922
Resource Recovery.....	626
Milwaukee Exposition and Convention Center.....	518
Lakefront Development.....	238
Total.....	<u><u>\$773,789,150</u></u>

General Obligation Debt Service Requirements

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

	Total G.O. Debt Service as of 5/1/13 (1)		Series 2013 N2 & B3*		Total Requirements After Issuance*
	Principal (2)	Interest (3)	Principal	Interest (4)	
2013	\$ 43,405,000	\$ 20,143,297		\$ 180,871	\$ 63,729,169
2014	93,594,504	31,202,324	\$ 24,260,000	364,900	149,421,728
2015	77,978,467	27,947,786	18,415,000	279,550	124,620,803
2016	93,568,434	24,119,642	6,650,000	229,420	124,567,496
2017	70,445,239	21,288,821	6,160,000	203,800	98,097,860
2018	62,913,544	18,178,581	6,145,000	179,190	87,416,315
2019	58,811,727	16,217,917	6,020,000	154,860	81,204,504
2020	52,701,322	14,107,028	4,835,000	133,150	71,776,500
2021	43,588,148	11,808,019	4,880,000	113,720	60,389,887
2022	35,389,005	11,022,450	4,125,000	95,710	50,632,164
2023	31,793,761	9,507,368	4,145,000	79,170	45,525,299
2024	26,255,000	4,806,738	3,300,000	64,280	34,426,018
2025	22,430,000	3,779,119	3,315,000	51,050	29,575,169
2026	15,430,000	2,878,238	3,335,000	37,750	21,680,988
2027	11,700,000	1,432,207	3,355,000	24,370	16,511,577
2028	4,045,000	182,878	3,370,000	10,920	7,608,798
2029	400,000	80,716	510,000	3,160	993,876
2030	350,000	66,680	535,000	1,070	952,750
2031	370,000	52,815	—	—	422,815
2032	15,390,000	14,047	—	—	15,404,047
2033					
	<u>\$760,559,150</u>	<u>\$218,836,669</u>	<u>\$103,355,000</u>	<u>\$2,206,941</u>	<u>\$1,084,957,760</u>

(1) Excludes debt to be refunded.

(2) Assumes Sinking Fund Deposits in year due.

(3) Assumes: the maximum interest rate of 12.0% on \$30,000,000 of variable rate debt (the tax levy requirement).

(4) Assumes 4.00% interest on the debt to be issued.

* Preliminary, subject to change.

Trends of General Obligation Debt (Thousands of Dollars)

Year 12/31	Total GO Debt	Self-Sustaining GO Debt*	Levy Supported GO Debt
2008	\$788,579	\$291,317	\$497,262
2009	804,474	293,039	511,435
2010	916,034	342,400	573,634
2011	934,004	373,059	560,945
2012	846,299	319,662	526,637

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

Trends of Self-Sustaining General Obligation Debt
(Thousands of Dollars)

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes (1)	Water (2)	Sewer (2)	Total Self- Sustaining
2008	\$165,217	\$10,743	\$14,631	\$34,136	\$17,049	\$49,541	\$291,317
2009	164,106	11,616	12,994	40,508	17,049	46,766	293,039
2010	167,944	11,753	11,623	47,575	13,453	90,052	342,400
2011	192,838	12,170	10,462	52,728	22,053	82,807	373,059
2012	189,351	11,684	9,505	56,201	18,727	34,194	319,662

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

(2) Includes temporary borrowing pending refunding with revenue bonds.

**Ratio of General Obligation Debt
to Equalized and Assessed Values and to Per Capita**

Year 12/31	Population (1)	Net Equalized Valuation	Assessed Valuation	Total GO Debt	GO Debt/Net EV	GO Debt/AV	GO Debt/capita
2008	590,870	\$32,257,525,000	\$30,431,675,204	\$788,579,150	2.44%	2.59%	\$1,335
2009	584,000	31,266,329,200	28,994,573,372	804,474,150	2.57	2.77	1,378
2010	580,500	29,520,783,200	28,048,464,348	916,034,150	3.10	3.27	1,578
2011	595,525	27,954,669,900	27,917,642,983	934,004,150	3.34	3.35	1,568
2012	585,425	26,421,932,000	25,322,100,578	846,299,150	3.20	3.34	1,446

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

Note: There is a material difference in the 2010 Department of Revenue estimate and the 594,833 US Census estimate.

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

Year 12/31	PDAF Unsegregated Balance	GO Debt /Net EV	GO Debt /capita
2008	\$50,916,679	2.29%	1,248
2009	50,444,955	2.41	1,291
2010	55,453,164	2.92	1,482
2011	57,046,631	3.14	1,473
2012 (1)	57,046,631	2.99	1,348

(1) 12/31/12 balance is unknown at this time. Assumes balance is unchanged for the year.

**Computation of Net Direct and Overlapping Debt
May 1, 2013**

Governmental Unit	Debt Outstanding As of May 1, 2013	Percentage Applicable	Share of Debt As of May 1, 2013
City of Milwaukee (1)	\$ 918,054,150	100.00%	\$ 918,054,150
Area Board of Vocational, Technical and Adult Education, District No. 9	121,560,000	37.19	45,208,085
County of Milwaukee	749,595,000	45.70	342,583,218
Milwaukee Metropolitan Sewerage District..	1,025,231,716	46.65	478,280,855
Total Net Direct and Overlapping Debt.....	\$2,814,440,866		\$1,784,126,307

(1) Includes \$114 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue, and excludes debt to be refunded and provisions for current year maturities.

Future Financing

Prior to the issuance of the Tax-Exempt Obligations, the City has \$432 million authorized unissued general obligation debt for various corporate and capital improvement purposes, which can be issued at any time. The City also has \$400 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes. In addition to the \$100 million of CFNs, the City anticipates issuing \$25 million of EMCP in May, 2013 for City cash flow purposes. EMCP gives the City the ability to monitor cash flow and payoff the EMCP sooner or later than the anticipated November, 2013 repayment date.

The City has \$93 million of Extendable Municipal Commercial Paper outstanding which can be refinanced with General Obligation Debt. \$22 million will be refinanced with this issue, \$67 million are anticipated to be permanently financed with Sewer Revenue Bonds, and \$4 million with Water Revenue Bonds.

In addition to refunding the Extendable Municipal Commercial Paper, the authorized unissued general obligation debt includes \$79 million for sewer purposes and \$17 million for water purposes. The sewer purpose debt, including a planned refunding of sewer revenue debt, is anticipated to be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund Program. The water purpose debt is anticipated to be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Safe Drinking Water Loan Program.

The City is also considering the issuance of \$38 million for School Purposes with General Obligation Qualified School Construction Bonds.

See “**FINANCIAL INFORMATION – City Capital Improvement Plan**” herein for information on potential future capital needs.

City Capital Improvement Plan

The City’s 2013-2017 Draft Capital Improvement Plan (“CIP”) outlines planned capital improvement projects and programs. Some school purpose improvements are financed by the City for Milwaukee Public School, but are not included in the CIP.

The six-year CIP plan totals \$988 million. About \$652 million, or 66% of the planned spending, is intended to preserve the City’s existing infrastructure facilities (streets, sewers, alleys, bridges, etc.).

Approximately 66% (\$654 million) is anticipated to be borrowed with General Obligation debt, with the balance (\$334 million) being borrowed with revenue debt.

Purpose	Amount (\$ Millions)
Transportation	\$323
Environment.....	334
Economic Development..	179
Public Safety	64
Miscellaneous.....	88
Total	<u>\$988</u>

Extendable Municipal Commercial Paper Program and other Liquidity

The City has authorized the issuance of Extendable Municipal Commercial Paper (“*EMCP*”) with the Extendable Municipal Commercial Paper Notes, 2012 Program, Series C6, Series R7, and Series T8 (Taxable) (the “*Series C6 Notes*”, “*Series R7 Notes*”, and “*Series T8 Notes*” respectively, and together, the “*EMCP Notes*”). Any combination of Series C6 Notes, Series R7 Notes, and Series T8 Notes, up to an aggregate total of \$200,000,000, is authorized to be outstanding at any time. The EMCP Notes are not general obligation debt of the City, however they are issued in anticipation of the issuance of general obligation promissory notes, which can be issued at any time. The EMCP Notes are authorized to be outstanding until May 22, 2017.

The EMCP Notes may be issued at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the EMCP Note program is to provide interim financing for expenditures pending the City’s next long-term financing and short-term cash flow needs. As of April 1, 2013, the City had \$93,000,000 of Series C6 Notes outstanding.

The City anticipates entering into a taxable General Obligation Promissory Line of Credit Note with PNC Bank (the “*Line*”) in the amount of \$50,000,000. The Line may be drawn upon at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the Line is to provide interim financing for expenditures pending the City’s next long-term financing and short-term cash flow needs. The line is anticipated to be authorized to be outstanding until April 2023.

Auction Rate and Other Variable Rate Exposure

The City has no outstanding Auction Rate securities. The City has \$30 million of multi-modal general obligation bonds (the “*MMB*”) that are authorized to be outstanding through February 15, 2032, are currently in two variable rate modes, and are anticipated to remain variable rate until redeemed. \$15 million of the MMBs are Floating Rate Notes (the “*FRN*”) tied to the SIFMA index through a January 1, 2016 mandatory purchase date. The FRNs are anticipated to be remarked by the City on or before the mandatory purchase date. \$15 million of the MMBs are Rolling Tender Variable Rate Bonds (the “*RTV*”). The RTVs have an interest rate that is set weekly by a remarketing agent. An Owner of an RTV may tender an RTV on 7-days’ notice. If the tendered RTV is not remarketed, the tendered RTV enters a 173-day Extension period (total of 180 days from the tender date), during which time the City makes its best efforts to remarket into another mode, including fixed rate mode.

It is anticipated that, over time, up to 15-25% of the tax levy supported long-term general obligation debt will be in the form of variable rate debt.

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

REVENUE BONDING

The City has issued revenue bonds for its Water and Sewerage Systems and has issued industrial revenue bonds on behalf of borrowers for eligible projects. Additionally, the Housing Authority of the City (the “*Housing Authority*”), the Redevelopment Authority of the City (the “*Redevelopment Authority*”), the Milwaukee Economic Development Corporation and related entities also have outstanding obligations. Collectively, the programs of the Housing and Redevelopment Authorities and Milwaukee Economic Development Corporation complement the City-financed economic development projects and foster the same development objectives.

Water System Revenue Bonds, Series 1998 – In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 1, 2012, the outstanding balance was \$6.5 million.

Sewerage System Revenue Bonds – In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds, and in 2003, the City issued an additional \$33,885,000 of Sewerage System Revenue Bonds. In 2011, the City issued \$52,565,000 of refunding and new money Sewerage System Revenue Bonds. As of December 31, 2012, total outstanding Sewerage System Revenue Bonds was \$59 million with a final maturity in 2031.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 31, 2012, the City had \$77 million outstanding under the Program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See “**Future Financing**”).

Industrial Revenue Bonding Program – The City has established guidelines relating to its Industrial Revenue Bonding Program. These guidelines establish criteria for IRB financing. The guidelines delineate that the primary goals of this program are to create additional tax base, additional jobs, or both.

Industrial land, buildings, and machinery and equipment used in the manufacturing process and pollution abatement equipment of new or expanding industries are eligible projects. Since the first IRB issue in 1973, the City has closed 125 issues amounting to approximately \$265 million. The City has no responsibility to either secure or redeem IRB debt, and thus neither guarantees nor lends its own credit to these obligations.

Housing Authority of the City of Milwaukee – Most of the Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority has also issued debt for “*stand alone*” projects. The Housing Authority bonds and notes are limited obligations of the Housing Authority and are neither a general obligation of the City nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

Between 1983 and December 1, 2012, the Housing Authority issued revenue bonds of approximately \$149 million, of which approximately \$8.3 million are still outstanding.

Redevelopment Authority of the City of Milwaukee – The Redevelopment Authority is a public body corporate and politic formed in 1958 by action of the Common Council of the City pursuant to the Section 66.1333 (formerly Section 66.431) of the Wisconsin Statutes, as supplemented and amended (“*Redevelopment Authority Act*”).

The Redevelopment Authority has as its purpose the carrying out of blight elimination, slum clearance and urban renewal programs and projects as set forth in the Redevelopment Authority Act, and is authorized under the Redevelopment Authority Act to issue revenue bonds for the financing of such programs and projects, and to enter into revenue agreements to provide revenues for the payment of such revenue bonds.

Since its creation, the Redevelopment Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Redevelopment Authority Act. In connection with the financing of a number of such projects, the Redevelopment Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Redevelopment Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power.

The majority of these issues are supported solely by the revenues of the various projects. While in each instance, the bonds issued constitute limited obligations of the Redevelopment Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power, there are certain issues which involve contingent liabilities of the Redevelopment Authority and/or the City.

As of December 31, 2012, the Redevelopment Authority had outstanding: two bond issues with \$35,115,000 outstanding that have a Moral Obligation Pledge of the City; and \$243,344,122 in five bond issues for Milwaukee Public Schools, one secured by a lease, and four secured by loan agreement, with the Milwaukee Board of School Directors (“*MBSD*”). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City’s, or MBSD’s, taxing powers. The loan agreements with MBSD includes a pledge of certain state aid payable to MBSD.

The Redevelopment Authority has also issued debt payable from tax increment revenues. (See “**TAX INCREMENT DISTRICT FINANCING**” herein).

Milwaukee Economic Development Corporation – As of December 31, 2012, the Milwaukee Economic Development Corporation, itself, or through a related entity, funded loans for 1,102 small businesses and redevelopment projects utilizing \$282 million to leverage a total of \$1.42 billion in investment. 920 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$53 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration’s Section 503 and 504 loan programs in the amount of \$6 million as of December 31, 2012.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts (“*TID*”) of the City. The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of December 31, 2012, \$189 million general obligation bonds for TID purposes were outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. Two of those issues, in the approximate amount of \$34 million, have the Moral Obligation Pledge of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed use TIDs and industrial TIDs, which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three year extension under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the City’s general property tax levy.

FINANCIAL INFORMATION

Budgeting

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits a statement of anticipated non property tax revenues in accordance with City Charter provisions. Under the City Charter, changes to these non-property tax revenue estimates can be made only by the Comptroller. The Mayor holds hearings on departmental spending requests during July and August at the times and places the Mayor or Common Council by ordinance directs. The Mayor submits a proposed budget to the Common Council on or before September 28th of each year. This budget includes the Comptroller’s anticipated non property tax revenues. Subsequent to receipt of the budget by the Common Council, its Committee on Finance and Personnel reviews the Mayor’s proposed expenditure budget. The Mayor and Common Council hold a public hearing on the entire budget no later than the 30th day of October. The Common Council subsequently adopts a property tax levy, but cannot change the Comptroller’s anticipated revenues budget. The final budget must be adopted by the 14th of November. The City is under no State or local levy limits with respect to General Obligation Debt Service.

Adopted Budget - Combined Revenues - 2013

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax – General	\$96,871,169	–	\$67,771,672	\$1,050,000		\$165,692,841
Provision for Empl Retirement (1)	79,698,013					79,698,013
Common Council Cont	5,000,000					5,000,000
Total Taxes.....	\$181,569,182	–	\$67,771,672	\$1,050,000	0	\$250,390,854
Revenues						
Taxes.....	\$ 16,519,800					\$ 16,519,800
Licenses and Permits	13,799,360					13,799,360
Intergovernmental Revenues....	260,447,586	\$69,363,873				329,811,459
Charges for Service	157,652,362					157,652,362
Fines and Forfeitures	5,129,000					5,129,000
Miscellaneous Revenues	6,960,325	11,300,000				18,260,325
Fringe benefits (2)	24,000,000					24,000,000
Parking.....	18,550,000		\$ 2,170,000	\$ 5,000,000	\$ 18,377,300	44,097,300
Water Works.....	–		5,870,907	5,850,000	73,015,093	84,736,000
Sewer Maintenance Fund.....	12,734,075		11,408,929	6,450,000	28,181,909	58,774,913
Retained Earnings					15,380,068	15,380,068
Sinking Fund			112,302,389			112,302,389
Cash Flow borrowing			125,000,000			125,000,000
Special Assessments.....		7,912,216		2,209,000		10,121,216
Capital Revenue				14,957,000		14,957,000
Total Revenues.....	\$515,792,508	\$88,576,089	\$256,752,225	\$34,466,000	\$134,954,370	\$1,030,541,192
Tax Stabilization						
Transfer from Reserves	14,900,000					14,900,000
Sale of Bonds and Notes						
General City				85,964,900		85,964,900
Enterprise Funds.....				46,951,000		46,951,000
Grand Total	\$712,261,690	\$88,576,089	\$324,523,897	\$168,431,900	\$134,954,370	\$1,428,747,946

(1) Includes employer and employee pension contributions and City employers' share of FICA.

(2) For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

Adopted Budget – Combined Appropriations – 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$ 10,334,585			\$ 1,875,000		\$ 12,209,585
Assessor's Office	4,397,696					4,397,696
City Attorney	7,472,224					7,472,224
City Treasurer	2,877,619					2,877,619
Common Council – Clerk	8,243,977			117,500		8,361,477
Municipal Court	3,297,997					3,297,997
Comptroller	5,201,535					5,201,535
Dept of City Development	3,097,335			17,585,000		20,682,335
Election Commission	1,371,679					1,371,679
Employee Relations, Dept of	4,492,713					4,492,713
Fire and Police Commission	1,392,584					1,392,584
Fire Department	103,873,222			3,403,000		107,276,222
Health Department	12,626,673			435,000		13,061,673
Library Board	21,593,610			3,743,000		25,336,610
Mayor's Office	1,101,366					1,101,366
Neighborhood Services	19,858,426					19,858,426
Police Department	237,538,363			7,375,700		244,914,063
Port of Milwaukee	4,581,521			1,075,000		5,656,521
DPW-Administration	3,815,752			500,000		4,315,752
DPW-Infrastructure	37,595,621			49,189,700		86,785,321
DPW-Operations	75,979,158			10,372,000		86,351,158
Water Works			5,870,907	13,850,000	\$ 81,133,719	100,854,626
Sewer Maintenance Fund			11,408,929	44,510,000	33,480,544	89,399,473
Special Purpose Accounts	155,494,137					155,494,137
Pension Funds	125,999,240					125,999,240
Debt Service – City			180,074,061			180,074,061
Debt Service - Cash Flow			125,000,000			125,000,000
Contingency	5,000,000					5,000,000
Delinquent Tax Fund		\$11,300,000				11,300,000
Parking			2,170,000	5,891,000	20,340,107	28,401,107
Grant & Aid Fund		69,363,873				69,363,873
Special Capital Projects				8,510,000		8,510,000
Economic Development		7,912,216				7,912,216
Fringe Benefit Offset	(144,975,343)					(144,975,343)
Grand Total	<u>\$712,261,690</u>	<u>\$88,576,089</u>	<u>\$324,523,897</u>	<u>\$168,431,900</u>	<u>\$134,954,370</u>	<u>\$1,428,747,946</u>

(1) For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

Budgetary Comparison Schedule – General Fund
For The Years Ending December 31, 2007 Through 2011
(Thousands of Dollars)

	2007(1)	2008	2009	2010	2011
Revenues:					
Property Taxes.....	137,253	141,573	156,410	168,031	166,841
Other Taxes.....	5,311	4,839	3,504	5,097	4,371
Licenses and Permits	13,704	12,918	12,186	12,948	13,289
Intergovernmental.....	272,539	271,100	272,337	270,939	273,240
Charges for Services.....	76,496	86,410	91,057	97,146	103,493
Fines and Forfeitures	5,800	5,277	4,802	5,422	5,076
Other	18,883	12,864	19,967	20,323	13,387
Total General Fund Revenues	529,986	534,981	560,263	579,906	579,697
Tax Stabilization Fund Withdrawals.....	23,175	29,457	22,379	13,070	14,600
Other Financing Sources and Equity.....					
Transfers (Net).....	43,224	40,234	46,896	49,640	46,199
Total General Fund Revenues Tax Stabilization Fund Withdrawals and Other Financing Sources	596,385	604,672	629,538	642,616	640,496
Expenditures:					
General Government.....	201,021	199,004	202,066	253,328	229,556
Public Safety.....	257,137	266,370	276,060	264,067	258,994
Public Works	93,956	103,149	97,093	94,482	96,557
Health	10,359	10,118	10,446	9,996	8,872
Culture and Recreation	17,548	16,782	17,329	15,656	15,566
Conservation and Development.....	3,279	3,456	4,230	3,747	3,991
Total Expenditures	583,300	598,879	607,224	641,276	613,536
Sources Over (Under) Expenditures	13,085	5,793	22,314	1,340	26,960
Fund Balance – January 1 (excludes reserved for use during the year).....	82,000	65,628	49,042	58,286	45,026
Fund Balance – December 31	95,085	71,421	71,356	59,626	71,986
Fund Balance Components:					
Reserved for Encumbrances & Carryovers.....	21,376	22,865	21,919	8,144	
Reserved for Inventory	6,252	7,248	6,827	7,220	
Reserved for Mortgage Trust.....	218	173	141	135	
Reserved for Environmental Remediation.....	303	303	303	303	
Reserved for Next Year's Budget.....	29,457	22,379	13,070	14,600	[13,767](2)
Reserved for Subsequent Years' Budget.....	37,479	18,453	29,096	29,224	[34,937](2)
New presentation as of FY 2011					
Nonspendable					15,044
Restricted.....					0
Committed					2,995
Assigned					26,778
Unassigned.....					27,169
Total Fund Balance	95,085	71,421	71,356	59,626	71,986

- (1) In 2007, balances presented on a Budget Basis do not match balances presented on a Generally Accepted Accounting Principles ("GAAP") basis due to borrowing for certain expenditures authorized in the current fiscal year but not completed until the subsequent fiscal year. Budget Basis recognizes the revenues and expenditures in the same fiscal year, whereas GAAP does not recognize the revenues until the year the borrowing actually occurs. On a GAAP basis, the balances for "Reserve for Subsequent Years' Budget" and "Total Fund Balance" in 2007 were \$33,247 and \$90,853, respectively.
- (2) For informational purposes only. Amounts are included in the balances below.

