



# **Comprehensive Annual Financial Report**

**City of Milwaukee, Wisconsin**

**for the Year Ended December 31, 2014**

**Office of the Comptroller**

**Martin Matson  
Comptroller**

CITY OF MILWAUKEE  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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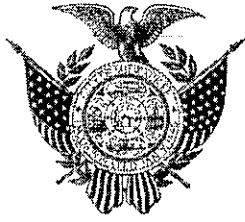
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**Martin Matson**  
Comptroller

**Glenn Steinbrecher, CPA**  
Deputy Comptroller



**Aycha Sirvanci, CPA**  
Special Deputy Comptroller

**Toni Biscobing**  
Special Deputy Comptroller

**Office of the Comptroller**

July 27, 2015

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

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2014. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

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

An independent firm of licensed certified public accountants, CliftonLarsonAllen LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2014, are fairly presented in conformity with GAAP.

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

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

**THE REPORTING ENTITY AND ITS SERVICES**

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The City, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of government. The Mayor, Comptroller, Treasurer, City Attorney, and 15 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a



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general election for these positions in April 2012. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review and adoption by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce, and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, is responsible for establishing City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement, and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in the report are the enterprise operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance, and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units for fiscal year 2014: Century City Redevelopment Corporation, City of Milwaukee Redevelopment Authority and the Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. Annually, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28<sup>th</sup>. The Common Council must complete its review and adopt the budget on or before November 14<sup>th</sup>. The component units' respective Boards approve their budgets. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by object class (i.e., salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

## LOCAL ECONOMY

Geographically, Milwaukee consists of 96.9 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. It is located approximately 75 miles east of the State capital, Madison, WI. It is the 31st largest city in the United States with a 2014 U.S. Census estimated population of 599,642. Due to its large population, it is the largest city in the State and also the only city of the First Class within the State of Wisconsin. Milwaukee is the main cultural and economic center of the combined population of 2.04 million for the Milwaukee-Racine-Waukesha metropolitan area. Milwaukee also is an international seaport.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance, and services have more than 500 employees.

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

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Milwaukee's transportation system is a gateway for tourism, conventions, commerce, business growth and economic development.

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

Milwaukee is a major commercial shipping hub. Of vital importance to both the local and state economies is the Port of Milwaukee, a "shipping and receiving" point for international trade as well as the primary heavy-lift facility on the Great Lakes. A protected harbor permits year-round navigation through the port from three rivers in addition to Lake Michigan. With access to the eastern seaboard via the St. Lawrence Seaway and to the Gulf of Mexico through the Mississippi River, the Port of Milwaukee processed over 2.4 million metric tons of cargo in 2014 compared to 2.5 million metric tons in 2013 (this decrease is due to a reduction in coal). Both the Union Pacific Railroad and the Canadian Pacific Railway serve the Port, which is also served by convenient, non-congested access to the interstate highway system. Principal inbound commodities include cement, machinery, steel, salt, limestone, asphalt, liquid cargo and crushed rock. The Port is also home to the U.S. Coast Guard, and the U.S. Navy Reserve. The Harbor Commission's authority also includes the property of Milwaukee World Festivals, Inc., Pier Wisconsin and the Lake Express high speed ferry.

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

In addition to pursuing new business, the City takes an active role in guiding economic development to serve the community. The City manages a number of programs intended to assist in local business retention efforts, provide permit assistance to new businesses, and seek out appropriate sites for these businesses. The City currently has over 30 active Business Improvement Districts and over 40 active Tax Incremental Districts. In addition, the City manages various Development Fund Projects to promote urban renewal throughout the City.