City of Milwaukee
General Fund – Projected Cashflow Summary
(Millions of Dollars)
January 1, 2013 to December 31, 2013

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Balance Receipts	101.488	72.356	16.778	(13.822)	(32.050)	70.999	1.279	86.867	57.363	36.881	26.763	162.993	
Property Taxes	10.238	9.301	3.248	6.794	4.799	9.594	61.783	8.009	14.287	14.542	0.994	67.766	211.355
State Aids.....													
Shared Revenue	–	–	–	–	–	–	41.279	–	–	–	185.890	–	227.169
Highway Aids	6.020	–	–	6.023	–	–	6.813	–	–	6.023	–	–	24.879
Payment Muni. Services ...	–	1.922	–	–	–	–	–	–	–	–	–	–	1.922
Computer Exemption Aid.	–	–	–	–	–	–	3.900	–	–	–	–	–	3.900
Other	10.314	15.311	8.878	7.128	15.092	8.913	11.629	12.111	9.837	14.414	9.957	16.219	139.803
Delinquent Taxes Transfer .	31.404	–	–	–	–	–	–	–	–	–	–	–	31.404
Pension Fees	2.046	–	0.593	1.217	2.255	1.094	1.266	2.058	1.019	0.577	1.913	2.333	16.371
City Services Fees	3.370	2.711	2.397	2.289	2.638	1.699	2.370	2.273	2.067	3.998	4.374	3.669	33.855
City PILOTS (Major)	–	–	–	–	–	–	–	–	–	–	–	–	13.330
Parking Transfers.....	–	–	–	–	–	9.275	–	–	–	–	–	–	9.275
Summerfest Lease	–	–	–	–	–	–	–	–	–	–	–	–	1.364
Street Sweeping	–	–	–	–	–	7.219	–	–	–	–	–	–	7.219
Vehicle Registration Fee	0.375	0.451	0.441	0.441	0.630	0.693	0.630	0.567	0.567	0.567	0.567	0.378	6.307
Potawatomi PILOT.....	–	–	–	–	–	–	–	5.515	–	–	–	–	5.515
Year End Transfers	26.338	–	–	–	–	–	–	–	–	–	–	–	26.338
Note Proceeds (1)	–	–	–	–	125.000	–	–	–	–	–	–	–	125.000
Total Receipts	90.105	29.696	15.557	23.892	150.414	38.487	129.670	30.533	27.777	40.121	203.695	121.553	901.500
Disbursements													
Salaries & Benefits	50.688	39.340	36.630	36.269	37.783	37.314	37.627	49.568	37.304	37.616	37.208	37.690	475.037
Services & Supplies.....	9.240	10.018	9.527	5.851	9.582	11.398	6.455	10.469	10.955	12.623	5.257	19.055	120.430
Employer Pension Contribution.....	59.309	–	–	–	–	–	–	–	–	–	–	–	59.309
Purchase Tax Delinquents ..	–	35.916	–	–	–	–	–	–	–	–	–	–	35.916
Contractual Tax Payment ...	–	–	–	–	–	59.495	–	–	–	–	–	–	59.495
Year End Transfers	–	–	–	–	–	–	–	–	–	–	–	29.300	29.300
Note Principal Repayment (1).....	–	–	–	–	–	–	–	–	–	–	25.000	100.000	125.000
Total Disbursements	119.237	85.274	46.157	42.120	47.365	108.207	44.082	60.037	48.259	50.239	67.465	186.045	904.487
Balance	72.356	16.778	(13.822)	(32.050)	70.999	1.279	86.867	57.363	36.881	26.763	162.993	98.501	

Maximum deficit occurs in July and November.

(1) Includes the CFNs and anticipated extended municipal commercial paper for cash flow purposes.

**City of Milwaukee
General Fund
Projected Schedule of Cash Receipts and Disbursements
for the Year Ended December 31, 2013
(Millions of Dollars)**

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Excluding CFNs and EMCP
January	\$101.488	\$ 90.105	\$119.237	\$72.356	\$72.356
February	72.356	29.696	85.274	16.778	16.778
March	16.778	15.557	46.157	(13.822)	(13.822)
April	(13.822)	23.892	42.120	(32.050)	(32.050)
May	(32.050)	150.414 (1)	47.365	70.999	(54.001)
June	70.999	38.487	108.207	1.279	(123.721)
July	1.279	129.670	44.082	86.867	(38.133)
August	86.867	30.533	60.037	57.363	(67.637)
September	57.363	27.777	48.259	36.881	(88.119)
October	36.881	40.121	50.239	26.763	(98.237)
November	26.763	203.695	67.465	162.993 (2)	62.993
December	162.993	121.553	186.045	98.501 (2)	98.501
		<u>\$901.500</u>	<u>\$904.487</u>		

(1) Amount includes CFN and EMCP principal receipts.

(2) Amounts include CFN and EMCP principal repayments.

**City of Milwaukee
General Fund
Schedule of Cash Receipts and Disbursements
for the Year Ended December 31, 2012
(Millions of Dollars)**

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)
January	\$92.796	\$ 94.028	\$ 52.451	\$134.373
February	134.373	29.259	117.190	46.442
March	46.442	22.001	59.225	9.218
April	9.218	27.441	42.741	(6.082)
May	(6.082)	175.520 (1)	51.743	117.695
June	117.695	38.123	105.874	49.944
July	49.944	130.100	48.276	131.768
August	131.768	30.963	71.909 (2)	90.822
September	90.822	27.787	49.229	69.380
October	69.380	40.301	53.919	55.762
November	55.762	203.914	86.782 (2)	172.894
December (4)	172.894	116.935	188.341 (3)	101.488
		<u>\$936.372</u>	<u>\$927.680</u>	

Notes:

(1) \$150 million of CFNs and EMCP were issued in May.

(2) \$10 million of EMCP was repaid in August, and \$40 million in November.

(3) \$100 million of CFNs were repaid in December.

(4) Estimated.

City of Milwaukee
Schedule of Cash and Investment Balances – All Funds – 2012
(Millions of Dollars)

	General Fund (1)	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds (2)	Total
January	\$134.373	\$294.862	\$42.675	\$134.271	\$606.181
February	46.442	233.892	43.056	114.300	437.690
March	9.218	214.806	43.477	116.442	383.943
April	(6.082)	212.417	43.953	146.096	396.384
May	117.695	256.705	44.333	106.662	525.395
June	49.944	255.521	44.834	87.955	438.254
July	131.768	250.009	45.212	32.930	459.919
August	90.822	222.090	45.664	35.536	394.112
September	69.380	180.617	46.114	39.012	335.123
October	55.762	247.855	46.694	73.024	423.335
November	172.894	196.057	47.044	24.109	440.104
December (estimate)	101.488	96.144	48.260	398.137	644.029

(1) Balances reflect proceeds from the sale of the Series 2012 Short Term Promissory Notes and their subsequent repayment.

(2) Agency Funds includes Milwaukee Public Schools.

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

City of Milwaukee
Projected Schedule of Cash and Investment Balances – All Funds – 2013
(Millions of Dollars)

	General Fund (1)	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds (2)	Total
January	\$72.356	\$231.392	\$37.365	\$133.872	\$474.985
February	16.778	203.488	45.828	116.085	382.179
March	(13.822)	208.981	47.245	147.238	389.642
April	(32.050)	219.866	49.227	148.376	385.419
May	70.999	212.506	48.020	108.064	439.589
June	1.279	218.242	60.809	89.877	370.207
July	86.867	211.256	65.226	56.838	420.187
August	57.363	184.062	65.040	36.018	342.483
September	36.881	149.756	64.659	39.065	290.361
October	26.763	192.705	56.610	74.501	350.579
November	162.993	176.587	47.934	124.438	511.952
December	98.501	205.551	47.815	401.729	753.596

(1) Balances reflect proceeds from the sale of the CFNs and subsequent repayment.

(2) Agency Funds includes Milwaukee Public Schools.

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

City of Milwaukee
Assessed and Equalized Valuations

	Year 2008 For 2009 Purposes	Year 2009 For 2010 Purposes	Year 2010 For 2011 Purposes	Year 2011 For 2012 Purposes	Year 2012 For 2013 Purposes
Real Property					
Residential	\$19,173,232,823	\$17,743,825,065	\$17,156,626,561	\$17,069,535,250	\$14,750,294,600
Industrial (Manufacturing)	772,959,900	732,007,800	732,279,700	746,955,100	707,123,600
Mercantile (Commercial)	9,483,547,328	9,485,580,238	9,202,213,459	9,191,348,932	8,992,762,442
Total Real Property	\$29,429,740,051	\$27,961,413,103	\$27,091,119,720	\$27,007,839,282	\$24,450,180,642
Personal Property	1,001,936,153	983,160,269	957,344,628	909,803,701	871,919,936
Total Assessed Valuations	<u>\$30,431,676,204</u>	<u>\$28,944,573,372</u>	<u>\$28,048,464,348</u>	<u>\$27,917,642,983</u>	<u>\$25,322,100,578</u>
Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee	\$32,257,525,000	\$31,266,329,200	\$29,520,783,200	\$27,954,669,900	\$26,421,932,000
Ratio of Assessed to Equalized Valuation	94.34%	92.57%	95.01%	99.87%	95.84%

City of Milwaukee
Assessed Tax Rates
(Per \$1,000 of Assessed Valuation)

	2009	2010	2011	2012	2013
Unit of Government					
City Government	\$8.09	\$9.12	\$9.25	\$9.25	\$10.25
Milwaukee Public Schools	9.82	10.85	11.11	11.11	12.31
Milwaukee County	4.38	4.87	4.89	4.89	5.44
Milwaukee Area Technical College	1.94	2.02	1.95	1.95	2.21
Milwaukee Metropolitan Sewerage District	1.37	1.52	1.51	1.51	1.70
Gross Tax Rate Per \$1,000	\$25.60	\$28.38	\$28.71	\$28.71	\$31.91
Less: State Tax Credit	<u>(\$1.57)</u>	<u>(\$1.81)</u>	<u>(\$1.81)</u>	<u>(\$1.81)</u>	<u>(\$1.96)</u>
Net Tax Rate	<u>\$24.03</u>	<u>\$26.57</u>	<u>\$26.90</u>	<u>\$26.90</u>	<u>\$29.95</u>

City of Milwaukee
Property Tax Levies and Collections
(\$ Amounts in Thousands)

Budget Year	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
	Levy	Collections	% of Levy	Amount	% Collected
2007	\$265,319	\$257,350	97.00%	\$7,573	99.85%
2008	286,180	277,119	96.83	8,556	99.82
2009	276,186	265,691	96.20	8,919	99.43
2010	291,943	281,099	96.29	6,083	98.37
2011	295,967	284,489	96.12	0	96.12

Collection Procedures

If no payment of property taxes is received in January, the taxes become delinquent as of February 1st. If the taxes are not paid when due under the 10-month installment plan, they become delinquent for legal purposes on November 15th.

A letter is mailed to the taxpayer shortly after February 1st, telling of the delinquency and suggesting partial payments if full payment cannot be made. As directed by Chapter 74 of the Wisconsin Statutes interest at the rate of 1 percent per month is charged from the preceding January 1st. Periodic follow-up letters continue to be mailed.

Taxpayers are given every opportunity to pay their delinquent taxes and satisfactory agreements are arranged to bring this about. If a property owner continues to remain delinquent and the Treasurer's Office is unable to reach an arrangement by which the owner will pay the taxes, the Treasurer's Office starts foreclosure proceedings. The City enforces its own delinquent tax collections.

Taxes are foreclosed under Section 75.521 of the Wisconsin Statutes, which permits a legal action to be commenced one year from the date of delinquency. An exception to this provision is that legal action on owner-occupied dwellings may be deferred up to two years if authorized by Common Council action.

The rate of current tax collections continues at an historically high level. Current collections for 2011 were approximately 96.1% percent of the total tax levied.

Insurance

The City has property insurance with the State of Wisconsin Local Government Property Insurance Fund. This insurance is subject to a \$25,000 deductible. The City is uninsured for liability. Under Wisconsin law, the City's exposure in tort liability is limited to \$50,000 in non-automobile cases and \$250,000 in automobile cases. The City maintains a wharfinger's liability policy on its port with coverage up to \$10 million and a deductible of \$500,000. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as may be deemed appropriate by the City.

PENSION SYSTEM SUMMARY

Employees' Retirement System

The Employees' Retirement System (ERS) of the City is established pursuant to Section 36 of the Milwaukee City Charter. Membership in the ERS includes some classes of part-time employees, all full-time employees, and elected officials.

ERS Membership
As of December 31, 2011

Class	Vested	Non-Vested	Inactive	Retired
General & Elected....	6,545	1,427		8,501
Police	1,782	140		2,214
Firefighters.....	765	108		1,222
Certain pre-1996				23
Total.....	9,092	1,675	4,127	11,960

Source: Table 5 of the Actuarial Valuation Report as of January 1, 2012.

The primary benefit of the ERS is a defined benefit plan with eligible employees earning a Retirement Allowance for each year of service. Funding for the ERS is derived from Member and actuarially required employer contributions. Current Retirement Allowance accrual rates and Member contributions to the system (expressed as a percentage of compensation) are as follows:

Basic Benefit Accrual Rates and Member Contributions

Class	Retirement Allowance	Maximum Allowance	Member* Contribution
General and Mayor	2.0%	70%	5.5%
Elected Officials, excluding the Mayor ...	2.5%	None	7.0%
Police	2.5%	90%	7.0%
Firefighters.....	2.5%	90%	7.0%

* For employees hired prior to January 1, 2010, in addition to paying the actuarially-required employer contribution, the City makes the Member contribution on behalf of the employee. 2011 Wisconsin Act 10 provides that all state and local public employees make an employee contribution, except as otherwise provided under collective bargaining agreements. The City Attorney and independent outside counsel have advised the City that the City's Home Rule status, a 2000 Global Pension Settlement, and prior state statutes, create contractual pension rights for City employees which supersede the employee contribution requirement of 2011 Wisconsin Act 10. As a result, the City has continued to make the Member contribution on behalf of City employees hired prior to 2010.

Schedule of Funding Progress
(\$ amounts in thousands)

Valuation As of Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2011	\$4,404,635	\$4,587,915	\$183,280	96.0%	\$525,181	34.9%
2010	4,641,425	4,447,548	-	104.4	538,218	0.0
2009	4,814,402	4,269,324	-	112.8	553,846	0.0
2008	4,076,297	4,113,089	36,792	99.1	536,558	6.9
2007	5,192,000	3,958,061	-	131.2	532,412	0.0

Source: Table 11a of the Actuarial Valuation Report as of January 1, 2012.

Schedule of Employer Contributions
(\$ amounts in thousands)

Year Ended Dec 31	Annual Actuarially Required Contribution	Percentage Contributed
2011	\$31,402	0%
2010	1,450	0
2009	60,098	100
2008	-	n/a
2007	-	n/a
2006	-	n/a

Source: Table 11b of the Actuarial Valuation Report as of January 1, 2012.

Actuarial Assumptions and Methods include:

- Actuarial Cost Method: Projected Unit Credit
- Amortization Method: Closed; Level Percent of Pay; Pay assumed to grow 3% per year
- Remaining Amortization Period: 22 years
- Asset Valuation Method: 5-year smoothed market, 20% corridor
- Investment Rate of Return: 8.5% average
- Projected Salary Increases: General: 3.5-8.5%; Police and Fire: 4.0-15.4%
- Inflation Assumption: 3.0%
- Cost of Living Adjustments: Varies by Employee Class

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see <http://www.cmers.com>. The Employees' Retirement System Actuarial Valuation Report as of January 1, 2012 is available from EMMA and is hereby incorporated by reference. (See "CONTINUING DISCLOSURE" herein).

Firemen's Annuity and Benefit Fund

The Firemen's Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen's Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989. There are approximately 60 members or their spouses currently receiving benefits under the Fund program.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to members and spouses, exclusive of duty disability benefits, beginning in February 1990 in consideration of a single premium payment on January 31, 1990 in the amount of \$20,419,207. The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board ceased its activities and the Firemen's Annuity and Benefits Fund was dissolved. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the annuity policy. The estimated value of those benefits is under \$3,000,000.

Policemen's Annuity and Benefit Fund

Membership in the Policemen's Annuity and Benefit Fund (PBAF) consists of all Police Department employees whose service commenced prior to July 29, 1947. As of December 31, 2011, there were 23 members and 47 spouses receiving benefits under the fund program.

Current funding is derived from employer contributions. Chapter 35 of the City Charter provides that annual contributions consist of: 1) an amount sufficient to amortize the unfunded actuarial liability over a ten-year period with a series of level dollar payments; and 2) budgeted administrative expenses for the year.

For copies of the PABF actuarial reports, see <http://www.cmers.com>

Schedule of Funding and Contributions
(\$ amounts in thousands)

Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Percent Contributed
2011	\$1,008	\$2,451	\$1,444	41.1%	\$209	100%
2010	1,584	2,946	1,362	53.8	269	100
2009	1,936	3,687	1,751	52.5	330	100
2008	2,147	4,296	2,148	50.0	041	100
2007	4,779	5,049	270	94.7	057	100

Source: Policemen's Annuity and Benefit Fund, Actuarial Valuation Reports as of January 1, 2012 (and each prior year). Summary of Principal Results.

Other Post-Employment Benefits

The City provides other post-employment benefits (OPEB) to its retirees for health and life insurance. A single-employer defined benefit healthcare plan and life insurance plan are sponsored by the City and administered by ERS. The City provides medical insurance benefits for substantially all retirees. Retiree coverage begins at age 55 with at least 15 years of service for General City employees, at any age with at least 25 years of service for Police employees, and at age 49 with at least 22 years of service for Fire employees. In addition, the City allows employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees.

Until age 65, for retirees with at least 15 years of creditable service, the majority of the cost of the health benefit plan is paid by the City. After attaining the age of 65, and having completed a minimum of 15 years of creditable service, the City pays 25% of the applicable HMO premium, or 25% of the base rate (0% of the major medical rate) of the City's Basic Plan.

Eligible retirees are able to continue coverage under the City's Group Life Insurance Plan, and pay the same rate as active employees. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching age 65, their coverage will be reduced in accordance with a reduction schedule, with the City assuming all future premiums.

The required contribution for medical and life insurance for retirees is based upon pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2011, the City paid approximately \$33.2 million and \$1.3 million, respectively, towards medical and life insurance for retirees.

The actuarial cost of health benefits and life insurance for retirees exceeds the average amount paid by retirees, therefore, the additional cost is paid by the City and is the basis for the OPEB obligation account for under GASB 45.

Funding Status and Funding Progress
(\$ amounts in thousands)

Annual Required Contribution (ARC)	\$71,883
Interest on Net OPEB	7,846
Adjustment to ARC	(6,658)
	<hr/>
Annual OPEB Cost	73,071
Contributions Made	34,545
	<hr/>
Increase in net OPEB Obligation	38,526
Net OPEB Obligation – beginning of year	174,360
	<hr/>
Net OPEB Obligation – end of year	<u>\$212,886</u>

Source: City's 2011 CAFR.

Annual Cost and Net OPEB Liability
(\$ amounts in thousands)

Year Ended Dec 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$73,071	47.3%	\$212,886
2010	81,311	41.8	174,360
2009	77,389	37.1	127,074
2008	73,100	45.0	78,400
2007	67,600	43.5	38,200

Source: City's 2011 and 2009 CAFRs.

Schedule of Funding Progress
(\$ amounts in thousands)

Valuation As of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Jan 1, 2011	\$0	\$ 916,383	\$ 916,383	0.0%	\$407,840	225%
Jan 1, 2010	0	1,007,573	1,007,573	0.0	413,648	244
Jan 1, 2009	0	959,562	959,562	0.0	419,811	229
July 1, 2008	0	880,700	880,700	0.0	425,400	207
July 1, 2007	0	806,300	806,300	0.0	412,700	195

Source: City's 2011, 2010, 2009, 2008, and 2007 CAFRs.

Actuarial Assumptions and Methods include:

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 8.5% 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.

LEGAL MATTERS

Litigation Statement

The City, its boards, officers and employees, have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. The City does not carry a blanket policy of insurance against tort liability. In addition, Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officers, officials or employees for acts done in their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on March 22, 2013.

Amoco Oil, et al. v. City of Milwaukee. Amoco, BP, Marathon, and US Oil are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessments is consistent with the law because they run with the property. Following the June 2011 lifting of the stay imposed during the pendency of *Metropolitan Associates v. City of Milwaukee*, (plaintiff successfully challenged the validity of 2008 amendments to § 74.37 of the Wisconsin Statutes that would have been favorable to the City in future tax cases), four separate cases have been consolidated in Judge Foley's court for trial on November 6, 2013. In addition, following the lifting of the stay, each of the terminals was permitted to add tax years 2009, 2010 and 2011 to the original claim for tax year 2008. Approximately \$2.5 million of property taxes are being disputed.

Section 74.37 Litigation. Several plaintiffs, including Walgreen's and CVS have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009, 2010 and 2011 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication beginning in 2013. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax years 2010 and 2011. These are also moving toward adjudication in 2013 and 2014. Appeals by the losing party are likely in many of these cases. The city estimates that up to \$8 million of property taxes are being disputed.

William Avery, et al. v. City of Milwaukee, et al. In this 2011 civil rights action, the plaintiffs claim that William Avery was wrongly convicted in 2005 of the 1998 murder of a woman. Avery spent six years in prison until DNA testing in 2010 linked the murder victim to another individual who has been

convicted of murdering a number of other women. Avery claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Avery also claims that supervisors in the police department permitted such alleged misconduct to occur as a matter of practice. The parties are continuing with discovery in the matter. The defendants plan to file a dispositive motion asking the court to dismiss the action.

Chaunte Ott v. City of Milwaukee, et al. In this 2009 civil rights action, Ott claims that he was wrongly convicted in 1996 of the 1995 murder of a girl. Ott spent 13 years in prison until recent DNA testing linked the murder victim to another individual. Ott claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Ott also claims that supervisory individuals in the department permitted such alleged misconduct to occur as a matter of practice. Discovery is nearly complete in this litigation. Defendants plan to file a dispositive motion asking the court to dismiss the case.

Robert Lee Stinson v. City of Milwaukee, et al. In this 2009 civil rights action, Mr. Stinson claims that he was wrongly convicted in 1984 of the murder of a 67-year-old woman. Stinson spent more than 20 years in prison until recent DNA testing of the victim's clothing produced no DNA matching Stinson's and new techniques of examining bite marks on the victim indicating that the marks did not match Stinson's teeth. Stinson claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and conspired with two dental experts to produce false evidence. Discovery has been completed in this matter, and the defendants have all filed dispositive motions seeking to have the court dismiss the case. The motions remain pending.

Estate of James F. Perry, et al. v. Wenzel, et al. This case stems from the September 13, 2010 death of James F. Perry, while he was in custody at the Milwaukee County Criminal Justice Facility (County CJF). According to the complaint, Mr. Perry was in the custody of members of the City of Milwaukee Police Department (City MPD) when he apparently experienced a seizure. Medical personnel were called to the City MPD jail. They treated Mr. Perry and transported him to a local hospital for further treatment and evaluation. Mr. Perry was released from the hospital and was returned to the City MPD jail. His processing there was completed, and he was then transferred to the County CJF, where he later suffered a heart attack and died. Mr. Perry's estate and his minor son brought suit, raising constitutional and state-law claims against the City, the Police Department, the County of Milwaukee, its Sheriff's Department, and various employees thereof. Plaintiffs' claims center around the allegation that all of the City and County employees who came into contact with Mr. Perry that day were deliberately indifferent to his alleged serious medical condition. Plaintiffs also allege direct failure-to-train and failure-to-supervise claims against the City and the County. Plaintiffs claim compensatory and punitive damages, along with attorneys' fees and costs. All City defendants have been served and have filed answers to the complaint. The parties are currently engaged in the early stages of discovery. Motions will ultimately be filed to dismiss the claims raised against the City defendants.

Clear Channel Outdoor v. City of Milwaukee. On June 24, 2012, Clear Channel Outdoor, a national billboard company filed a § 74.37 suit against the City seeking an almost \$4 million refund of property taxes paid in 2009, 2010, and 2011 for its billboards in the City of Milwaukee. This is the latest in a series of attempts by Clear Channel and Lamar Outdoor seeking reversal of the Wisconsin Supreme Court's decision in *Adams Outdoor Advertising v. City of Madison*, and the 2011 Court of Appeals decision in *Clear Channel Outdoor v. City of Milwaukee*. The companies contend that billboards should be taxed as personal property at their cost. The City contends, consistent with the two cases cited above, that the economic value of the billboards and their permits is the fair market value of these properties. The City has defended all of these cases vigorously and will continue to do so. Court proceedings in this new case will be stayed until it has first been heard by the Board of Review. Therefore, no judicial activity is expected until the latter part of 2013.

LEGAL OPINIONS

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

RATINGS

The City has requested ratings on the Tax-Exempt Obligations from Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

Moody's Investors Service, Inc. has assigned a rating of "____" on the CFNs and "____" on the N2 Notes and B3 Bonds. Standard & Poor's Ratings Group has assigned a rating of "SP-1+" on the CFNs and "AA" on the N2 Notes and B3 Bonds.

The ratings, when issued, reflect only the views of the respective ratings agencies, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Tax-Exempt Obligations.

TAX MATTERS

Tax-Exempt Obligations

Summary of Bond Counsel Opinion in connection with the Tax-Exempt Obligations

Bond Counsel are of the opinion that, under existing law, interest on the Tax-Exempt Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), Bond Counsel are of the opinion that interest on the Tax-Exempt Obligations will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that interest on the Tax-Exempt Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Tax-Exempt Obligations is not exempt from Wisconsin income taxes.

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

Tax-Exempt Obligations Purchased at a Premium or at a Discount

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

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

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

Exclusion from Gross Income: Requirements

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

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

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

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

Covenants to Comply

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

Risks of Non-Compliance

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

Federal Income Tax Consequences in connection with the Tax-Exempt Obligations

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

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

Corporate Owners. Interest on the Tax-Exempt Obligations is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Tax-Exempt Obligations is taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

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

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

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

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

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

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

State Tax Matters

Interest on the Tax-Exempt Obligations is not exempt from State of Wisconsin income tax or franchise tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Tax-Exempt Obligations as “*qualified tax-exempt obligations*” for purposes of Section 265 (b)(3) of the Code.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “*Commission*”), pursuant to the Securities Exchange Act of 1934 (the “*Rule*”), the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the “*Undertaking*”) for the benefit of holders including beneficial holders of the Offered Obligation to provide certain financial information and operating data relating to the City annually to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the “*MSRB*”), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access (“*EMMA*”) system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Tax-Exempt Obligations are delivered. Such Certificate will be in substantially the form attached hereto as ***Appendix C***. The City intends to fully comply with the Undertaking relating to the Tax-Exempt Obligations.

Continuing disclosure undertakings entered into prior to August of 2003 required that the City provide Annual Financial Information (AFI) within six months of the end of each fiscal year. Each of the City’s continuing disclosure undertakings since August of 2003 have required filing AFI within nine months of the end of the fiscal year. While the City has consistently filed AFI within nine months, it has not proven feasible to do so within six months. In each of the last five years, AFI was not available within the six-month requirement and the city filed notices to that effect as required under the pre-August 2003 continuing disclosure undertakings. In the future, the City anticipates continuing to file AFI subsequent to the six month deadline, and expects to file required notices of failure to file AFI before June 30 of each year. The City has complied in all material respects with all continuing disclosure undertakings entered into since August of 2003.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Tax-Exempt Obligations (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Tax-Exempt Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Tax-Exempt Obligations and their market price.

FINANCIAL ADVISOR

Public Financial Management, Inc. has been retained as Financial Advisor to the City in connection with the issuance of the Tax-Exempt Obligations.

UNDERWRITING

The Tax-Exempt Obligations will be purchased at competitive bidding conducted on April 23, 2013.

The award of the R1 Notes was made to _____, its co-managers and associates.

The award of the N2 Notes and B3 Bonds was made to _____, its co-managers and associates.

The public reoffering yields of the Tax-Exempt Obligations will be detailed on the inside front cover of the Final Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

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

- (1) signature and no litigation certificates;
- (2) tax certificates;
- (3) certificates of delivery and payment;
- (4) the opinions as to the legality of the Tax-Exempt Obligations under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Co-Bond Counsel to the City, in substantially the forms as set forth in *Appendix B*;
- (5) copies of this Official Statement issued in conjunction with the Tax-Exempt Obligations within seven business days after the award of the Tax-Exempt Obligations in accordance with SEC Rule 15c2-12(b)(3);

- (6) Continuing Disclosure Certificates; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

To the best of its knowledge, the information in this Official Statement does not include any untrue statement of a material fact, nor does the information omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

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

Martin Matson, City Comptroller
City of Milwaukee, Public Debt Commission
City Hall, Room 404
200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-3321

/s/

Martin Matson
City Comptroller and Secretary
City of Milwaukee, Wisconsin

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APPENDIX A

Audited Annual Financial Report of the City of Milwaukee, Wisconsin for the Year Ended December 31, 2011

Selected Sections of the Comprehensive Annual Financial Report

The City's Comprehensive Annual Financial Report for the year ended December 31, 2011,
is available from EMMA and is hereby incorporated by reference.

The independent auditor has not been engaged to perform, and has not performed since the date of its report (a portion of which is included herein), any procedures on the financial statements addressed in the report nor on this Official Statement, nor has the independent auditor been asked to give consent to the inclusion of this appendix in this Official Statement.

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KPMG LLP
Suite 1500
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, 2011, 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, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment 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 of Milwaukee as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2012, 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress on pages 17 through 31, page 98, and page 99, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

As discussed in note 1S to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended December 31, 2011.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2012

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(unaudited)

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City of Milwaukee's (City's) management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. 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 MD&A. 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 2011 by \$929 million (net assets); \$237 million in governmental activities and \$692 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of \$318 million. The City regularly makes significant investments in private purpose developments which do not produce any direct financial return to the City. The City also finances certain long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 2% compared to the previous year of \$950 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 comprise the following:
 - Capital assets, including property and equipment, net of related debt and accumulated depreciation – \$964 million.
 - Restricted net assets, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – \$225 million.
 - Unrestricted net assets – \$(260) million.
- The City's total 2011 year-end other post-employment benefits (OPEB) obligation is \$213 million; an increase of 21% from the 2010 obligation of \$174 million. The obligation is based on an actuarial valuation as of January 1, 2011, which indicates the 2011 actuarial accrued liability for benefits was \$916 million over a 30-year amortization period.
- Total liabilities of the City increased by \$87 million to \$1,966 million. The long-term portion of total liabilities (\$1,396 million) consists of \$213 million for OPEB, \$1,111 million for outstanding debt and \$72 million for compensated absences, claims, and judgments.
- City governmental expenses exceeded combined program revenues by \$694 million. General revenues and transfers of \$658 million resulted in a \$36 million decrease of net assets for the year. Business-type activities produced an increase of net assets of 2% over 2010, generating a net change of \$15 million in 2011.
- For governmental activities, program revenue supported 23% of the total expenses for 2011. Property taxes and other taxes financed 30% of the primary government's governmental activities' expenses, state aids for the General Fund funded 30%, and miscellaneous revenues and transfers supported 12% of the expenses. Total revenues and transfers were less than expenses by 5% in 2011.
- For business-type activities, program revenue supported 130% of the expenses for 2011; and, in total exceeded the expenses by \$55 million. Miscellaneous revenue and transfers reduced this excess by \$40 million to result in a \$15 million increase for the year.
- The City's total governmental funds reported total ending fund balances of \$301 million this year. Compared to the prior year ending fund balance of \$264 million, an increase of \$37 million resulted by year end 2011; a 14% increase.
- The General Fund balance at year-end 2011 totaled \$72 million – a \$12 million increase compared to 2010 (20%). This ending Fund Balance is about 1% of combined General Fund expenditures and transfers disbursed for the year.
- The operating expenditures of the General Fund were \$10 million less than budgeted. This favorable variance is a result of savings from general government departments of \$8 million, public safety departments of \$1 million, and a combined savings of \$1 million in other departments. The combined savings from the general government departments of Comptroller, Treasurer, Employees' Retirement and Employees Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts, and, thus saved \$2 million for the year. In addition, savings of \$2 million was realized in departmental salary accounts; \$1 million in

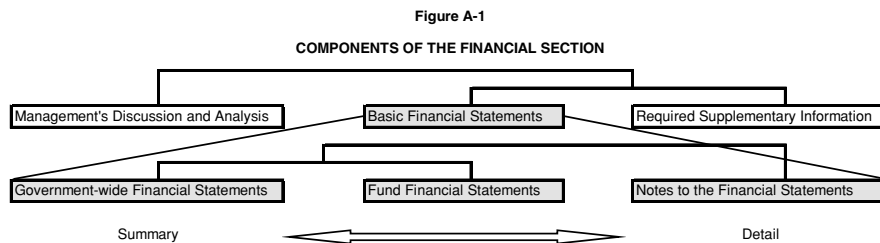
CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (unaudited)

workers compensation account and \$2 million in pension contributions. The remaining \$3 million in the aggregate from all other operating accounts of other departments.

- Outstanding General Obligation bonds and notes payable increased by \$21 million during the current fiscal year from \$894 million to \$915 million. This increase results from early retirement of General Obligation debt of \$402 million and issuance of \$423 million in new General Obligation bonds and notes for the continued funding of City capital projects as well as debt issued on behalf of the Milwaukee Public Schools.
- The City issued General Obligation Cash-flow Promissory Notes for \$100 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.

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

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 MD&A explains the structure and contents of each of the statements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (unaudited)

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.

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 measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets is one measure of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the property tax base and the condition of the City's infrastructure (streets, sewers, etc.) are also needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are 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 five other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation, Neighborhood Improvement Development Corporation and the Century City Redevelopment Corporation. Although legally independent entities, these organizations are closely related to the City of Milwaukee in terms of their respective financial and public policy responsibilities.

Fund Financial Statements

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

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The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses.

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

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, applying modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net 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 utilize full accrual accounting. The City's proprietary (enterprise) funds focus on the business-type activities reported in the government-wide statements, providing additional detail including cash flows.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net 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 the Government-wide and Fund financial statements (Exhibits 1 through D-2) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. This required supplementary information is presented in Exhibits E-1. A *Schedule of Funding Progress* relating to retiree health and life insurance 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 of the City are presented separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 888,034	\$ 917,918	\$ 117,622	\$ 123,281	\$ 1,005,656	\$ 1,041,199
Capital assets	985,504	990,822	837,899	862,923	1,823,403	1,853,745
Total assets	<u>1,873,538</u>	<u>1,908,740</u>	<u>955,521</u>	<u>986,204</u>	<u>2,829,059</u>	<u>2,894,944</u>
Long-term obligations	1,072,207	1,144,531	224,791	251,894	1,296,998	1,396,425
Other liabilities	528,317	527,156	53,925	42,456	582,242	569,612
Total liabilities	<u>1,600,524</u>	<u>1,671,687</u>	<u>278,716</u>	<u>294,350</u>	<u>1,879,240</u>	<u>1,966,037</u>
Net assets:						
Invested in Capital assets, net of related debt	360,132	345,061	608,733	618,625	968,865	963,686
Restricted	197,634	210,066	11,409	15,034	209,043	225,100
Unrestricted	<u>(284,752)</u>	<u>(318,074)</u>	<u>56,663</u>	<u>58,195</u>	<u>(228,089)</u>	<u>(259,879)</u>
Total net assets	<u>\$ 273,014</u>	<u>\$ 237,053</u>	<u>\$ 676,805</u>	<u>\$ 691,854</u>	<u>\$ 949,819</u>	<u>\$ 928,907</u>

Net assets of the City's governmental activities decreased 13% to \$237 million for 2011. The portion of these net assets restricted as to use totaled \$210 million. Net assets invested in capital facilities (buildings, roads, bridges, etc.) totaled \$345 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit of \$318 million at the end of 2011 does not imply that the City has inadequate financial resources available to meet its current obligations. For example, the City's annual budgets do not include the full amounts needed to meet future liabilities arising from property-casualty claims, unused employee vacation-sick leave and outstanding debt. The City will include the amounts needed in future years' budgets as these obligations come due.

The net assets of business-type activities increased 2% to \$692 million in 2011. 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 6% and for business-type activities increased 12% from 2010 due primarily to the issuance and retirement of long-term debt and the recording of OPEB.

Total assets including capital assets increased \$66 million or 2% from 2010. Capital assets of the primary government increased 2% from the previous year due to several completed major street projects by the State of Wisconsin. For 2011, capital assets of the Water Works and the Sewer Maintenance Funds comprise 93% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise (business-type) funds. The Water Works capital assets (47%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (46%) includes local sewer mains and connections.

Changes in net assets. Total annual City revenues less expenses yield the change in net assets. The City's program and general revenues totaled \$823 million for governmental activities. Forty-six percent of governmental purpose revenues are intergovernmental revenues (State aids, Federal and State grants) while 33% is derived from property and other taxes. Charges for services represent 13% of total revenues, and the remaining 8% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with \$327 million (36%) related to public safety (fire and police, neighborhood services). General government expenditures total \$245 million (27%) while public works expenditures total \$167 million (18%). Program specific revenues generated only about one-eighth of the revenue needed to support the cost of governmental activities. General revenues (taxes, State aids, and miscellaneous) provide the remaining funds.

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Total governmental activities expenditures exceeded revenues and transfers by \$36 million (3%). For business-type activities revenues exceeded its expenditures and transfers by \$15 million (8%). However, prior to the transfer of \$44 million from business type funds to governmental funds, business type funds showed a \$59 million excess of revenues over expenses while governmental activities showed a \$80 million gap of revenues below expenses. Chart 1, *Expenses and Program Revenues – Governmental Activities*, and Chart 2, *Expenses and Program Revenues – Business-type Activities* depict this comparison by major function.

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	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program revenues:						
Charges for services	\$ 97,146	\$ 103,493	\$ 226,139	\$ 233,126	\$ 323,285	\$ 336,619
Operating grants and contributions	95,018	102,698	-	-	95,018	102,698
Capital grants and contributions	57,739	2,724	3,094	4,393	60,833	7,117
General revenues:						
Property taxes and other taxes	283,442	276,168	-	-	283,442	276,168
State aids for General Fund	270,939	273,240	-	-	270,939	273,240
Miscellaneous	179,057	64,214	1,085	3,932	180,142	68,146
Total revenues	<u>983,341</u>	<u>822,537</u>	<u>230,318</u>	<u>241,451</u>	<u>1,213,659</u>	<u>1,063,988</u>
Expenses						
General government	259,420	245,191	-	-	259,420	245,191
Public safety	326,366	326,879	-	-	326,366	326,879
Public Works	168,699	166,787	-	-	168,699	166,787
Health	23,360	21,137	-	-	23,360	21,137
Culture and recreation	21,075	19,864	-	-	21,075	19,864
Conservation and development	66,758	67,171	-	-	66,758	67,171
Capital contribution to						
Milwaukee Public Schools	91,161	4,386	-	-	91,161	4,386
Contributions	23,321	23,382	-	-	23,321	23,382
Interest on long-term debt	26,467	28,047	-	-	26,467	28,047
Water	-	-	67,966	69,196	67,966	69,196
Sewer Maintenance	-	-	41,188	40,813	41,188	40,813
Parking	-	-	25,450	25,267	25,450	25,267
Port of Milwaukee	-	-	5,885	3,631	5,885	3,631
Metropolitan Sewerage District User Charges	-	-	45,876	43,149	45,876	43,149
Total expenses	<u>1,006,627</u>	<u>902,844</u>	<u>186,365</u>	<u>182,056</u>	<u>1,192,992</u>	<u>1,084,900</u>
Increase in net assets before transfers	(23,286)	(80,307)	43,953	59,395	20,667	(20,912)
Transfers	48,177	44,346	(48,177)	(44,346)	-	-
Increase in net assets	24,891	(35,961)	(4,224)	15,049	20,667	(20,912)
Net assets – Beginning	248,123	273,014	681,029	676,805	929,152	949,819
Net assets – Ending	<u>\$ 273,014</u>	<u>\$ 237,053</u>	<u>\$ 676,805</u>	<u>\$ 691,854</u>	<u>\$ 949,819</u>	<u>\$ 928,907</u>

Governmental Activities

Revenues for the City's governmental activities totaled \$823 million, while total expenses totaled \$903 million for 2011. The 2011 governmental activity expenditures total decreased by 10% over 2010. Total revenues, excluding transfers, supported 91% of total expenses; 96% with transfers. Comparable data for 2010 indicates 98% of all revenues, excluding transfers supported the 2010 expenses and, 103% including transfers.

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Property taxes represent 33% of the total revenues for 2011 compared to 29% for 2010; a 4% increase in this category. While the actual revenue decreased 3% over the previous year, the percentage comparison to the total increased due to decreases in the grants and contributions category and the miscellaneous category. The City of Milwaukee's share of the Tax Rate increased twenty-three cents (from \$8.89 in 2010 to \$9.12 in 2011 (per \$1,000 of Assessed Value), due in part to a decrease in assessed property value. State aids for the General Fund of \$273 million increased by \$2 million or less than 1% in 2011. The combined property taxes and State aids comprised approximately 67% of the total revenues for governmental funds in 2011 compared to 56% in 2010. Charges for services equaled 12% of the total revenues in 2011 compared to 10% in 2010. Operating grants, capital grants, and contributions decreased \$47 million, to a total \$105 million or 13% of total revenues in 2011 compared to only 16% in 2010. During 2010, non-cash capital grants were recorded to represent the State contribution of completed major street projects on behalf of the City of \$57 million compared to \$3 million in 2011.