Some of the City's noteworthy revitalization efforts include the following: Two corporate headquarters are moving to Milwaukee, providing hundreds of jobs. Gardner Denver headquarters are now in the city, and Zurn, a division of Rexnord will move to Milwaukee in the coming year. Northwestern Mutual is currently building a new 32 story office building in downtown Milwaukee at a cost of over \$400 million. The Potawatomi Bingo Casino opened its \$150 million, 20-story hotel located in the Menomonee Valley in 2014. The Common Council in prior years approved the Reed Street Yards Tax Incremental District (TID No. 75). The expenditures for this TID created a water research and technology park, adjacent to the Milwaukee Water Council Accelerator Building. The Reed Street Yards is a mixed use urban office, educational, research and technology zone that is now leasing space. The City of Milwaukee continues its effort to market and develop land along the 30<sup>th</sup> Street Industrial Corridor known as the Century City Business Park, as a major modern employment center and economic hub. Century City encompasses 60 acres of industrial use land. The North End is a development project that runs along the Milwaukee River on the north end of downtown. Phase II has been completed and added 155 residential units. Construction began in 2014 on Phase III, a \$53 million project that includes a mix of 168 residential units, retail that includes a 28,000 square foot organic supermarket and parking. Phases IV and V may involve adding another 200 to 300 residential units and retail space. Three other projects in the North End involve adding an additional 500 residential units scheduled to be completed in 2016. Additionally south of downtown in Walkers Point, over 240 residential units will be added in 2016. In April 2015, in a joint effort of intra-governmental cooperation, the City of Milwaukee and Waukesha County opened a \$16 million recycling facility in the Menomonee Valley in Milwaukee, which will process 35 tons of recyclables in an hour. In the Spring of 2015, the Milwaukee Common Council approved the building of a streetcar system in downtown Milwaukee. This first phase \$98 million project funded by both federal and local dollars will run just over 2 miles and is expected to begin service in 2018. Currently under consideration is a 50/50 private/public venture to build a new \$500 million arena in downtown Milwaukee for the Milwaukee Bucks, a National Basketball Association team.



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

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

### **ECONOMIC OUTLOOK**

For the year 2014, the City's unemployment rate averaged approximately 8%; compared to the State of Wisconsin average of 5.4% and the United States average of 6.1% (from U.S. Department of Labor, Bureau of Labor Statistics). Milwaukee's rate decreased from 10% during 2013.

Retaining the City's high "investment grade" bond ratings is of prime importance and serves to maintain low borrowing costs. The low costs of borrowing, both for capital and cash flow purposes, produces direct benefits to the taxpayer. The City continues to maintain high investment grade ratings of AA from Fitch and Standard & Poor's, for the City's most recent 2015 General Obligation Bonds and Notes. By definition, the bond ratings are a measure of the quality and safety of a bond based on the issuers' financial condition. Rating services perform evaluations on each debt issue to indicate the likelihood that a debt issuer will be able to meet scheduled interest and principal repayments. Typically, AAA is the highest (best) rating with D being the lowest (worst). The AA rating indicates high credit quality investment grade. As the ratings indicate, the City's capacity to meet its financial commitments on outstanding obligations is strong. The rating agencies indicate that the ratings reflect a combination of moderate overall debt burden, rapid debt repayment, manageable capital needs, and a diverse tax base. The City also assists in keeping the overall debt burden affordable by controlling the level of annual debt issued. The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City issued any refunding securities for the purpose of preventing default in the principal or interest on its debt obligations.

The 2014 property tax rate for 2015 purposes is \$10.71 compared to the prior year's \$10.58 per \$1,000 of assessed value. The 2015 budgetary City property tax levy of approximately \$256.8 million represents a \$3.0 million increase compared to the \$253.8 million in 2014. The estimated assessed value used for 2015 budget purposes remained at \$25 billion. Property taxes revenue funding as a portion of total General Fund budgetary expenditures for 2014 was 29.2% compared to 28.6% for 2013 as depicted in Exhibit E-1

Property tax increases have been limited by state legislation and the 2015 anticipated state aids increased only \$2 million. The 2015 budget estimates intergovernmental revenues of \$262 million, of which three specific state aids comprise 97% of this amount. The largest amount of state aids comes in the form of State Shared Revenue. It is expected to be \$218.9 million in 2015. The state transportation aids (the second largest category) total \$26.3 million for 2015. Another large state aid is the Expenditure Restraint Payment. The intent of this program is to reward communities who control their General Fund expenditures and is estimated at about \$8.8 million for 2015. Due to stagnant or declining State aids in recent years, revenue diversification and enhancement are essential to retaining existing service levels. However, State restrictions on the type of charges for service that are available to municipalities erode the ability to diversify revenue. The two largest 2015 revenue in the Charges for Services category are the solid waste fee, including the extra cart fee of \$38.6 million and street sweeping including leaf collection and tree pruning charges to the Sewer Fund of \$15.8 million. Total Charges for Services are estimated to increase \$5.1 million to \$122.6 million in 2015.