In 2011, governmental-activity-type expenses decreased by \$104 million (10%) to \$903 million. Contributing factors relate to the various activities for fiscal year 2010 of Federal Recovery Act funding, Milwaukee Public Schools (MPS) cash-flow borrowing and an addition to City Pension reserves that did not occur in 2011. Expenses for general government, which comprise 27% of the total expenses, decreased 5% in 2011. Public safety expenses represent the largest category of governmental activities or 36% of the total expenses for 2011 had an increase of 3% over 2010. The largest change occurred in the City's contribution to the Milwaukee Public Schools, a decrease of \$87 million and represents 84% of the overall decrease in expenditures. The Milwaukee Public Schools cannot issue its own debt. As a result, the City issued debt in 2010 to finance MPS operations pending the issuance of revenue anticipation notes later in the year. This borrowing simply financed MPS operating costs until MPS received State aids and was \$91 million; no such contribution occurred in 2011.

Chart 1
2011 Expenses and Program Revenues - Governmental Activities

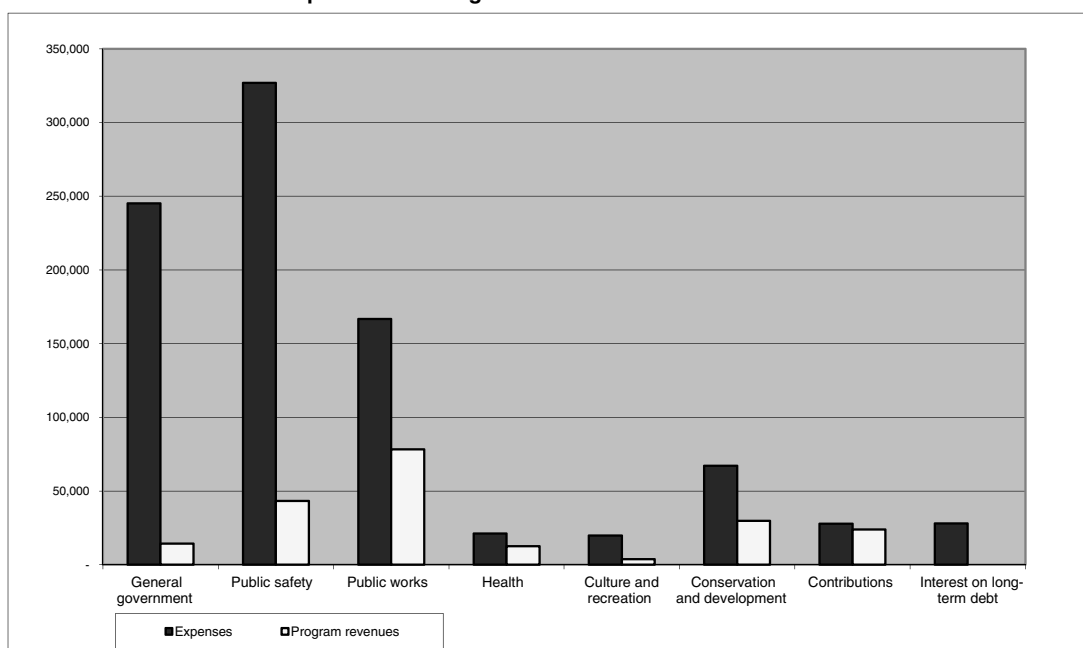


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee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

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Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
General government	\$ 259,420	\$ 245,191	\$ 245,926	\$ 230,868
Public safety	326,366	326,879	286,416	283,542
Public works	168,699	166,787	35,626	85,687
Health	23,360	21,137	9,942	8,583
Culture and recreation	21,075	19,864	17,181	16,067
Conservation and development	66,758	67,171	43,689	37,388
Contributions	114,482	27,768	91,477	3,747
Interest on long-term debt	26,467	28,047	26,467	28,047
Total Governmental Activities	<u>\$ 1,006,627</u>	<u>\$ 902,844</u>	<u>\$ 756,724</u>	<u>\$ 693,929</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities decreased in 2011 to \$694 million from \$757 million in 2010 or 8% 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.

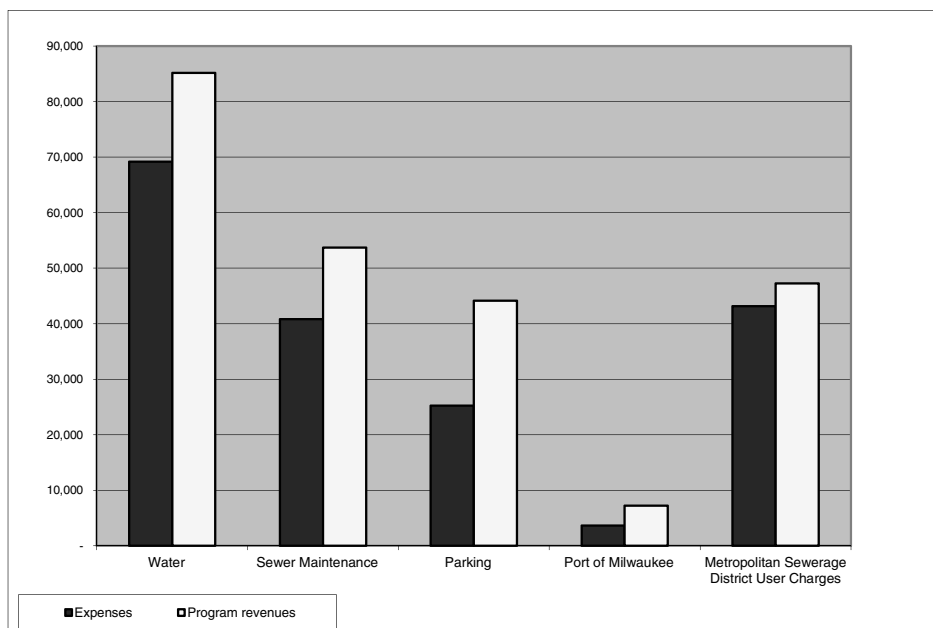
Business-type Activities

The two major enterprises or business-type activities for the City of Milwaukee are water services and sewer maintenance. The Water Works had operating expenses of \$68 million and operating income of \$16 million. The Sewer Maintenance produced a net operating income of \$31 million after incurring expenses of \$21 million.

Business-type revenues on Table 2 increased by \$11 million in 2011 compared to 2010, or 5%. Total expenses and transfers of all enterprise funds of the City decreased \$8 million, from \$234 million in 2010 to \$226 million in 2011 (3%). Overall, 2011 year-end Total Net Assets increased by \$15 million to \$692 million, or 2%.

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Chart 2
2011 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 governmental accounting standards.

Governmental Funds

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

As the City completed 2011, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$301 million, an increase of \$37 million or 14% over 2010. The General Fund, General Obligation Debt Service Fund, the Public Debt Amortization Fund and Capital Projects Funds increased their fund balances by \$45 million. Non-major governmental funds produced a negative change from operations of \$9 million. The Capital Projects Fund balance increased by \$19 million; although, the total Fund balance remains a negative \$117,000. 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 Internal Revenue Service (IRS) regulations. Debt issued for capital projects totaled \$101 million in 2011 compared to \$238 million in 2010.

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

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Chart 3
2011 City Spending by Function - Governmental Funds

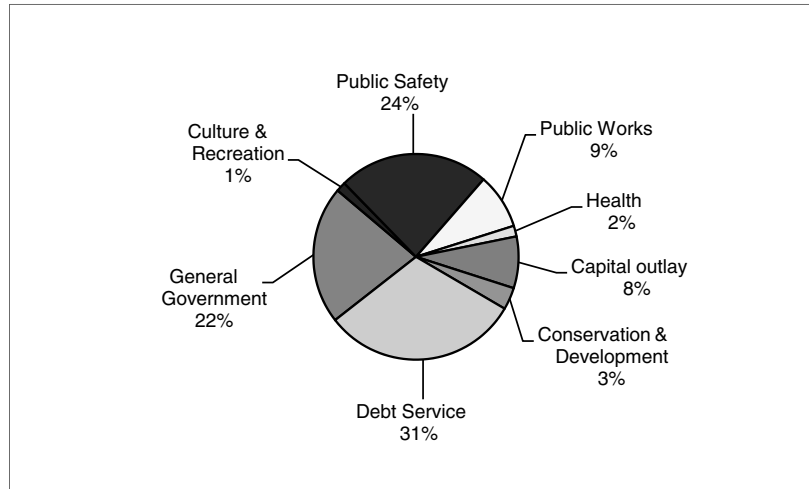
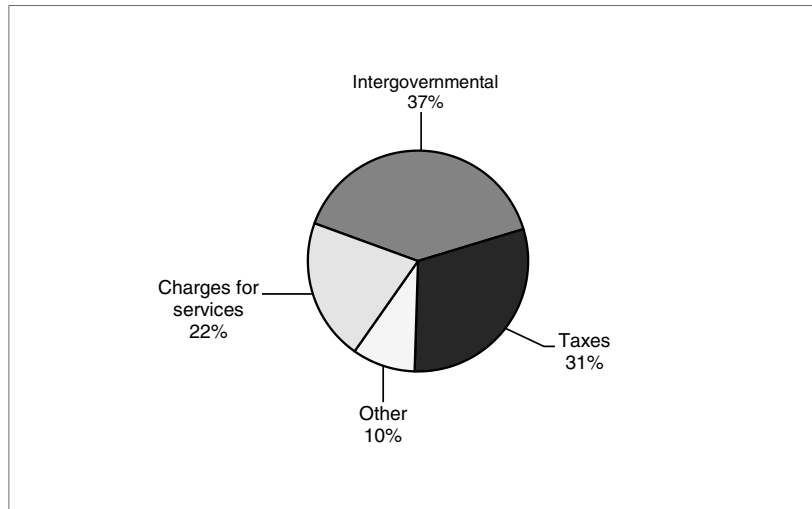


Chart 4
2011 Revenues by Source - Governmental Funds



Revenues for governmental functions overall totaled \$906 million in the fiscal year ended December 31, 2011 (-2%). Expenditures for governmental funds totaled \$1,193 million (-12%). Expenditures exceeded revenues by \$287 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of \$36 million for the year compared to an increase of \$38 million in 2010. 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.

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Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund increased by \$12 million or 21%. Revenues and other financing sources totaled approximately \$751 million and expenditures and other financing uses totaled approximately \$739 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by only \$807 over 2010), expenditures increased by 4% over 2010, with expenditures exceeding revenues by 5%. 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 fund balance. Nearly fifteen million was budgeted from the fund balance to fund the 2011 General Fund budget. This was an increase of \$2 million from 2010.

Total General Fund revenues for 2011 totaled \$604 million. The largest revenue category is intergovernmental at \$273 million with 45% of the total revenue. The second largest revenue source is Property Taxes with \$167 million or 28%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 17% or \$103 million. These three categories combined comprise 90% of the total revenues for 2011. The largest percentage increase in revenues compared to 2010 was the Charges for Services category with a 6% 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:	2010	2011	% Change	Expenditures:	2010	2011	% Change
Property taxes	\$ 168,031	\$ 166,841	-0.7%	General government.....	\$ 276,326	\$ 252,677	-8.6%
Other taxes	5,097	4,371	-14.2%	Public safety.....	264,067	258,994	-1.9%
Licenses and permits	12,948	13,289	2.6%	Public works.....	94,482	96,557	2.2%
Intergovernmental	270,939	273,240	0.8%	Health.....	9,996	8,872	-11.2%
Charges for services	97,146	103,493	6.5%	Culture and recreation	15,656	15,566	-0.6%
Fines and forfeits	5,422	5,076	-6.4%	Conservation and			
Contributions received	23,005	24,021	4.4%	development	3,747	3,991	6.5%
Other	20,323	13,387	-34.1%		-	-	
Total Revenues	602,911	603,718	0.1%	Total Expenditures	664,274	636,657	-4.2%
Other Financing Sources				Other Financing Uses			
Debt proceeds	147,000	100,000	-32.0%	Transfers out	149,078	102,077	-31.5%
Transfers in	51,711	47,376	-8.4%	Total Expenditures			
Total Revenues and				and other Financing			
Other Financing Sources .	<u>801,622</u>	<u>751,094</u>	-6.3%	Uses	<u>\$ 813,352</u>	<u>\$ 738,734</u>	-9.2%
Excess of Revenues							
over Expenditures	<u>(61,363)</u>	<u>(32,939)</u>	46.3%				
Net Change in							
Fund Balance	<u>\$ (11,730)</u>	<u>\$ 12,360</u>	205.4%				

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 2011, \$100 million was issued.

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 \$118 million to \$126 million or 7%. Total revenues of the General Obligation Debt Service decreased from \$205 million 2010 to \$185 million in

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2011 primarily due to the repayment on 2011 debt maturities from the Milwaukee Public Schools for debt issued on their behalf. Revenues combined with *Other Financing Sources* totaled \$427 million; expenditures combined with *Other Financing Uses* totaled \$419 million; resulting in a *net increase in Fund Balance* for year end 2011 of \$8 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, 2011 showed a fund balance deficit of \$117,000 (an increase in the fund balance of \$20 million compared to a fund balance deficit of \$20 million in 2010). In 2011, total debt proceeds amounted to \$101 million as compared to \$238 million in 2010, a 60% decrease. Total revenues decreased 23% from \$21 million to \$16 million; expenditures decreased from \$240 million to \$97 million or 59%. The issuance of bonds and notes during 2011 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and also reduced the 2011 year-end deficit in fund balance by \$20 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 \$58 million. This was an increase from \$46 million at December 31, 2010 or 26%. This net increase consists of \$13 million in Water Works, \$3 million in nonmajor enterprise funds, and a \$3 million decrease in the Sewer Maintenance fund.

In 2011, operating revenues of the enterprise funds totaled \$233 million (3%); total operating expenses decreased to \$160 million in 2011 (-2%). The Water Works is the largest enterprise activity for the City, comprising approximately 36% of the total operating revenues. The Sewer Maintenance Fund comprises 22% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2011, Water Works operating revenues increased 15% while Sewer Maintenance operating revenues decreased 0.5%; all other enterprise funds combined decreased by 4%. Water Works non-operating revenues for 2011 are mainly composed of interest income and other miscellaneous revenues. The investment income decreased \$3,000 (20%) compared to the 2010 income. Other miscellaneous non-operating revenue increased from \$45,000 to \$436,000 in 2011. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) increased 869% from 2010.

The Water Works incurred total expenses of \$68 million for 2011 compared to \$68 million for 2010. Excluding depreciation expense, operating expenses increased over the previous year by \$451,000 or 0.1%. The non-operating expenses (interest expense) of the Water Works increased by \$146,000 due to the scheduled principal maturing on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds decreased 5% over 2010.

General Fund Budgetary Highlights

For the fiscal year ended December 31, 2011, the General Fund revenue budget exceeded actual revenues by \$318,000. Actual 2011 General Fund revenues decreased from that of the prior year. On a budgetary basis, General Fund actual revenues totaled \$580 million in 2011, no change over 2010. Property Taxes and Other Taxes decreased by 1% and 14%, respectively. Revenue categories of Licenses and Permits, Intergovernmental and Charges for Services increased in 2011. One noteworthy decrease in the Miscellaneous Revenue relates to the one-time receipt of \$7 million to the City from the Pension Reserve at the Employees Retirement System (a non-city entity) in 2010. No such revenue was applicable to 2011. To offset this decrease, several other revenue categories had increases of \$7 million to result in total 2011 revenue of approximately the same amount as 2010. Charges for Services increased a total of \$6.4 million, of which \$1.3 million related to snow and ice fees and \$5.1 from various inspection fees. The Other Revenue category consists of interest on investments and in the aggregate many unrelated miscellaneous revenues. Interest on investments, totaled \$303,000 for 2011. The average interest earnings rate was 0.213% compared to 0.315% in 2010 with a decrease in the average investable balance from \$235.8 million in 2010 to \$213.5 million in 2011.

The year 2011 also produced an unexpended budget surplus of \$10 million. The general government category contributed \$8 million; the public safety category had a surplus of \$1 million. Public works, health culture and recreation, and, conservation and development categories, in the aggregate, added nearly \$1 million. These savings included \$2 million in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts. Salary accounts saved \$2 million, \$1 million in workers compensation accounts and \$2 million in pension related costs, with all other accounts in the aggregate of \$3 million. These savings are a result of final expenditures less than the final 2011 budgeted.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(unaudited)

During 2011, the Common Council adopted five resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional \$3 million in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2010 less the encumbrances carried over to 2012. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2010 by the Common Council less those appropriations authorized for carryover to 2012. 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 2011 General Fund expenditure budget of \$626 million and the final budget of \$624 million. This is a 4% decrease over the final 2010 budget of \$650 million. The original General Fund revenue budget totaled \$577 million with the final budget increasing approximately \$3 million. This is a 1% decrease over the final 2010 revenue budget of \$583 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 \$60 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 Fund Balance of \$15 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2011 total \$1,854 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 \$30 million or 1.7%. Governmental activities' capital assets increased \$5 million or a 0.5% increase from 2010. Business-type activities' capital assets increased \$25 million or 3% at the end of 2011. A schedule comparing the assets by type for 2010 and 2011 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 \$17 million and deletions were \$12 million for 2011 for governmental activities. The two largest business-type activities are the Sewer Maintenance Fund and the Water Works Fund. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$25 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 67% of its total net assets with 28% consisting of machinery and equipment. The total net change in all Water Works net assets was a decrease of \$54,000.

Debt issued to finance tax incremental districts (TID) totals \$189 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 \$118 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, 2011
 (unaudited)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Capital assets not being depreciated:						
Land	\$ 164,210	\$ 164,620	\$ 18,253	\$ 18,874	\$ 182,463	\$ 183,494
Construction in progress	26,513	36,272	14,897	6,991	41,410	43,263
Intangible right of ways	1,319	1,342	-	-	1,319	1,342
Capital assets being depreciated:						
Buildings	276,816	282,465	91,798	93,663	368,614	376,128
Infrastructure	1,450,918	1,467,560	861,200	893,752	2,312,118	2,361,312
Improvements other than buildings	11,811	11,891	7,771	7,998	19,582	19,889
Machinery and equipment	173,788	178,690	221,194	228,058	394,982	406,748
Intangible software	1,364	1,971	-	-	1,364	1,971
Nonutility property	-	-	4,692	5,422	4,692	5,422
Accumulated depreciation	<u>(1,121,235)</u>	<u>(1,153,989)</u>	<u>(381,906)</u>	<u>(391,835)</u>	<u>(1,503,141)</u>	<u>(1,545,824)</u>
Total	<u>\$ 985,504</u>	<u>\$ 990,822</u>	<u>\$ 837,899</u>	<u>\$ 862,923</u>	<u>\$ 1,823,403</u>	<u>\$ 1,853,745</u>

Debt

At year-end, the City had \$915 million in general obligation bonds and notes, \$81 million in State loans, and \$70 million in revenue bonds outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled \$423 million, of which \$36 million related to Water Works, Sewer Maintenance, Port, 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 Aa1 from Moody's Investors Service, Inc, were received on the City's June 2011 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,259 at the end of 2010 and \$1,272 at the end of 2011; a 1% increase from the prior year. As of December 31, 2011, the City's outstanding net general obligation debt for governmental activities was 2.57% 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 used about 52% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2011, notes were issued in the amount of approximately \$30.2 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, 2011
 (unaudited)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
General obligation bonds and notes (backed by the City)	\$ 812,183	\$ 825,574	\$ 82,002	\$ 89,956	\$ 894,185	\$ 915,530
State loans	-	-	80,724	80,513	80,724	80,513
Revenue bonds (backed by specific fee revenues)	-	-	53,737	69,618	53,737	69,618
Total	\$ 812,183	\$ 825,574	\$ 216,463	\$ 240,087	\$ 1,028,646	\$ 1,065,661

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the City of Milwaukee for 2011 is 10.8%, compared to 11.5% for 2010. The City of Milwaukee per capita income for the most recent fiscal year available (2010) was \$37,838, compared to \$37,038 for 2009. Table 13 contains demographic and economic statistics for the last ten calendar years.

The 2012 adopted City Budget is about \$1.4 billion with a General Fund budget of \$678 million. The General Fund budget decreased nearly 1% over the 2011 budget of \$683 million. In 2012, the City will expend \$116 million for health insurance and related costs compared to \$145 million budgeted for 2011, a decrease of 20%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 5 FTE with the City Development and Fire decreasing 18 each and Treasurer decreasing 2; while Public Works Department increasing 16 and Unified Call Center increasing 17. Also, the City decreased mandatory furlough days from four to three for 2012.

Total property taxes levied for all funds of the City in 2011 for 2012 purposes increased \$0.13 per thousand dollars of assessed valuation to a rate of \$9.25 (1.4%). The 2010 for 2011 rate increased \$0.23 (from \$8.89 to \$9.12 or 2.6%).

The total City property tax levy increased to the \$248 million from 2010 of \$247 million. While the rate for 2011 increased, the assessed valuation decreased; thus providing roughly the same amount in property tax revenue. The property tax levy will provide \$115.2 million for general City purposes in 2012. This represents an increase of \$3.6 million from 2011 or 3%. The 2012 General City Purpose budget includes \$104 million in estimated revenue for City charges for services rendered, an increase of \$4 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate \$32 million for 2012. This fee represents 31% of the total charges for services in the 2012 budget. The Street Sweeping-Leaf Collection Fee is expected to generate \$12 million for 2012, no increase over 2011. This Fee comprises 12% of the total charges for services for 2012 compared to 13% in 2011. Most 2012 revenue estimates remained consistent with the prior year with only a net overall decrease of 0.76%.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total \$259.5 million; a decrease of \$12 million from 2011.

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.

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**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2011
(Thousands of Dollars)

Exhibit 1

	Primary Government			
	Governmental	Business-type	Total	Component
	Activities	Activities		Units
ASSETS				
Cash and cash equivalents	\$ 321,404	\$ 53,480	\$ 374,884	\$ 73,460
Investments	19,642	-	19,642	9,100
Receivables (net):				
Taxes	226,031	-	226,031	-
Accounts	27,941	47,137	75,078	2,317
Unbilled accounts	447	17,145	17,592	-
Special assessments	8,141	-	8,141	-
Notes and loans	107,134	-	107,134	112,278
Accrued interest	200	122	322	6,911
Due from component units	20,358	-	20,358	-
Due from primary government	-	-	-	584
Due from other governmental agencies	175,747	1,762	177,509	20,232
Inventory of materials and supplies	7,122	2,920	10,042	-
Inventory of property for resale	26	-	26	11,055
Prepaid items	1,075	122	1,197	1,096
Deferred charges	2,650	383	3,033	1,209
Other assets	-	210	210	406
Total Noncapital Assets	917,918	123,281	1,041,199	238,648
Capital assets:				
Capital assets not being depreciated:				
Land	164,620	18,874	183,494	54,451
Construction in progress	36,272	6,991	43,263	47,078
Intangible right of ways	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings	282,465	93,663	376,128	477,148
Infrastructure	1,467,560	893,752	2,361,312	379
Improvements other than buildings	11,891	7,998	19,889	1,725
Machinery and equipment	178,690	228,058	406,748	5,047
Intangible software.....	1,971	-	1,971	565
Nonutility property	-	5,422	5,422	-
Accumulated depreciation	(1,153,989)	(391,835)	(1,545,824)	(234,276)
Total Capital Assets	990,822	862,923	1,853,745	352,117
Total Assets	1,908,740	986,204	2,894,944	590,765

Exhibit 1 (Continued)

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CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (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	\$ 245,191	\$ 10,148	\$ 4,175	\$ -
Public safety	326,879	19,049	24,288	-
Public works	166,787	71,348	7,028	2,724
Health	21,137	1,297	11,257	-
Culture and recreation	19,864	1,239	2,558	-
Conservation and development	67,171	412	29,371	-
Capital contribution to Milwaukee Public Schools	4,386	-	-	-
Contributions	23,382	-	24,021	-
Interest on long-term debt	28,047	-	-	-
Total Governmental Activities	<u>902,844</u>	<u>103,493</u>	<u>102,698</u>	<u>2,724</u>
Business-type Activities:				
Water	69,196	84,394	-	747
Sewer Maintenance	40,813	51,788	-	1,933
Parking	25,267	44,148	-	2
Port of Milwaukee	3,631	5,527	-	1,711
Metropolitan Sewerage District User Charges	43,149	47,269	-	-
Total Business-type Activities	<u>182,056</u>	<u>233,126</u>	<u>-</u>	<u>4,393</u>
Total Primary Government	<u>\$ 1,084,900</u>	<u>\$ 336,619</u>	<u>\$ 102,698</u>	<u>\$ 7,117</u>
Component units:				
Housing Authority	\$ 92,286	\$ 19,703	\$ 56,919	\$ 22,624
Redevelopment Authority	16,575	9,321	14,418	3,199
Milwaukee Economic Development Authority	5,514	2,858	1,672	-
Neighborhood Improvement Development Corporation	2,134	317	1,246	150
Century City Redevelopment Corporation	1,036	66	-	-
Total Component Units	<u>\$ 117,545</u>	<u>\$ 32,265</u>	<u>\$ 74,255</u>	<u>\$ 25,973</u>
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.

Exhibit 2 (Continued)

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (230,868)		\$ (230,868)	
(283,542)		(283,542)	
(85,687)		(85,687)	
(8,583)		(8,583)	
(16,067)		(16,067)	
(37,388)		(37,388)	
(4,386)		(4,386)	
639		639	
(28,047)		(28,047)	
(693,929)		(693,929)	
-	\$ 15,945	15,945	
-	12,908	12,908	
-	18,883	18,883	
-	3,607	3,607	
-	4,120	4,120	
-	55,463	55,463	
(693,929)	55,463	(638,466)	
			\$ 6,960
			10,363
			(984)
			(421)
			(970)
			14,948
276,168	-	276,168	-
273,240	-	273,240	-
64,214	3,932	68,146	10,053
44,346	(44,346)	-	-
657,968	(40,414)	617,554	10,053
(35,961)	15,049	(20,912)	25,001
273,014	676,805	949,819	328,411
\$ 237,053	\$ 691,854	\$ 928,907	\$ 353,412

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
 DECEMBER 31, 2011
 (Thousands of Dollars)

Exhibit A-1

General

ASSETS

Assets:

Cash and cash equivalents	\$ 92,819
Investments	128
Receivables (net):	
Taxes	144,767
Accounts	26,535
Unbilled accounts	447
Special assessments	-
Notes and loans	17
Accrued interest	70
Due from other funds	38,568
Due from component units	542
Due from other governmental agencies	332
Advances to other funds	7,562
Inventory of materials and supplies	7,122
Inventory of property for resale	26
Prepaid items	189
Total Assets	<u>\$ 319,124</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 20,146
Accrued expenses	31,387
Due to other funds	2,081
Due to component units	19
Due to other governmental agencies	-
Deferred revenue	193,505
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>247,138</u>

Fund Balances:

Nonspendable	15,044
Restricted.....	-
Committed.....	2,995
Assigned	26,778
Unassigned.....	27,169
Total Fund Balances	<u>71,986</u>
Total Liabilities and Fund Balances	<u>\$ 319,124</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
\$ 172,134	\$ 23,666	\$ 20,245	\$ 12,540	\$ 321,404
-	19,514	-	-	19,642
54,873	-	2,633	23,758	226,031
-	-	1,267	139	27,941
-	-	-	-	447
-	-	8,141	-	8,141
72,716	23,957	-	10,444	107,134
3	127	-	-	200
-	-	-	15	38,583
19,790	-	-	26	20,358
145,000	-	12,997	17,418	175,747
-	-	-	-	7,562
-	-	-	-	7,122
-	-	-	-	26
-	-	886	-	1,075
\$ 464,516	\$ 67,264	\$ 46,169	\$ 64,340	\$ 961,413
\$ 59	\$ -	\$ 6,902	\$ 8,663	\$ 35,770
1	-	324	349	32,061
4,415	-	7,592	7,481	21,569
-	-	143	422	584
-	-	-	427	427
188,819	-	23,763	11,629	417,716
145,000	-	-	-	145,000
-	-	7,562	-	7,562
<u>338,294</u>	<u>-</u>	<u>46,286</u>	<u>28,971</u>	<u>660,689</u>
-	-	886	-	15,930
-	-	-	5,855	5,855
126,222	67,264	-	29,514	225,995
-	-	-	-	26,778
-	-	(1,003)	-	26,166
<u>126,222</u>	<u>67,264</u>	<u>(117)</u>	<u>35,369</u>	<u>300,724</u>
\$ 464,516	\$ 67,264	\$ 46,169	\$ 64,340	\$ 961,413

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds (Exhibit A-1)		\$ 300,724
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 164,620	
Buildings, net of \$84,314 accumulated depreciation	198,151	
Infrastructure, net of \$953,676 accumulated depreciation	513,884	
Improvements other than buildings, net of \$8,275 accumulated depreciation	3,616	
Machinery and equipment, net of \$107,356 accumulated depreciation	71,334	
Intangible assets net of \$368 accumulated depreciation	2,945	
Construction in progress	<u>36,272</u>	
		990,822
Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the government-wide statements.		2,650
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	14,747	
Other revenues to be collected after year-end	4,628	
Special assessments to be collected after year-end	6,808	
Notes and loans receivable to repay long-term bonds and notes	<u>72,716</u>	
		98,899
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	(11,511)	
Bonds and notes payable	(825,574)	
Deferred amount on refunding	1,956	
Unamortized premiums	(43,084)	
Compensated absences	(47,581)	
Net other postemployment benefits obligation	(206,369)	
Claims and judgments	<u>(23,879)</u>	
		<u>(1,156,042)</u>
Total net assets of governmental activities (Exhibit 1)		<u>\$ 237,053</u>
The notes to the financial statements are an integral part of this statement.		

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 166,841
Other taxes	4,371
Special assessments	-
Licenses and permits	13,289
Intergovernmental	273,240
Charges for services	103,493
Fines and forfeits	5,076
Contributions received	24,021
Other	13,387
Total Revenues	<u>603,718</u>
Expenditures:	
Current:	
General government	252,677
Public safety	258,994
Public works	96,557
Health	8,872
Culture and recreation	15,566
Conservation and development	3,991
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>636,657</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(32,939)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	100,000
Proceeds current refunding	-
Payment current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	47,376
Transfers out	(102,077)
Total Other Financing Sources and Uses	<u>45,299</u>
Net Change in Fund Balances	12,360
Fund Balances - Beginning	<u>59,626</u>
Fund Balances - Ending	<u>\$ 71,986</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
\$ 69,209	\$ -	\$ 4,277	\$ 2,304	\$ 242,631
23,386	2,949	-	-	30,706
-	-	3,163	-	3,163
-	-	-	-	13,289
1,009	-	5,210	80,828	360,287
84,819	-	-	-	188,312
-	-	-	-	5,076
-	-	-	-	24,021
<u>6,950</u>	<u>3,466</u>	<u>3,085</u>	<u>11,595</u>	<u>38,483</u>
<u>185,373</u>	<u>6,415</u>	<u>15,735</u>	<u>94,727</u>	<u>905,968</u>
446	-	-	5,966	259,089
-	-	-	24,288	283,282
-	-	-	7,028	103,585
-	-	-	11,257	20,129
-	-	-	2,558	18,124
-	-	-	37,468	41,459
-	-	96,870	-	96,870
331,960	-	-	-	331,960
37,184	-	-	-	37,184
1,040	-	-	-	1,040
<u>370,630</u>	<u>-</u>	<u>96,870</u>	<u>88,565</u>	<u>1,192,722</u>
<u>(185,257)</u>	<u>6,415</u>	<u>(81,135)</u>	<u>6,162</u>	<u>(286,754)</u>
-	-	101,417	30,235	231,652
80,648	-	-	-	80,648
(41,949)	-	-	-	(41,949)
-	-	-	(8,783)	(8,783)
17,079	-	-	-	17,079
144,068	3,657	-	-	195,101
(6,092)	(5,924)	(544)	(36,118)	(150,755)
<u>193,754</u>	<u>(2,267)</u>	<u>100,873</u>	<u>(14,666)</u>	<u>322,993</u>
8,497	4,148	19,738	(8,504)	36,239
<u>117,725</u>	<u>63,116</u>	<u>(19,855)</u>	<u>43,873</u>	<u>264,485</u>
<u>\$ 126,222</u>	<u>\$ 67,264</u>	<u>\$ (117)</u>	<u>\$ 35,369</u>	<u>\$ 300,724</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, 2011
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3)		36,239
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 (\$56,719) exceeded depreciation expense (\$50,609) in the current period less loss on disposals (\$792)		
		5,318
Notes and loans receivable to repay long-term bonds and notes		(4,386)
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	\$	2,831
Other revenues deferred at year end		(2,150)
Special assessments deferred revenue beginning of the year \$9,069 less deferred at end of the year \$6,808		<u>(2,261)</u>
		(1,580)
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		(387,300)
Issuance premiums		(17,092)
Issuance costs		654
Repayments:		
Principal retirement		373,909
Amortization:		
Premiums		9,486
Issuance costs		(493)
Deferred amount on refunding		<u>(947)</u>
		(21,783)
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		(8,633)
Net other postemployment benefits obligation		(37,329)
Claims and judgments		(4,418)
Accrued interest on bonds and notes		<u>611</u>
		(49,769)
Changes in net assets of governmental activities (Exhibit 2)		<u>\$ (35,961)</u>

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

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,360	\$ 14,877	\$ 20,209	\$ 38,446
Restricted cash and cash equivalents	692	2,769	-	3,461
Receivables (net):				
Accounts	17,075	15,508	14,554	47,137
Unbilled accounts	11,976	2,346	2,823	17,145
Accrued interest	1	121	-	122
Due from other funds	6,481	668	635	7,784
Due from other governmental agencies	-	1,243	519	1,762
Inventory of materials and supplies	2,572	348	-	2,920
Prepaid items	122	-	-	122
Deferred charges	-	383	-	383
Other assets	210	-	-	210
Total Current Assets	<u>42,489</u>	<u>38,263</u>	<u>38,740</u>	<u>119,492</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	11,573	-	11,573
Capital assets:				
Capital assets not being depreciated:				
Land	2,018	-	16,856	18,874
Construction in progress	2,829	42	4,120	6,991
Capital assets being depreciated:				
Buildings	27,259	-	66,404	93,663
Infrastructure	357,017	519,862	16,873	893,752
Improvements other than buildings	-	-	7,998	7,998
Machinery and equipment	213,310	4,563	10,185	228,058
Nonutility property	5,422	-	-	5,422
Accumulated depreciation	(205,731)	(122,696)	(63,408)	(391,835)
Net Capital Assets	<u>402,124</u>	<u>401,771</u>	<u>59,028</u>	<u>862,923</u>
Total Noncurrent Assets	<u>402,124</u>	<u>413,344</u>	<u>59,028</u>	<u>874,496</u>
Total Assets	<u>444,613</u>	<u>451,607</u>	<u>97,768</u>	<u>993,988</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 4,304	\$ 4,960	\$ 11,168	\$ 20,432
Accrued expenses	1,251	603	692	2,546
Accrued interest payable	246	-	220	466
Compensated absences	1,079	-	-	1,079
Due to other funds	16,636	-	8,162	24,798
Deferred revenue	-	1,239	269	1,508
General obligation debt payable - current	3,326	677	1,970	5,973
Revenue bonds payable - current	989	-	-	989
Total Current Liabilities	27,831	7,479	22,481	57,791
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable	-	6,792	-	6,792
Accrued interest payable	-	490	-	490
Total Current Liabilities Payable from Restricted Assets	-	7,282	-	7,282
Noncurrent Liabilities:				
General obligation debt payable	18,954	52,085	13,204	84,243
Revenue bonds & State loans payable	6,509	139,792	-	146,301
Other post employment benefits obligation	3,755	1,461	1,301	6,517
Total Noncurrent Liabilities	29,218	193,338	14,505	237,061
Total Liabilities	57,049	208,099	36,986	302,134
Net Assets:				
Invested in capital assets, net of related debt	372,346	202,425	43,854	618,625
Restricted for Debt Service	692	14,342	-	15,034
Unrestricted	14,526	26,741	16,928	58,195
Total Net Assets	\$ 387,564	\$ 243,508	\$ 60,782	\$ 691,854

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, 2011
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales	\$ 69,944	\$ -	\$ -	\$ 69,944
Statutory sewer user fee	-	-	45,765	45,765
Sewer maintenance fee	-	51,788	-	51,788
Rent	-	-	12,605	12,605
Fire protection service	6,921	-	-	6,921
Parking meters	-	-	4,937	4,937
Parking permits	-	-	3,900	3,900
Vehicle towing	-	-	5,135	5,135
Parking forfeitures	-	-	23,098	23,098
Other	7,529	-	1,504	9,033
Total Operating Revenues	<u>84,394</u>	<u>51,788</u>	<u>96,944</u>	<u>233,126</u>
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges ...	-	-	38,631	38,631
Employee services	-	7,344	9,410	16,754
Administrative and general	6,474	-	-	6,474
Depreciation	14,067	5,949	3,442	23,458
Transmission and distribution	21,688	-	-	21,688
Services, supplies, and materials	-	7,347	19,959	27,306
Water treatment	14,448	-	-	14,448
Water pumping	8,748	-	-	8,748
Billing and collection	2,704	-	-	2,704
Total Operating Expenses	<u>68,129</u>	<u>20,640</u>	<u>71,442</u>	<u>160,211</u>
Operating Income	<u>16,265</u>	<u>31,148</u>	<u>25,502</u>	<u>72,915</u>
Nonoperating Revenues (Expenses):				
Investment income	12	2,879	-	2,891
Grant Revenue	-	1,910	54	1,964
Interest expense	(1,067)	(5,261)	(605)	(6,933)
Other	436	(14,912)	605	(13,871)
Total Nonoperating Revenues (Expenses)	<u>(619)</u>	<u>(15,384)</u>	<u>54</u>	<u>(15,949)</u>
Income before Contributions and Transfers.....	15,646	15,764	25,556	56,966
Capital contributions	747	23	1,659	2,429
Transfers in	-	-	617	617
Transfers out	<u>(11,151)</u>	<u>(8,678)</u>	<u>(25,134)</u>	<u>(44,963)</u>
Change in Net Assets	5,242	7,109	2,698	15,049
Total Net Assets - Beginning	<u>382,322</u>	<u>236,399</u>	<u>58,084</u>	<u>676,805</u>
Total Net Assets - Ending	<u>\$ 387,564</u>	<u>\$ 243,508</u>	<u>\$ 60,782</u>	<u>\$ 691,854</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, 2011
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 75,008	\$ 52,062	\$ 97,449	\$ 224,519
Receipts from interfund services provided	5,085	-	-	5,085
Payments to suppliers	(27,871)	(7,012)	(59,063)	(93,946)
Payments to employees	(24,133)	(7,208)	(9,219)	(40,560)
Payments from other funds	-	-	(3,572)	(3,572)
Payments to other funds	(4,219)	-	(54)	(4,273)
Net Cash Provided by Operating Activities.....	23,870	37,842	25,541	87,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	435	1,958	52	2,445
Other nonoperating expenses	-	(14,912)	-	(14,912)
Transfers to other funds	3,540	(8,678)	(24,517)	(29,655)
Net Cash Used for Noncapital Financing Activities	3,975	(21,632)	(24,465)	(42,122)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	11,625	77,868	2,520	92,013
Acquisition of property, plant, and equipment	(34,482)	(31,290)	(2,711)	(68,483)
Retirement of bonds, notes, and revenue bonds	(3,989)	(61,909)	(2,491)	(68,389)
Interest paid	(1,134)	(2,911)	(628)	(4,673)
Other	-	-	1,439	1,439
Net Cash Used for Capital and Related Financing Activities	(27,980)	(18,242)	(1,871)	(48,093)
CASH FLOWS FROM INVESTING ACTIVITY:				
Investment income	13	2,764	-	2,777
Net Increase (Decrease) in Cash and Cash Equivalents	(122)	732	(795)	(185)
Cash and Cash Equivalents - Beginning	4,174	28,487	21,004	53,665
Cash and Cash Equivalents - Ending	\$ 4,052	\$ 29,219	\$ 20,209	\$ 53,480

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash	\$ 3,360	\$ 14,877	\$ 20,209	\$ 38,446
Restricted Cash	692	14,342	-	15,034
	<u>\$ 4,052</u>	<u>\$ 29,219</u>	<u>\$ 20,209</u>	<u>\$ 53,480</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 16,265	\$ 31,148	\$ 25,502	\$ 72,915
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	14,067	5,949	3,442	23,458
Changes in assets and liabilities:				
Receivables	(4,752)	180	387	(4,185)
Due from other funds	(2,063)	94	(54)	(2,023)
Inventories	60	(348)	-	(288)
Prepaid items	468	-	-	468
Other assets	48	-	-	48
Accounts payable	(789)	683	(472)	(578)
Accrued liabilities	(112)	(141)	(7)	(260)
Net other postemployment benefits obligation	678	277	196	1,151
Due to other funds	-	-	(3,572)	(3,572)
Deferred revenue	-	-	119	119
Net Cash Provided by Operating Activities	<u>\$ 23,870</u>	<u>\$ 37,842</u>	<u>\$ 25,541</u>	<u>\$ 87,253</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 \$747,013.				
During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$115,291 with a net value of \$0, and received donated assets in the amount of \$22,588.				
<i>The notes to the financial statements are an integral part of this statement.</i>				

Exhibit C-1

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

Exhibit C-2

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, 2011
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 28,520	\$ 21,981	\$ 13,777	\$ 2,011	\$ 7,171	\$ 73,460
Investments	3,116	5,684	-	300	-	9,100
Receivables (net):						
Accounts	1,943	142	201	28	3	2,317
Notes and loans	45,217	37,386	29,280	395	-	112,278
Accrued interest	6,247	434	109	121	-	6,911
Due from primary government	323	261	-	-	-	584
Due from other governmental agencies	709	1,112	18,393	18	-	20,232
Inventory of property for resale	-	6,580	1,729	2,746	-	11,055
Prepaid items	983	90	-	-	23	1,096
Deferred charges	196	744	-	-	269	1,209
Other assets	320	-	86	-	-	406
Total Noncapital Assets	<u>87,574</u>	<u>74,414</u>	<u>63,575</u>	<u>5,619</u>	<u>7,466</u>	<u>238,648</u>
Capital assets:						
Capital assets not being depreciated:						
Land and land improvements	39,721	13,621	-	-	1,109	54,451
Construction in progress	47,078	-	-	-	-	47,078
Capital assets being depreciated:						
Buildings	374,071	92,989	-	-	10,088	477,148
Infrastructure	-	379	-	-	-	379
Improvements other than buildings	882	843	-	-	-	1,725
Machinery and equipment	4,595	-	299	-	153	5,047
Intangible assets	-	565	-	-	-	565
Accumulated depreciation	<u>(220,925)</u>	<u>(13,036)</u>	<u>(242)</u>	<u>-</u>	<u>(73)</u>	<u>(234,276)</u>
Total Capital Assets, Net of Depreciation	<u>245,422</u>	<u>95,361</u>	<u>57</u>	<u>-</u>	<u>11,277</u>	<u>352,117</u>
Total Assets	<u>332,996</u>	<u>169,775</u>	<u>63,632</u>	<u>5,619</u>	<u>18,743</u>	<u>590,765</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
 DECEMBER 31, 2011
 (Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 9,535	\$ 2,869	\$ 452	\$ 64	\$ 780	\$ 13,700
Accrued expenses	7,108	2,810	-	-	17	9,935
Due to other governmental agencies	1,194	3,589	-	-	60	4,843
Deferred revenue	20,355	518	-	343	-	21,216
Other liabilities	7,641	2,655	912	2,046	-	13,254
Total Current Liabilities	45,833	12,441	1,364	2,453	857	62,948
Due to primary government:						
Due within one year	495	-	55	25	-	575
Due in more than one year	-	19,306	477	-	-	19,783
Total Due to Primary Government	495	19,306	532	25	-	20,358
Long-term obligations:						
Due within one year	3,511	-	-	-	-	3,511
Due in more than one year	48,256	78,881	4,549	-	18,850	150,536
Total Noncurrent Liabilities	51,767	78,881	4,549	-	18,850	154,047
Total Liabilities	98,095	110,628	6,445	2,478	19,707	237,353
NET ASSETS:						
Invested in capital assets, net of related debt ..	151,349	28,230	-	-	(75)	179,504
Restricted	4,823	8,515	8,841	990	-	23,169
Unrestricted	78,729	22,402	48,346	2,151	(889)	150,739
Total Net Assets	\$234,901	\$ 59,147	\$ 57,187	\$ 3,141	\$ (964)	\$ 353,412

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

Exhibit D-2

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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.

Century City Redevelopment Corporation - The Century City Redevelopment Corporation (CCRC) is a nonprofit organization created to perform redevelopment activities within the City. CCRC is managed by a Board of Directors made up of members from City government and employee services are provided by the Redevelopment Authority through a cooperation agreement.

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, 3rd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 1st Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; and CCRC, 841 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

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 MAWIB.

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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

The City reports the following major enterprise funds:

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

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.0821, 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.

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 2011 that will be collected in 2012 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
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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 are 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
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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, 2011 is approximately \$2,258,000.

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 approximately \$22,134,000 as of December 31, 2011.

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, 2011

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased therefore inventories are classified as non-spendable in fund balance.

L. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year and are classified as non-spendable in fund balance.

M. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at 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
Intangible right of ways	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A
Intangible software	100,000	5-20

N. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as 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 includes salary related costs (e.g., social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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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 Balance-Governmental Funds

As of December 31, 2011, GASB 54 was implemented resulting in the fund balances of the governmental funds to be classified as follows:

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

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

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

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

Unassigned – All other spendable amounts.

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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T. Net Assets

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

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

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

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

U. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

V. Use of Estimates

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

W. New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses service concession arrangements, which are a type of public-private partnership. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In November 2010, the GASB issued Statement No. 61, *an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity display and disclosure requirements. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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In December 2011, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations; Accounting Principles Board Opinions, or; Accounting Research Bulletins of the AICPA Committee on Accounting Procedure (collectively referred to as the – FASB and AICPA pronouncements). The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not have any derivative instruments.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, or current period outflows and inflows. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of previous pronouncements. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In July 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The objective of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans. This statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In July 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures*. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and RSI. The City will implement this Statement beginning with the year ending December 31, 2014. The City has not analyzed the potential impact of the Statement on its financial statements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, 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	Greater than 10	Credit Rating
Governmental and Business-type activities:						
<i>Investment type</i>						
Pooled Deposits and Investments	\$ 271,270	\$ 271,270	\$ -	\$ -	\$ -	see below
Segregated Deposits and Investments						
Interest Checking	17,275	17,275	-	-	-	not rated
Wisconsin Local Government						
Investment Pool	74,654	74,654	-	-	-	not rated
Municipal Bonds	13,829	-	2,772	9,649	1,408	see below
U.S. Treasury strips	1,035	1,035	-	-	-	AAA
Treasuries (Fiscal Agent)	11,813	11,813	-	-	-	AAA
Certificates of Deposits	4,650	1,950	2,700	-	-	not rated
	<u>\$ 394,526</u>	<u>\$ 377,997</u>	<u>\$ 5,472</u>	<u>\$ 9,649</u>	<u>\$ 1,408</u>	
Fiduciary activities:						
<i>Investment type</i>						
Investments in the Pool	\$ 305,662	\$ 305,662	\$ -	\$ -	\$ -	see below
Other Deposits	34,097	34,097	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government						
Investment Pool	887	887	-	-	-	not rated
U.S. Treasury strips	2,099	420	1,679	-	-	AAA
	<u>\$ 342,745</u>	<u>\$ 341,066</u>	<u>\$ 1,679</u>	<u>\$ -</u>	<u>\$ -</u>	

Municipal Bonds

The Moody's ratings vary from AAA to A2 for the Municipal Bonds that were rated. The remainder of the Municipal bonds held by the City was not rated.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, the City had the following investments and maturities in the Pool:

		Investment Maturities (in Years)				
		(Thousands of Dollars)				
	Fair Value	Less than 1	1-5	6-10	Greater than 10	Credit Rating
Pooled Deposits and Investments						
Bank Demand Deposits	\$ 41,715	\$ 41,715	\$ -	\$ -	\$ -	not rated
Other Deposits	1,006	1,006	-	-	-	not rated
Deposits and Investments						
Interest Checking	285,416	285,416	-	-	-	not rated
Wisconsin Local Government						
Investment Pool	240,445	240,445	-	-	-	not rated
Government Money Market	100	100	-	-	-	AAA
Certificates of Deposits	8,250	8,250	-	-	-	not rated
	<u>\$ 576,932</u>	<u>\$ 576,932</u>	<u>\$ -</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, 2011, the City's bank balances of \$1,012,000 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 inability of the counterparty to fulfill its obligations. Wisconsin Statutes expressly limit the City to invest in certain allowable investments as listed in Note 1. E. The City's investment policy generally does not further limit its investment choices.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

B. Component Units

Deposits and Investments

Deposits in each local area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for interest bearing accounts and \$250,000 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.

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, 2011:

	Investment Maturities (in Years)					
	(Thousands of Dollars)					
	Fair value	Less than 1	1-5	6-10	10 and greater	Credit Rating
Component Units:						
Local Government Investment Pool.....	\$ 22,136	\$ 22,136	\$ -	\$ -	\$ -	not rated
U.S. Treasury Money Market Fund.....	11,249	11,249	-	-	-	Aaa
U.S. Treasury Notes.....	970	303	667	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association.....	2,339	3	1,841	495	-	Aaa
Municipal Bonds	296	141	155	-	-	Aa
Corporate Bonds	1,787	317	1,470	-	-	Aa
Negotiable Certificates of Deposit.....	355	355	-	-	-	Aa
Money Market.....	1,740	1,740	-	-	-	N/A
	<u>\$ 40,872</u>	<u>\$ 36,244</u>	<u>\$ 4,133</u>	<u>\$ 495</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, 2011 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority.....	\$ 7,395,798	\$ 1,483,251
Redevelopment Authority.....	10,996,354	1,238,016
Milwaukee Economic Development Corporation.....	13,308,651	6,284,691
Neighborhood Improvement Development Corporation.....	2,342,683	1,031,431
Century City Redevelopment Corporation.....	7,171,296	6,820,411

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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

As of December 31, 2011, the Housing Authority had \$497,840 of investments exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2011, the Redevelopment Authority had \$15,614,035 of investments exposed to custodial credit risk as uninsured and uncollateralized.

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, 2011, 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>		
2006 and prior	\$ 714	\$ 1,164	\$ 1,878
2007	412	662	1,074
2008	1,521	2,387	3,908
2009	4,789	7,431	12,220
2010	<u>12,095</u>	<u>19,495</u>	<u>31,590</u>
Total delinquent property taxes receivable	<u>\$ 19,531</u>	<u>\$ 31,139</u>	50,670
Property taxes receivable on foreclosed property			24,874
Less: Allowance for uncollectible taxes			<u>(20,746)</u>
Net delinquent property taxes receivable, including tax deeded property			<u>\$ 54,798</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		<i>(Thousands of Dollars)</i>		
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 164,210	\$ 410	\$ -	\$ 164,620
Construction in progress	26,513	20,388	10,629	36,272
Intangible right of ways	<u>1,319</u>	<u>23</u>	<u>-</u>	<u>1,342</u>
Total capital assets not being depreciated	<u>192,042</u>	<u>20,821</u>	<u>10,629</u>	<u>202,234</u>
<i>Capital assets being depreciated:</i>				
Buildings	276,816	6,809	1,160	282,465
Infrastructure.....	1,450,918	27,530	10,888	1,467,560
Improvements other than buildings	11,811	103	23	11,891
Machinery and equipment	173,788	11,478	6,576	178,690
Intangible software.....	<u>1,364</u>	<u>607</u>	<u>-</u>	<u>1,971</u>
Total capital assets being depreciated	<u>1,914,697</u>	<u>46,527</u>	<u>18,647</u>	<u>1,942,577</u>
Less accumulated depreciation for:				
Buildings	78,395	6,888	969	84,314
Infrastructure	934,550	30,015	10,889	953,676
Improvements other than buildings	7,972	316	13	8,275
Machinery and equipment	100,221	13,119	5,984	107,356
Intangible software	<u>97</u>	<u>271</u>	<u>-</u>	<u>368</u>
Total accumulated depreciation	<u>1,121,235</u>	<u>50,609</u>	<u>17,855</u>	<u>1,153,989</u>
Total capital assets being depreciated, net ...	<u>793,462</u>	<u>(4,082)</u>	<u>792</u>	<u>788,588</u>
Government activity capital assets, net	<u>\$ 985,504</u>	<u>\$ 16,739</u>	<u>\$ 11,421</u>	<u>\$ 990,822</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 592
Public safety				8,969
Public works				40,327
Health				269
Culture and recreation				<u>452</u>
Total				<u>\$ 50,609</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

Business-type activities	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		<i>(Thousands of Dollars)</i>		
Water Works				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,022	\$ -	\$ 4	\$ 2,018
Construction in progress	12,717	34,364	44,252	2,829
Total capital assets not being depreciated	14,739	34,364	44,256	4,847
<i>Capital assets being depreciated:</i>				
Buildings	25,406	2,056	203	27,259
Infrastructure	355,873	24,644	23,500	357,017
Machinery and equipment	206,450	17,551	10,691	213,310
Nonutility property	4,692	730	-	5,422
Total capital assets being depreciated	592,421	44,981	34,394	603,008
Less accumulated depreciation for:				
Buildings	15,974	833	306	16,501
Infrastructure	83,978	4,637	2,373	86,242
Machinery and equipment	104,453	8,597	10,827	102,223
Nonutility property	577	188	-	765
Total accumulated depreciation	204,982	14,255	13,506	205,731
Total capital assets being depreciated, net ...	387,439	30,726	20,888	397,277
Water Works capital assets, net	402,178	65,090	65,144	402,124
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	-	42	-	42
Total capital assets not being depreciated	-	42	-	42
<i>Capital assets being depreciated:</i>				
Infrastructure	488,707	31,270	115	519,862
Machinery and equipment	4,563	-	-	4,563
Total capital assets being depreciated	493,270	31,270	115	524,425
Less accumulated depreciation for:				
Infrastructure	114,216	5,884	115	119,985
Machinery and equipment	2,646	65	-	2,711
Total accumulated depreciation	116,862	5,949	115	122,696
Total capital assets being depreciated, net ...	376,408	25,321	-	401,729
Sewer Maintenance capital assets, net	376,408	25,363	-	401,771

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		<i>(Thousands of Dollars)</i>		
<i>Other business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	16,231	663	38	16,856
Construction in progress	<u>2,180</u>	<u>2,000</u>	<u>60</u>	<u>4,120</u>
Total capital assets not being depreciated	<u>18,411</u>	<u>2,663</u>	<u>98</u>	<u>20,976</u>
<i>Capital assets being depreciated:</i>				
Buildings	66,392	12	-	66,404
Infrastructure—port.....	16,620	253	-	16,873
Improvements other than buildings	7,771	227	-	7,998
Machinery and equipment	<u>10,181</u>	<u>123</u>	<u>119</u>	<u>10,185</u>
Total capital assets being depreciated	<u>100,964</u>	<u>615</u>	<u>119</u>	<u>101,460</u>
Less accumulated depreciation for:				
Buildings	39,478	2,213	-	41,691
Infrastructure—port.....	9,354	290	-	9,644
Improvements other than buildings	5,619	305	-	5,924
Machinery and equipment	<u>5,611</u>	<u>633</u>	<u>95</u>	<u>6,149</u>
Total accumulated depreciation	<u>60,062</u>	<u>3,441</u>	<u>95</u>	<u>63,408</u>
Total capital assets being depreciated, net ...	<u>40,902</u>	<u>(2,826)</u>	<u>24</u>	<u>38,052</u>
Other business-type activities, net	<u>59,313</u>	<u>(163)</u>	<u>122</u>	<u>59,028</u>
Business-type activity capital assets, net	<u>\$ 837,899</u>	<u>\$ 90,290</u>	<u>\$ 65,266</u>	<u>\$ 862,923</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 56,816	\$ 1,314	\$ 3,679	\$ 54,451
Construction in Progress	<u>16,732</u>	<u>38,699</u>	<u>8,353</u>	<u>47,078</u>
Total capital assets not being depreciated	<u>73,548</u>	<u>40,013</u>	<u>12,032</u>	<u>101,529</u>
<i>Capital assets being depreciated:</i>				
Buildings	500,289	24,909	48,050	477,148
Infrastructure	379	-	-	379
Improvements other than buildings	1,725	-	-	1,725
Machinery and equipment	3,718	1,476	147	5,047
Intangibles.....	<u>-</u>	<u>565</u>	<u>-</u>	<u>565</u>
Total capital assets being depreciated	<u>506,111</u>	<u>26,950</u>	<u>48,197</u>	<u>484,864</u>
Less accumulated depreciation for:				
Buildings	247,884	12,770	30,186	230,468
Infrastructure	41	16	-	57
Improvements other than buildings	453	121	-	574
Machinery and equipment	2,796	459	106	3,149
Machinery and equipment	<u>-</u>	<u>28</u>	<u>-</u>	<u>28</u>
Intangibles.....				
Total accumulated depreciation	<u>251,174</u>	<u>13,394</u>	<u>30,292</u>	<u>234,276</u>
Total capital assets being depreciated, net ...	<u>254,937</u>	<u>13,556</u>	<u>17,905</u>	<u>250,588</u>
Component units capital assets, net	<u>\$ 328,485</u>	<u>\$ 53,569</u>	<u>\$ 29,937</u>	<u>\$ 352,117</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, 2011 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes	\$ 183,873	\$ 96,313	\$ 4,620	\$ -	\$ 284,806
Delinquent property taxes	9,632	-	-	5,115	14,747
Unearned revenue	-	-	12,335	6,352	18,687
Long-term receivables	-	92,506	-	162	92,668
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>6,808</u>	<u>-</u>	<u>6,808</u>
Total	<u>\$ 193,505</u>	<u>\$ 188,819</u>	<u>\$ 23,763</u>	<u>\$ 11,629</u>	<u>\$ 417,716</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

6. SHORT-TERM DEBT

During 2011, the City issued and repaid \$100,000,000 of General Obligation Cash Flow Promissory Notes, Series 2011 R2 (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, 2011.

As of December 31, 2010, the City had outstanding \$175,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2011, the City repaid the outstanding balance and issued \$145,000,000 short-term RANs for the same purpose. The new notes of \$145,000,000 bear an interest rate of 1.5% and will mature on June 27, 2012. 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, 2011

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2011 were as follows:

	Balance 01-01-11	Additions	Deductions	Balance 12-31-11	Amounts Due within One Year
		<i>(Thousands of Dollars)</i>			
Governmental activities:					
General obligation bonds and notes					
City	\$ 680,664	\$ 312,300	\$ 285,581	\$ 707,383	\$ 98,826
Milwaukee Public Schools	131,519	75,000	88,328	118,191	5,181
Deferred amount on refundings	(2,903)	-	(947)	(1,956)	-
Unamortized premiums	35,478	17,092	9,486	43,084	-
Compensated absences	38,948	10,588	1,955	47,581	2,562
Net other postemployment benefits obligation	169,040	69,349	32,020	206,369	-
Claims and judgments	19,461	10,308	5,890	23,879	6,565
Total governmental activities	<u>\$ 1,072,207</u>	<u>\$ 494,637</u>	<u>\$ 422,313</u>	<u>\$ 1,144,531</u>	<u>\$ 113,134</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 13,453	\$ 11,625	\$ 3,025	\$ 22,053	\$ 3,326
Deferred amount on refundings	(112)	-	(70)	(42)	-
Unamortized premiums	406	-	137	269	-
Revenue bonds	8,462	-	964	7,498	989
Compensated absences	1,329	676	926	1,079	1,079
Net other postemployment benefits obligation	3,077	2,108	1,430	3,755	-
Total Water Works	<u>26,615</u>	<u>14,409</u>	<u>6,412</u>	<u>34,612</u>	<u>5,394</u>
Sewer Maintenance					
General obligation bonds and notes	53,437	22,000	22,675	52,762	677
State Loans	80,724	3,303	3,514	80,513	3,742
Revenue bonds	45,275	52,565	35,720	62,120	3,050
Deferred amount on refundings	-	(1,594)	(199)	(1,395)	-
Unamortized premiums	1,342	5,421	1,417	5,346	-
Net other postemployment benefits obligation	1,184	863	586	1,461	-
Total Sewer Maintenance	<u>181,962</u>	<u>82,558</u>	<u>63,713</u>	<u>200,807</u>	<u>7,469</u>
Other Enterprise Funds					
General obligation bonds and notes	15,112	2,520	2,491	15,141	1,970
Deferred amount on refundings	(95)	-	(36)	(59)	-
Unamortized premiums	138	-	46	92	-
Net other postemployment benefits obligation	1,059	751	509	1,301	-
Total Other Enterprise	<u>16,214</u>	<u>3,271</u>	<u>3,010</u>	<u>16,475</u>	<u>1,970</u>
Total business-type activities	<u>\$ 224,791</u>	<u>\$ 100,238</u>	<u>\$ 73,135</u>	<u>\$ 251,894</u>	<u>\$ 14,833</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

Component Units	Balance 01-01-11	New Issues	Repayments	Balance 12-31-11	Amounts Due within One Year
		<i>(Thousands of Dollars)</i>			
Revenue bonds	\$ 91,725	\$ -	\$ 4,105	\$ 87,620	\$ 570
Unamortized discounts	(91)	-	(6)	(85)	-
Notes payable	50,713	22,831	10,859	62,685	2,674
Advance from other organizations	-	-	-	-	-
Compensated Absences.....	794	97	-	891	267
Net other postemployment benefits.....	2,242	957	263	2,936	-
Total component units	<u>\$ 145,383</u>	<u>\$ 23,885</u>	<u>\$ 15,221</u>	<u>\$ 154,047</u>	<u>\$ 3,511</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, 2011, general obligation bonds totaling \$52,778,627 were issued. \$48,194,667 was issued to finance capital improvements and \$4,583,960 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 2011, \$181,793,598 has been borrowed and outstanding for forty-seven TID's. Total debt service requirements associated with these debt issues amounts to \$247,304,078. Active Tax increments received through 2011 total \$163,125,139. 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 \$118,191,000 of Milwaukee Public School long-term debt outstanding at December 31, 2011 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, 2011, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately \$1,011,272,000. 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, 2011

C. Revenue Bonds and State Loans

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 2011, 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 \$3,303,000. The revenue bonds and State 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, 2011, installment loans totaling \$68,626,341 were issued. \$29,223,421 was issued to finance capital improvements, \$9,167,920 for business-type activities and \$30,235,000 to purchase 2010's delinquent taxes.

During 2011, the City continued to issue General Obligation Commercial Paper Promissory Notes totaling \$167,000,000. \$24,000,000 was issued to finance capital improvements, \$22,000,000 for business-type activities, \$46,000,000 for general fiscal requirements of the City and \$75,000,000 for schools. 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
01-01-11	Additions	Deletions	12-31-11
78,600	167,000	179,600	66,000

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, 2011, the City had no outstanding draws on the letter of credit.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

E. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt
	Principal	Interest	Principal	Interest	Service
(Thousands of Dollars)					
Governmental activities					
2012	\$ 104,007	\$ 35,715	\$ -	\$ -	\$ 139,722
2013	88,342	31,396	-	-	119,738
2014	73,555	27,479	-	-	101,034
2015	67,997	24,060	-	-	92,057
2016	67,420	20,807	-	-	88,227
2017-2021	265,530	62,905	-	-	328,435
2022-2026	112,588	22,276	-	-	134,864
2027-2031	46,135	1,369	-	-	47,504
Total	<u>\$ 825,574</u>	<u>\$ 226,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,051,581</u>
Business-type activities					
Water Works					
2012	\$ 3,326	\$ 1,089	\$ 989	\$ 185	\$ 5,589
2013	2,936	918	1,015	158	5,027
2014	3,121	769	1,042	131	5,063
2015	2,511	617	1,069	104	4,301
2016	1,817	488	1,098	75	3,478
2017-2021	4,242	1,551	2,285	60	8,138
2022-2026	4,100	505	-	-	4,605
Total	<u>\$ 22,053</u>	<u>\$ 5,937</u>	<u>\$ 7,498</u>	<u>\$ 713</u>	<u>\$ 36,201</u>
Sewer Maintenance					
2012	\$ 677	\$ 601	\$ 6,792	\$ 4,616	\$ 12,686
2013	697	571	7,018	4,391	12,677
2014	701	540	7,221	4,183	12,645
2015	703	506	7,412	3,986	12,607
2016	706	472	7,595	3,784	12,557
2017-2021	45,801	1,486	41,729	14,883	103,899
2022-2026	3,477	327	39,233	7,474	50,511
2027-2031	-	-	25,633	1,999	27,632
Total	<u>\$ 52,762</u>	<u>\$ 4,503</u>	<u>\$ 142,633</u>	<u>\$ 45,316</u>	<u>\$ 245,214</u>
Other Enterprise					
2012	\$ 1,970	\$ 701	\$ -	\$ -	\$ 2,671
2013	1,810	611	-	-	2,421
2014	1,783	524	-	-	2,307
2015	1,644	440	-	-	2,084
2016	1,307	360	-	-	1,667
2017-2021	4,397	1,042	-	-	5,439
2022-2026	2,230	212	-	-	2,442
Total	<u>\$ 15,141</u>	<u>\$ 3,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,031</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt
	Principal	Interest	Principal	Interest	Service
	(Thousands of Dollars)				
Total Component Units					
2012	\$ 2,674	\$ 1,544	\$ 570	\$ 409	\$ 5,197
2013.....	177	1,640	990	480	3,287
2014.....	3,885	1,616	1,195	452	7,148
2015.....	445	1,488	1,425	423	3,781
2016.....	902	1,465	1,670	389	4,426
2017-2021	5,239	6,892	13,031	1,333	26,495
2022-2026	4,784	5,995	31,419	377	42,575
2027-2031	4,342	5,653	29,295	124	39,414
2032-2036.....	6,690	5,167	8,025	5	19,887
2037-2041	9,452	4,434	-	-	13,886
2042-2046	9,888	3,117	-	-	13,005
2047-2051	10,654	1,170	-	-	11,824
2052-2056	127	760	-	-	887
2057-2061.....	3,426	182	-	-	3,608
Total	\$ 62,685	\$ 41,123	\$ 87,620	\$ 3,992	\$ 195,420

F. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2011, the City's legal debt margin was \$1,277,147,000. Of this amount, \$590,416,000 was for school purposes and \$686,731,000 was for City purposes.

G. Refundings

During May 2011, the City issued General Obligation Promissory Notes, Series 2011 N3 with a par amount of \$24,998,659 and interest rates from 4% to 5%, Corporate Purpose Bonds, Series 2011 B4 with a par amount of \$7,986,341 and interest rates from 4% to 5% and Corporate Purpose Bonds, Series 2011 T5 with a par amount of \$2,055,032 and interest rates from 3% to 4.75%. These refundings will reduce future debt service payments by \$ 736,142 and result in an economic gain of \$642,371. During June 2011, the City issued Sewerage System Revenue Bonds, Series 2011 S1 with a par amount of \$52,565,000 and interest rates from 3% to 5%. A portion of the proceeds from this sale was placed in an irrevocable trust that will be used to service the future requirements of the defeased Sewerage System Revenue Bonds. This refunding reduced future debt service payments by \$3,188,903 and results in an economic gain of \$2,837,397.

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, 2011, \$49,325,000 of City bonds and \$32,780,000 of Sewerage System Revenue Bonds outstanding is considered defeased, which includes debt defeased during the current year.

H. 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, 2011 is approximately \$42,326,000 for the City and \$592,077,000 for RACM.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 789 North Water Street, Suite 300, 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. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The City's contributions to the System for the years ending December 31, 2011, 2010, and 2009, were \$22,878,684, \$17,371,000, and \$19,294,000, 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.

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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011, the City paid approximately \$33,225,000 and \$1,320,000, 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:

Funding Status and Funding Progress

ARC	\$ 71,883,000
Interest on Net OPEB Obligation	7,846,000
Adjustment to ARC	<u>(6,658,000)</u>
Annual OPEB Cost	73,071,000
Contribution made	<u>34,545,000</u>
Increase in net OPEB Obligation	38,526,000
Net OPEB obligation - beginning of year	174,360,000
Net OPEB obligation - end of year	<u>\$ 212,886,000</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
12/31/2009	\$ 77,389,000	37.1%	\$ 127,074,000
12/31/2010	81,311,000	41.8%	174,360,000
12/31/2011	73,071,000	47.3%	212,886,000

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$916,383,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$916,383,000. The covered payroll (annual payroll of active employees covered by the plan) was \$407,840,000 and the ratio of the UAAL to the covered payroll was 225 percent.

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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 8.5% initially, and reduced by decrements to the ultimate rate of 4.5% after 9 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 2011, approximately \$8,340,000 was paid for sick leave from all funds. At December 31, 2011, accumulated sick leave earned but not taken totaled approximately \$172,424,000 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 2011, terminal leave payments totaled \$1,939,000 to employees retiring during the year. As of December 31, 2011, the City has accrued approximately \$30,139,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$47,581,000 with the remainder accrued vacation leave of \$17,442,000.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

9. FUND BALANCE

The constraints placed on fund balance for the governmental funds at December 31, 2011 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization (Thousands of Dollars)	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable						
Loans receivable.....	\$ 17	\$ -	\$ -	\$ -	\$ -	\$ 17
Advances.....	7,562	-	-	-	-	7,562
Inventory.....	7,122	-	-	-	-	7,122
Inventory of property for resale.....	26	-	-	-	-	26
Prepaid items.....	189	-	-	886	-	1,075
Investment-Targeted Mortgage.....	128	-	-	-	-	128
Spendable						
Restricted for:						
Grants.....	-	-	-	-	5,800	5,800
Economic Development.....	-	-	-	-	55	55
Committed to:						
Contributions.....	2,995	-	-	-	-	2,995
Debt.....	-	126,222	67,264	-	-	193,486
Delinquent taxes.....	-	-	-	-	29,514	29,514
Assigned to:						
Conservation and development.....	113	-	-	-	-	113
General government.....	9,281	-	-	-	-	9,281
Health.....	181	-	-	-	-	181
Housing trust.....	390	-	-	-	-	390
Library.....	118	-	-	-	-	118
Public safety.....	2,055	-	-	-	-	2,055
Public works.....	570	-	-	-	-	570
2012 budgetary financing.....	13,767	-	-	-	-	13,767
Environmental remediation.....	303	-	-	-	-	303
Unassigned	<u>27,169</u>	<u>-</u>	<u>-</u>	<u>(1,003)</u>	<u>-</u>	<u>26,166</u>
Total Fund Balance.....	<u>\$ 71,986</u>	<u>\$ 126,222</u>	<u>\$ 67,264</u>	<u>\$ (117)</u>	<u>\$ 35,369</u>	<u>\$ 300,724</u>

Reserved for Tax Stabilization and Advances to Other Funds

A tax stabilization arrangement is incorporated into the City's adopted a *Reserve for Tax Stabilization Fund Balance Policy* and is governed by the City's Code of Ordinances. At December 31, 2011, the tax stabilization reserve was \$48,704,000. Of this amount, \$13,767,000 has been committed to the funding of the 2012 General Fund budget and \$34,937,000 is unassigned for 2013 and subsequent years' budgets. This Reserve includes an amount for advances of \$7,562,000 from the General Fund to the Capital Projects Fund. 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 budgeted, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council prior to budget adoption.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

Fund deficit

The Capital Projects Fund had a deficit fund balance of \$117,000 as of December 31, 2011, 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 2012.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2011 were as follows:

Due From						

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, 2011

Interfund transfers for the year ended December 31, 2011 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	\$ 1,818	Funding for debt payments
	Nonmajor Governmental Funds	9,785	Subsidize uncollected property taxes
	Capital Projects	85	Capital close outs
	Water Works	11,151	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	1,405	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	20,787	Subsidy for operations
	Nonmajor Enterprise Funds	2,345	Excess earnings of Port
	Subtotal General Fund	<u>47,376</u>	
General Obligation Debt	General	100,000	Funding for cash flow debt
	General	2,077	Funding for debt payments
	Public Debt Amortization	5,924	Capital Projects
	Capital Projects	53	Capital close outs
	Capital Projects	406	Tax Incremental District closeouts
	Nonmajor Governmental Funds	26,333	Funding for debt payments
	Sewer Maintenance	8,678	Subsidy for operations
	Nonmajor Enterprise Funds	597	Subsidy for operations
	Subtotal Debt Service	<u>144,068</u>	
Public Debt Amortization	General Obligation Debt	3,657	Funding for debt payments
	Subtotal Public Debt Amortization	<u>3,657</u>	
Nonmajor Enterprise	General Obligation Debt	617	Funding for debt payments
	Subtotal Nonmajor Proprietary	<u>617</u>	
	Total Interfund Transfers	<u>\$ 195,718</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, 2011

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2011 were as follows:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 495
Due from RACM for reimbursable expenditures	12
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	19,293
Due from MEDC for reimbursements for expenditures ...	35
Due from MEDC for tax incremental district loans	497
Due from NIDC for home and Community Development Block grants	<u>26</u>
Total	<u>\$ 20,358</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to RACM for tax incremental projects.....	\$ 70
Due to RACM for urban renewal projects.....	73
Due to RACM Community Development Block grants and Home grants.....	118
Due to HACM for reimbursable expenditures	19
Due to HACM Community Development Block grants and Home grants.....	<u>304</u>
Total	<u>\$ 584</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2012 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>	
2012	\$ 5,734
2013	5,604
2014	4,751
2015	4,701
2016	3,782
2017-2021	15,749
2022-2026	8,067
2027-2031	7,298
2032 and beyond	<u>11,065</u>
Total	<u>\$ 66,751</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, 2011

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2011 were as follows:

General liability claims	\$ 6,125,000
Workers' compensation claims	11,033,000
Unemployment claims	1,022,000
Health insurance claims	4,268,000
Pollution remediation obligation.....	1,431,000

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

	2010	2011
Beginning of year liability	\$ 23,719,000	\$ 19,461,000
Current year claims and changes in estimates	2,812,000	10,308,000
Claim payments	<u>(7,070,000)</u>	<u>(5,890,000)</u>
End of year liability	<u>\$ 19,461,000</u>	<u>\$ 23,879,000</u>

Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009 and 2010 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication beginning about the middle of 2012. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax year 2010. These cases are also moving toward adjudication in 2012 and 2013. Appeals by the losing party are likely in many of these cases.

In a civil rights action, plaintiffs claim that an off-duty Milwaukee police officer violated their civil rights when in March 2005 he fatally shot a person. The officer subsequently committed suicide after he was charged criminally with the murder. In this ensuing civil litigation, the City has vigorously contested the plaintiffs' claims that the officer was acting within the scope of his employment and under color of law at the time of the shooting. The court ruled, however, not only that the issue of action under color of law presented a jury question but also that the plaintiffs could recover punitive damages even though the officer is deceased. The City has recently filed a motion on certain evidentiary issues that would have the effect of a dismissal of the case if granted. In the event that the motion is denied, however, the matter is set for trial later in 2012.

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.

During 2011, the City spent \$304,000 in pollution remediation-related activities. At December 31, 2011, the City has an outstanding liability of \$1,431,000 related to pollution remediation obligations.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Four of the seven landfills have been closed. The remaining three landfills are no longer accepting waste. The Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The City has accrued \$350,000 in the government-wide financial statement, as part of general liability claims for landfill closure related to the three sites. \$150,000 of these costs is meant to bring closure to the Hartung Quarry by constructing a sledding hill and additional landscaping. 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 are therefore, not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

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, 2011.

Commitments

The following is a list of encumbrances by function at December 31, 2011:

	General Fund	Capital Projects	Water Works	Total
	<i>(Thousands of Dollars)</i>			
General government.....	\$ 9,281	\$ 2	\$ -	\$ 9,283
Conservation and development.....	113	8,465	-	8,578
Health.....	181	-	-	181
Housing trust.....	390	-	-	390
Library.....	118	626	-	744
Public safety.....	2,055	1,212	-	3,267
Public works.....	570	-	-	570
Infrastructures.....	-	15,204	3,391	18,595
Total.....	<u>\$ 12,708</u>	<u>\$ 25,509</u>	<u>\$ 3,391</u>	<u>\$ 41,608</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

14. SUBSEQUENT EVENTS

On May 3, 2012, the City issued \$6,085,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2013 until 2022. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued \$3,540,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2023 until 2032. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued \$8,455,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2023 until 2027. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued \$113,430,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2013 until 2022. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued \$100,000,000 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 4, 2012 with interest.

On May 22, 2012, the City issued \$70,000,000 of extendable municipal commercial paper notes for various governmental purposes. The final maturity is on May 22, 2017.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
Revenues:				
Property taxes	\$ 176,588	\$ 176,588	\$ 166,841	\$ (9,747)
Other taxes	4,634	4,634	4,371	(263)
Licenses and permits	12,429	12,429	13,289	860
Intergovernmental	271,595	271,596	273,240	1,644
Charges for services	96,108	98,633	103,493	4,860
Fines and forfeits	5,255	5,255	5,076	(179)
Other	10,849	10,880	13,387	2,507
Total Revenues	577,458	580,015	579,697	(318)
Expenditures:				
Current:				
General government	247,285	237,305	229,556	7,749
Public safety	258,799	259,954	258,994	960
Public works	90,476	96,840	96,557	283
Health	9,328	9,276	8,872	404
Culture and recreation	16,092	16,120	15,566	554
Conservation and development	3,687	4,067	3,991	76
Total Expenditures	625,667	623,562	613,536	10,026
Deficiency of Revenues over Expenditures	(48,209)	(43,547)	(33,839)	9,708
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	-	100,000	100,000
Transfers in	34,353	36,170	47,376	11,206
Transfers out	-	-	(102,077)	(102,077)
Contributions received	32,343	32,871	24,021	(8,850)
Contributions used	(31,247)	(32,536)	(23,121)	9,415
Use of fund balance - reserved for tax stabilization ..	14,600	14,600	14,600	-
Total Other Financing Sources and Uses	50,049	51,105	60,799	9,694
Net Change in Fund Balance	1,840	7,558	26,960	19,402
Fund Balance - Beginning (Excludes Reserved for				
Tax Stabilization)	45,026	45,026	45,026	-
Fund Balance - Ending	\$ 46,866	\$ 52,584	\$ 71,986	\$ 19,402

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 \$14.6 million at January 1, 2011. 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, 2011
(unaudited)

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
1/1/2009	-	959,562,000	959,562,000	0.0%	419,811,361	228.6%
1/1/2010	-	1,007,573,100	1,007,573,100	0.0%	413,647,606	243.6%
1/1/2011	-	916,383,400	916,383,400	0.0%	407,839,733	224.7%

See accompanying independent auditors' report.

CITY OF MILWAUKEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	8.5% per year graded down to 4.5% per year ultimate trend in 0.5% increments.

REMAINDER OF FINANCIAL SECTION

Combined and Individual Fund Statements and Schedules
Miscellaneous Financial Data

STATISTICAL SECTION

Pages 101-160 Omitted

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APPENDIX B

Draft Form of Legal Opinions

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May 15, 2013

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

We have examined a record of proceedings relating to the issuance of \$100,000,000 aggregate principal amount of General Obligation Cash Flow Promissory Notes, Series 2013 R1 (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on February 5, 2013.

The Notes constitute an issue of "promissory notes" under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Notes are dated as of May 15, 2013, mature (without option of prior redemption) on December 5, 2013 and bear interest from their date payable at maturity. \$____,000,000 principal amount of the Notes bear interest at the rate of _____ percent (_____%) per annum and \$____,000,000 principal amount of the Notes bear interest at the rate of _____ percent (_____%) per annum.

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

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

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

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

Respectfully submitted,

May 15, 2013

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

We have examined a record of proceedings relating to the issuance of \$ _____,000 aggregate principal amount of General Obligation Promissory Notes, Series 2013 N2 (the “Notes”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on February 5, 2013 and April 4, 2013.

The Notes constitute an issue of “promissory notes” under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Notes are dated as of May 15, 2013, mature (without option of prior redemption) on May 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on November 15, 2013 and semiannually thereafter on May 15 and November 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2014	\$. %
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		

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

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

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

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Notes we have relied on the City, regarding the computation of the arbitrage yield on the Notes and of certain investments made with the proceeds of the Notes.

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

Respectfully submitted,

May 15, 2013

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

We have examined a record of proceedings relating to the issuance of \$_____,000 aggregate principal amount of General Obligation Corporate Purpose Bonds, Series 2013 B3 (the “Bonds”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on January 16, 2009, January 20, 2010, January 19, 2011, November 2, 2011, December 20, 2011, February 28, 2012, April 11, 2012, February 5, 2013 and April 4, 2013.

The Bonds constitute an issue of “corporate purpose bonds” under Section 67.05 of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Bonds are dated as of May 15, 2013, mature on May 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on November 15, 2013 and semiannually thereafter on May 15 and November 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2024	\$. %
2025		
2026		
2027		
2028		
2029		
2030		

The Bonds are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on May 15, 2023 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

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

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

corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

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

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the City, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

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

Respectfully submitted,

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APPENDIX C

Form of Continuing Disclosure Certificate

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MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the “Certificate”) dated as of December 1, 2010 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the “City”) and pursuant to resolution 100846 duly adopted by the Common Council of the City on November 23, 2010 (the “Resolution”). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I - Definitions

Section 1.1. **Definitions**. The following capitalized terms used in this Certificate shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively, (i) the financial information and operating data as described in an Addendum Describing Annual Report (Exhibit B); and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a new Addendum Describing Annual Report shall be executed describing the information to be provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the City may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification, other than modifications prescribed by GASB, shall be provided to the Repository, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) “Counsel” means a nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the City.

(4) “GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

(5) “GASB” means the Governmental Accounting Standards Board.

(6) “Material Event” means any of the following events with respect to the Offered Obligations, whether relating to the City or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Offered Obligations, or other events affecting the tax-exempt status of the Offered Obligations;
- (vii) modifications to rights of Security Holders, if material;
- (viii) bond calls, if material;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations, if material;
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Obligor (as specified in the Addendum Describing Annual Report).

The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligor in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligor, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligor.

- (xiv) the consummation of a merger, consolidation, or acquisition involving the Obligor or the sale of substantially all of the assets of the Obligor, other than pursuant to its terms, if material; and
- (xv) appointment of a success or additional trustee or the change of name of a trustee, if material.

(7) “Material Event Notice” means notice of a Material Event.

(8) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

(9) “Offered Obligations” means an issue of municipal securities of the City in connection with which the City has executed and delivered a Supplemental Certificate (Exhibit C).

(10) “Official Statement” means the “final official statement” as defined in paragraph (f)(3) of the Rule.

(11) “Repository” means the SID and repository(ies), as designated from time to time by the SEC to receive continuing disclosure filings. The SID, repository(ies), and filing information are set forth in the Addendum Describing Repository and SID (Exhibit A) as may be revised from time to time.

(12) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this

Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(13) “SEC” means the United States Securities and Exchange Commission.

(14) “Security Holders” means the holders from time to time of Offered Obligations.

(15) “SID” means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

(16) “State” means the State of Wisconsin.

(17) “Unaudited Financial Statements” means the same as Audited Financial Statements, except the same shall not have been unaudited.

(18) “Underwriters” means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II - The Undertaking

Section 2.1. Purpose. This Certificate shall apply to Offered Obligations, and shall constitute a written undertaking for the benefit of the Security Holders, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each fiscal year of the City, by no later than nine months after the end of the respective fiscal year, to the Repository.

(b) The City shall provide, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to the Repository.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to the Repository.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, a Material Event Notice to the Repository.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to the Repository, which notice shall state whether the Offered Obligations to be defeased have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this

Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

ARTICLE III - Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to the Repository existing at the time of such reference, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from the MSRB.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Offered Obligations.

Section 3.4. Transmission of Information and Notices. Transmission of information and notices shall be as prescribed by the SEC and the Repository. The transmission requirements are described in the Addendum Describing Repository.

ARTICLE IV - Termination, Amendment and Enforcement

Section 4.1. Termination. (a) The City's obligations under this Certificate with respect to an Offered Obligation shall terminate upon legal defeasance, prior redemption or payment in full of the Offered Obligation.

(b) This Certificate or any provision hereof, shall be null and void in the event that the City (1) delivers to the City an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require the provisions of this Certificate or any of such provisions, do not or no longer apply to the Offered Obligations, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the Repository.

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to the Repository.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the Security Holders, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate;

(2) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and (3) the City shall have delivered copies of such opinion and amendment to the Repository.

(c) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, other than changes prescribed by GASB, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the City to the Repository.

Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the Security Holders. Beneficial owners of Offered Obligations shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subparagraph (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the Security Holders, including beneficial owners of Offered Obligations. The Security Holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Offered Obligations pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Security Holders for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING REPOSITORY AND SID

This Addendum Describing Repository (the “Addendum”) is delivered by the City of Milwaukee, Wisconsin (the “Issuer”) pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the filing information as specified by the Securities and Exchange Commission.

Repositories

In December, 2008, the Securities and Exchange Commission modified Exchange Act Rule 15c2-12 to require that Continuing Disclosure shall be made to the Electronic Municipal Market Access system administered by the MSRB (“EMMA”). Pursuant to that modification, continuing disclosure filings will be provided to the Municipal Securities Rulemaking Board for disclosure on the EMMA system.

Information submitted to the MSRB for disclosure on the EMMA shall be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SID (State Information Depository)

None.

IN WITNESS WHEREOF, this Addendum is executed this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT**

This Addendum Describing Annual Report for General Obligation Debt (the “Addendum”) is delivered by the City of Milwaukee, Wisconsin (the “City”) pursuant to the Master Continuing Disclosure Certificate (the “Certificate”), executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the content of Annual Financial Information prepared with respect to general obligation debt of the Issuer. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Obligor: The City of Milwaukee, Wisconsin

Content of Annual Financial Information for Issuer:

Audited Financial Statements, if available, or Unaudited Financial Statements of the Issuer.

IN WITNESS WHEREOF, this Addendum is executed this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated December 1, 2010. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2013 R1
_____,000 General Obligation Promissory Notes, Series 2013 N2
_____,000 General Obligation Corporate Purpose Bonds, Series 2013 B3

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT

Date of Issues:

May 15, 2013

No Previous Non-Compliance. The Issuer represents that for the period beginning 6 years prior to the date hereof, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

IN WITNESS WHEREOF, this Supplemental Certificate is executed this 15th day of May, 2013.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

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BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s book-entry-only system has been obtained from DTC, and the City and the Underwriter take no responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Tax-Exempt Obligations. The Tax-Exempt Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity of the Tax-Exempt Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U. S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Tax-Exempt Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Tax-Exempt Obligations on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Tax-Exempt Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Tax-Exempt Obligations, except in the event that use of the book-entry system for the Tax-Exempt Obligations is discontinued.

To facilitate subsequent transfers, all Tax-Exempt Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Tax-Exempt Obligations with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Tax-

Exempt Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Tax-Exempt Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Tax-Exempt Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Tax-Exempt Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Offered Obligations purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Tax-Exempt Obligations by causing the Direct Participant to transfer the Participant's interest in the Tax-Exempt Obligations, on DTC's records, to Agent. The requirement for physical delivery of Tax-Exempt Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Tax-Exempt Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Tax-Exempt Obligations to Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Tax-Exempt Obligations at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

NEITHER THE CITY, THE PAYING AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE TAX-EXEMPT OBLIGATIONS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE TAX-EXEMPT OBLIGATIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE TAX-EXEMPT OBLIGATIONS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF TAX-EXEMPT OBLIGATIONS.

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APPENDIX E

OFFICIAL NOTICES OF SALE AND BID FORMS

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**OFFICIAL NOTICE OF SALE AND
OFFICIAL BID FORM

FOR

\$100,000,000

CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION
CASH FLOW PROMISSORY NOTES, SERIES 2013 R1**

Sale Data:

SALE DATE AND TIME:

Tuesday, April 23, 2013
9:45 a.m. Central Time

PLACE OF ACCEPTANCE FOR SEALED BIDS:

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

Bids will also be accepted electronically
via PARITY®

OFFICIAL NOTICE OF SALE
\$100,000,000
CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION
CASH FLOW PROMISSORY NOTES, SERIES 2013 R1

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed bids and electronic bids until 9:45 A.M., Central Time, on Tuesday, the

23rd DAY OF APRIL 2013

at the Office of the City Comptroller, in said City, for the purchase of One Hundred Million Dollars (\$100,000,000) General Obligation Cash Flow Promissory Notes, Series 2013 R1 (the "Notes"). Sealed bids should be delivered to Room 404, 200 E. Wells St., Milwaukee, Wisconsin. Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 404, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event PARITY is not accessible during the 30 minutes prior to the time bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the City's Public Debt Commission scheduled for 4:00 P.M., Central Time on April 23, 2013. *Information regarding the Notes is furnished solely to provide limited summary information, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in the Official Statement, including Appendices.*

Details of the Notes

Notes will be dated as of May 15, 2013, will bear interest from the Dated Date payable at maturity, and will mature on December 5, 2013. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to redemption prior to maturity.

Bid Parameters

Partial Bids: Bidders may bid for all of the Notes or part of the Notes. No bid for less than \$10,000,000 principal amount of the Notes at a particular interest rate will be entertained, and all bids must be in multiples of \$10,000,000. **Coupons:** Bidders are required to name the interest rate or rates the Notes are to bear. Such rates shall be no greater than 4%, and be in multiples of one-eighth of one percent or one-twentieth of one percent. **Minimum Price:** No bid at less than par value plus accrued interest, if any, will be considered.

Good Faith Deposit

The winning bidder(s) must submit a Good Faith Deposit ("Deposit") in the form of a certified check or a cashier's check drawn on a state or national bank or trust company in the amount of one-half of one percent (0.50%) of the par value of the maximum amount of Notes bid for, payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder(s) as liquidated damages should such bidder(s) fail to provide an Issue Price certificate and/or take up and pay for the Notes when ready. The Deposit of the successful bidder(s) will be retained by the City and deducted from the purchase price at the time of closing.

The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid(s) to be accepted. In the event of an award of less than all of the Notes included in a bid, the City shall, promptly, issue to such successful bidder(s) a check representing the amount of the Deposit in excess of one-half of one percent of the amount of the Notes awarded. All bids shall remain firm until 6:00 P.M. Central Time. A meeting of the Public Debt Commission of the City is scheduled for 4:00 P.M., Central Time on the sale date at which time the official award of the Notes will be made or all bids rejected.

Good Faith Deposit Submitted After Bids Are Due – Terms and Conditions: Bidders may elect to provide a Deposit (one-half of one percent (0.50%) of the par value of the amount of Notes won) after the time Bids are due, subject to the following conditions:

1. Submission of a bid without providing a Deposit prior to the time bids are due, in consideration for the City considering the bid, the bidder shall be deemed to have consented to these additional terms for Good Faith Deposit Submitted After Bids Are Due.
2. The winning bidder shall provide the City a Deposit by cashier's check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) payable to the City by 1:00 P.M., Central time ("Due Time") on the date bids are open.
3. Failure to provide a Deposit by the Due Time will result in the winning bid being rejected, and the City will negotiate with the next highest bidder(s) for the completion of the transaction.
4. The winning bidder agrees that, in addition to the general terms for the Good Faith Deposit, the Deposit amount represents liquidated damages for the City in the event that the winning bidder fails to provide the Deposit by the Due Time. The City shall be entitled to the liquidated damages even if the City rejects the winning bid due to failure to provide the Deposit by the Due Time, and regardless of whether the City is able to complete the transaction with another bidder. The winning bidder agrees to reimburse the City for costs to collect the liquidated damages, and to the jurisdiction of Wisconsin courts.

Award

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

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

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

Submission of Bids

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

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

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

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

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

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

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

Payment and Delivery of the Notes

Payment for the Notes shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Notes will be delivered on or about May 15, 2013, or as soon thereafter as the Notes may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

The Notes, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. A certificate for each interest rate will be issued to DTC and immobilized in its custody. Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of \$5,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their

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

Issue Price Certificate

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

We hereby certify that as of _____, 20__, the date on which the Notes were sold by the Issuer (the "Sale Date"), all of the Notes were offered and the first 10 percent or more of the Notes were [actually][reasonably expected to be] sold to the General Public for money in a bona fide public offering at the initial offering prices shown on the attached schedule (the "Issue Price"), which does not exceed the fair market value of the Notes as of the Sale Date. On this basis, we have determined the Issue Price of the Notes to be \$_____.

For purposes of this certificate, "General Public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers.

It is understood by the undersigned that the certifications contained in this certificate will be relied upon by the Issuer and Bond Counsel in determining that the Notes are tax-exempt under Section 103 of the Internal Revenue Code of 1986.

Minority Participation

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

Authorization, Security, and Conditions of Delivery

The Notes have been approved by a resolution adopted by the Common Council of the City. The Notes will be direct general obligations of the City, payable from taxes levied on all taxable property within said City, subject

to taxation by said City, without limitation as to rate or amount. The Notes are being issued pursuant to the provisions of Section 67.12(12), Wisconsin Statutes, for the purpose of financing the operating budget of the City on an interim basis pending receipt of State shared revenue payments due in November, 2013. As additional security for repayment of the Notes and interest thereon, the City has pledged, and will irrevocably segregate upon receipt, State shared revenue payments due in November, 2013 in an amount sufficient with interest thereon to pay the principal and interest due on the Notes at maturity and the City has irrevocably pledged all other General Fund Revenues included in the budget for calendar year 2013 which are due the City and not yet paid as of the date of delivery of, and payment for, the Notes and which are not otherwise applied.

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

The successful bidder(s) will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of said Notes. The Preliminary Official Statement is in a form which the City "deems final" as of April 16, 2013 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder(s) will also be furnished with up to one hundred copies of the Final Official Statement (pro rata) issued in conjunction with this offering within seven business days after the award of the Notes in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Notes, but neither the failure to include such numbers on any Notes nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Note or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Notes, to provide in a timely manner and notice of certain events with respect to the Notes. Notice of the occurrence of certain events with respect to the Notes will be provided to a central repository designated by the SEC.

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

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

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

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

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

KENNETH KREI, Chairperson
PETER ARMBRUSTER, Member
THOMAS RICK, Member
COMMISSIONERS OF THE PUBLIC DEBT

April 16, 2013

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

\$100,000,000
CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2013 R1

April 23, 2013

Commissioners of the Public Debt
200 E. Wells St., Room 404
Milwaukee, Wisconsin 53202

Commissioners:

We offer to purchase the General Obligation Cash Flow Promissory Notes, Series 2013 R1 (the “Notes”) of the City of Milwaukee, Wisconsin, in the principal amount(s) set forth below, as described in the Official Notice of Sale, dated April 16, 2013 of said Notes, which Notice is by reference incorporated herein, and made a part of the bid described herein.

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

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

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

(2) Interest rate must be no greater than 4.00%, and in multiples of 1/8 or 1/20 of one percent.

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

If this bid is not accompanied by a Good Faith Deposit, we agree to the additional terms for Good Faith Deposit Submitted After Bids Are Due.

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

By: _____

Company Name

Phone Number: _____

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

RECEIPT

Return of Good Faith Deposit is hereby acknowledged: _____

By: _____

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

Please attach a list of account members –

If we receive the award of the Notes, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting of the Notes so awarded and the amount of each firm's participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the City all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award of the Notes. Immediately upon receiving the Final Official Statement from you, we agree to file it with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

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

FOR

\$103,355,000*

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

comprised of

\$85,635,000*

**GENERAL OBLIGATION PROMISSORY NOTES
SERIES 2013 N2**

and

\$17,720,000*

**GENERAL OBLIGATION CORPORATE PURPOSE BONDS
SERIES 2013 B3**

Sale Data:

SALE DATE AND TIME:

Tuesday, April 23, 2013
10:30 a.m. Central Time

PLACE OF ACCEPTANCE FOR SEALED BIDS:

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

Bids will also be accepted electronically
via PARITY®

* Subject to change in accordance with this Official Notice of Sale.

OFFICIAL NOTICE OF SALE
CITY OF MILWAUKEE, WISCONSIN

\$85,635,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2013 N2
AND
\$17,720,000* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2013 B3

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

23rd DAY OF APRIL, 2013

at the Office of the City Comptroller, in said City, for the purchase of Eighty Five Million Six Hundred Thirty Five Thousand Dollars (\$85,635,000)* General Obligation Promissory Notes, Series 2013 N2 (the “Notes”) and Seventeen Million Seven Hundred Twenty Thousand Dollars (\$17,720,000)* General Obligation Corporate Purpose Bonds, Series 2013 B3 (the “Bonds”, and collectively with the Notes, the “Obligations”). Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 404, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event PARITY is not accessible during the 30 minutes prior to the time bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the City’s Public Debt Commission scheduled for 4:00 P.M. Central Time on April 23, 2013. *Information regarding the Obligations is furnished solely to provide limited summary information, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in the Official Statement, including Appendices.*

Details of the Obligations

The Obligations will be dated as May 15, 2013 (the “Dated Date”), and will bear interest from the Dated Date, payable commencing on November 15, 2013 and semiannually thereafter on May 15 and November 15. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

Maturing (May 15)	Amount*	Maturing (May 15)	Amount*
2014	\$24,260,000	2019	\$6,020,000
2015	18,415,000	2020	4,835,000
2016	6,650,000	2021	4,880,000
2017	6,160,000	2022	4,125,000
2018	6,145,000	2023	4,145,000

The Notes are not subject to redemption prior to maturity.

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

Maturing (May 15)	Amount*	Maturing (May 15)	Amount*
2024	\$3,300,000	2028	\$3,370,000
2025	3,315,000	2029	510,000
2026	3,335,000	2030	535,000
2027	3,355,000		

* Subject to change in accordance with this Official Notice of Sale

The Bonds are subject to redemption prior to their maturity at the option of the City on any date on or after May 15, 2023, at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding Bonds are called for redemption, the Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the Bonds of any maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any Bonds to be redeemed in whose name such Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

Bid Parameters

No bid for less than all of the Obligations will be considered. **Coupons:** Bidders are required to name the interest rate or rates the Obligations are to bear. The rates shall be less than, or equal to 5.00%; the rates for all Notes and Bonds maturing in 2015 and thereafter, shall be equal to, or greater than the rate on the prior maturity, including the 2024 maturity of the Bonds with respect to the 2023 maturity of the Notes; and the rates shall be in multiples of one-eighth of one percent or one-twentieth of one percent. There shall be only one rate for Obligations maturing on the same date. **Minimum Maturity Price:** No maturity may have an initial offering price of less than 100% of par value plus accrued interest, if any. This parameter is not on the bid form, but will be enforced by confirmation with the bidder prior to the award. **Minimum Issue Price:** No bid at less than par value plus accrued interest, if any, will be considered. **Maximum Issue Price:** No bid for more than 107% of par value plus accrued interest, if any, will be considered. Minimum and Maximum Issue Price restriction only applies to the original bid, and shall not take into account any upward or downward adjustment in the principal amount of the Obligations.

Good Faith Deposit

The winning bidder must submit a Good Faith Deposit ("Deposit") in the form of a certified check or a cashier's check drawn on a state or national bank or trust company in the amount of One Million Dollars (\$1,000,000), payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder as liquidated damages should such bidder fail to take up and pay for the Obligations when ready. The Deposit of the successful bidder will be retained by the City and deducted from the purchase price at the time of closing. No adjustment of the Deposit will be made as a result in the change in the final par amount of the Obligations.

The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid to be accepted. All bids shall remain firm until 6:00 P.M. Central Time, by which time the official award of the Obligations will be made or all bids rejected.

Good Faith Deposit Submitted After Bids Are Due – Terms and Conditions: Bidders may elect to provide a Deposit after the time Bids are due, subject to the following conditions:

1. Submission of a bid without providing a Deposit prior to the time bids are due, in consideration for the City considering the bid, the bidder shall be deemed to have consented to these additional terms for Good Faith Deposit Submitted After Bids Are Due.
2. The winning bidder shall provide the City a Deposit by cashier's check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) payable to the City by 1:00 P.M., Central Time ("Due Time") on the date bids are open.
3. Failure to provide a Deposit by the Due Time will result in the winning bid being rejected, and the City will negotiate with the next highest bidder(s) for the completion of the transaction.
4. The winning bidder agrees that, in addition to the general terms for the Good Faith Deposit, the Deposit amount represents liquidated damages for the City in the event that the winning bidder fails to provide the Deposit by the Due Time. The City shall be entitled to the liquidated damages even if the City rejects the winning bid due to failure to provide the Deposit by the Due Time, and regardless of whether the City is able to complete the transaction with another bidder at a higher or lower cost, or at all. The winning bidder agrees

to reimburse the City for costs to collect the liquidated damages, and to the jurisdiction of Wisconsin courts.

Award

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

Prior to the award of the Obligations, the aggregate principal amount of the Obligations offered for sale may be revised downward in an amount not to exceed the aggregate premium bid. A SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE PRICE OR INTEREST RATE BID AT THE INITIAL OFFERING PRICE AS A RESULT OF ANY REVISION MADE TO THE PRINCIPAL AMOUNT OF THE NOTES OR BONDS. In the event of any such revision, no re-bidding or re-calculation of bids submitted will be required or permitted. Obligations will be awarded up to the revised aggregate principal amount.

The City will contact the successful bidder shortly after opening of the bids. The successful bidder will then have 5 minutes to provide the City with the reoffering yield and prices of each maturity of the Obligations. The City will calculate the underwriting discount, which shall be a fixed percentage of the par amount of each Offered Obligation. Based upon the information, and the cost of the escrow securities, the City will recalculate the par amount of each maturity of the Obligations being offered, and the adjusted bid price. The City will inform the successful bidder as soon as possible of the anticipated adjusted amounts.

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

Submission of Bids

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

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

1. The City may regard the electronic transmission of the bid via the electronic service (including information about the Purchase Price for the Obligations and interest rate or rates to be borne by the Obligations and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on behalf of the bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Bid Form, this Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the bidder shall be bound by the terms of such contract.
2. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Notice of Sale, the terms set forth in the Bid Form and this Notice of Sale shall control.

3. That the bidder is solely responsible for making necessary arrangements to access electronic bidding services. The City shall not have any duty or obligation to provide or assume such access. None of the electronic bidding services is an agent of the City. The City shall have no liability whatsoever based on the bidder's use of the electronic service including, but not limited, to any failure by the electronic service to correctly or timely transmit information provided by the bidder.

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

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

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

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

Payment and Delivery of the Obligations

Payment for the Obligations shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Obligations will be delivered on or about May 15, 2013, or as soon thereafter as the Obligations may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

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

Issue Price Certificate

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

We hereby certify that as of _____, 20__, the date on which the Obligations were sold by the Issuer (the "Sale Date"), all of the Obligations were offered and the first 10 percent or more of the Obligations were [actually][reasonably expected to be] sold to the General Public for money in a bona fide public offering at the initial offering prices shown on the attached schedule (the "Issue Price"), which do not exceed the fair market value of the Obligations as of the Sale Date. On this basis, we have determined the Issue Price of the Obligations to be \$_____.

For purposes of this certificate, "General Public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers.

It is understood by the undersigned that the certifications contained in this certificate will be relied upon by the Issuer and Bond Counsel in determining that the Obligations are tax-exempt under Section 103 of the Internal Revenue Code of 1986.

Minority Participation

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

Authorization, Security, and Conditions of Delivery

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

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

The successful bidder will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Obligations. The Preliminary Official Statement is in a form which the City "deems final" as of April 16, 2013 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder will also be furnished with up to one hundred copies of the Final Official Statement issued in conjunction with this offering within seven business days after the award of the Obligations in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Obligations, but neither the failure to include such numbers on any Obligation nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Obligations in accordance with terms of its

proposal. No CUSIP identification number shall be deemed to be a part of any Obligation or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

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

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

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

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

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

KENNETH KREI, Chairperson
PETER ARMBRUSTER, Member
THOMAS RICK, Member

COMMISSIONERS OF THE PUBLIC DEBT

April 16, 2013

OFFICIAL BID FORM

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

CITY OF MILWAUKEE, WISCONSIN
\$85,635,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2013 N2
AND
\$17,720,000* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2013 B3

April 23, 2013

Commissioners of the Public Debt
200 E. Wells St., Room 404
Milwaukee, Wisconsin 53202

Commissioners:

For all but no part of \$103,355,000* notes and bonds, comprised of the \$85,635,000* General Obligation Promissory Notes, Series 2013 N2 (the “Notes”) and the \$17,720,000* General Obligation Corporate Purpose Bonds, Series 2013 B3 (the “Bonds”), we offer to pay a price of \$_____ (not less than \$103,355,000, and not more than \$110,589,850), plus accrued interest from May 15, 2013, the dated date, to the date of delivery. The Notes and Bonds shall bear interest as follows:

Series 2013 N2 (Notes)		Series 2013 B3 (Bonds)	
May 1, 2014	_____%**	May 1, 2024	_____%**+
May 1, 2015	_____%**+	May 1, 2025	_____%**+
May 1, 2016	_____%**+	May 1, 2026	_____%**+
May 1, 2017	_____%**+	May 1, 2027	_____%**+
May 1, 2018	_____%**+	May 1, 2028	_____%**+
May 1, 2019	_____%**+	May 1, 2029	_____%**+
May 1, 2020	_____%**+	May 1, 2030	_____%**+
May 1, 2021	_____%**+		
May 1, 2022	_____%**+		
May 1, 2023	_____%**+		

** Rates must be less than, or equal to 5.00%, and in multiples of 1/8 or 1/20 of one percent. The minimum initial reoffering price for a maturity shall not be less than 100% of the par amount.

+ Rates must be equal to, or greater than, the rate on the prior maturity.

This bid is made for prompt acceptance and subject to the conditions of the Official Notice of Sale. As required by said Notice, enclosed herewith is a certified check or a cashier’s check drawn on a state or national bank or trust company in the amount of \$1,000,000 for as a good faith deposit, payable to the City Treasurer of the City of Milwaukee, which deposit is to be promptly returned to us if our bid is not accepted, but otherwise to be applied in accordance with said Notice.

If this bid is not accompanied by a Good Faith Deposit, we agree to the additional terms for Good Faith Deposit Submitted After Bids Are Due.

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

By: _____

Phone Number: _____

Company Name

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

* Subject to change in accordance with the Official Notice of Sale.

RECEIPT

Return of Good Faith Deposit is hereby acknowledged: _____

By: _____

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

Please attach a list of account members –

If we receive the award, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting and the amount of each firm's participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the City all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award. Immediately upon receiving the Final Official Statement from you, we agree to file it with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