The City remains in good financial condition, as is depicted in Note 9 of the Notes to the Financial Statements. The General Fund maintains a Reserve for Tax Stabilization (a fund balance account) that accumulates the net of revenues and other financing sources less expenditures and other financing uses, and, less other fund reserves. For 2014, this reserve was increased by \$3.4 million to a year-end balance of \$73.3 million compared to \$69.9 million for 2013. The 2015 budget includes a withdrawal of \$16.7 million, leaving that portion of the Reserve for Tax Stabilization available for future years at \$56.6 million.

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**MAJOR CAPITAL PROJECTS**

The 2015 capital budget includes funds for various infrastructure and building projects. For 2015, the City capital improvements budget, not including enterprise funds and grants and aid funding, totals \$129.9 million, an increase of 5.3% or \$6.5 million from the 2014 budget of \$123.4 million. Funding of \$26.3 million for various tax incremental district's and development projects comprises 20% of the total capital budget for 2015. The Department of Public Works budget for bridges (\$8.9 million), street/paving construction (\$40.8 million), various building, equipment and forestry projects (\$15.8 million) total \$65.5 million or approximately 50% of the total 2015 capital budget. Police projects (\$8.2 million), Fire projects (\$1.9 million) and Library projects (\$8.8 million) in the aggregate total \$18.9 million or 15% of the total capital budget.

The annual plan for capital projects budget includes a separate listing of large-scale projects for the ensuing year. These major projects identify all funding sources including City capital budgets and grantor share funds whose components total at least \$2 million. The major projects planned for 2015 total \$30.2 million. These projects include one bridge project of \$5.4 million, and six major street projects of \$24.8 million.

The City has a Capital Improvements Committee, created in 2009, to provide a continuing analysis and public focus on the City's investment and management of its public facilities and networks.

**CASH MANAGEMENT POLICIES AND PRACTICES**

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities that maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, and repurchase agreements (all of which are permissible under State Statutes). The average interest earnings rate for City funds on short-term investments by the City Treasurer was approximately 0.197% in 2014 as compared to 0.216% in 2013. The City continued to use the State of Wisconsin Local Government Investment Pool to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. The investable balance generates interest earnings for the City, which is used to offset the property tax levy. The City's long-term pooled cash investment program is in accordance with State Statute 66.0603, and earned an annualized net investment rate of return of 1.08% on about \$77 million in investments.

During 2014, the City continued its prudent use of financing techniques and investment instruments to maximize its investment return while meeting ongoing cash flow needs. The City's use of cash flow borrowing in anticipation of State Shared and State Equalization Aid Revenues totaled \$330 million, compared to \$355 million in 2013. The financing was accomplished through offerings of \$110 million General Obligation Cash Flow Promissory Notes and \$25 million of Extendable Municipal Commercial Paper in May 2014 for City purposes, \$125 million School Revenue Anticipation Notes and \$70 million of Extendable Municipal Commercial Paper in September and October 2014 for school purposes. The school purpose borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending its receipt of State Equalization Aid.

The City continued its use of the State of Wisconsin's Clean Water Fund to finance sewer system capital projects. Fourteen million dollars of Clean Water Fund loans were obtained during 2014 compared to \$10 million in 2013 and \$1 million of Safe Drinking Water loans were obtained during 2014 compared to \$5 million in 2013. The Clean Water Fund and Safe Drinking Water Loan programs provide below market interest loans to communities to finance storm-water control projects and drinking water projects.

For temporary borrowing purposes, the City has \$200 million available under an Extendable Municipal Commercial Paper (EMCP) program, and \$50 million under a bank line of credit. As of December 31, 2014, there was \$106.7 million of EMCP outstanding, with no outstanding balance for the line of credit.

**RISK MANAGEMENT**

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City has found it is

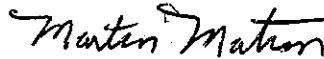
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more economical to manage its risk internally, setting aside funds as needed for estimated current claim settlements and judgments through annual and supplemental appropriations as needed. The City also purchases and maintains limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required of City contractors, vendors, lessees and permit holders.

**ACKNOWLEDGEMENTS**

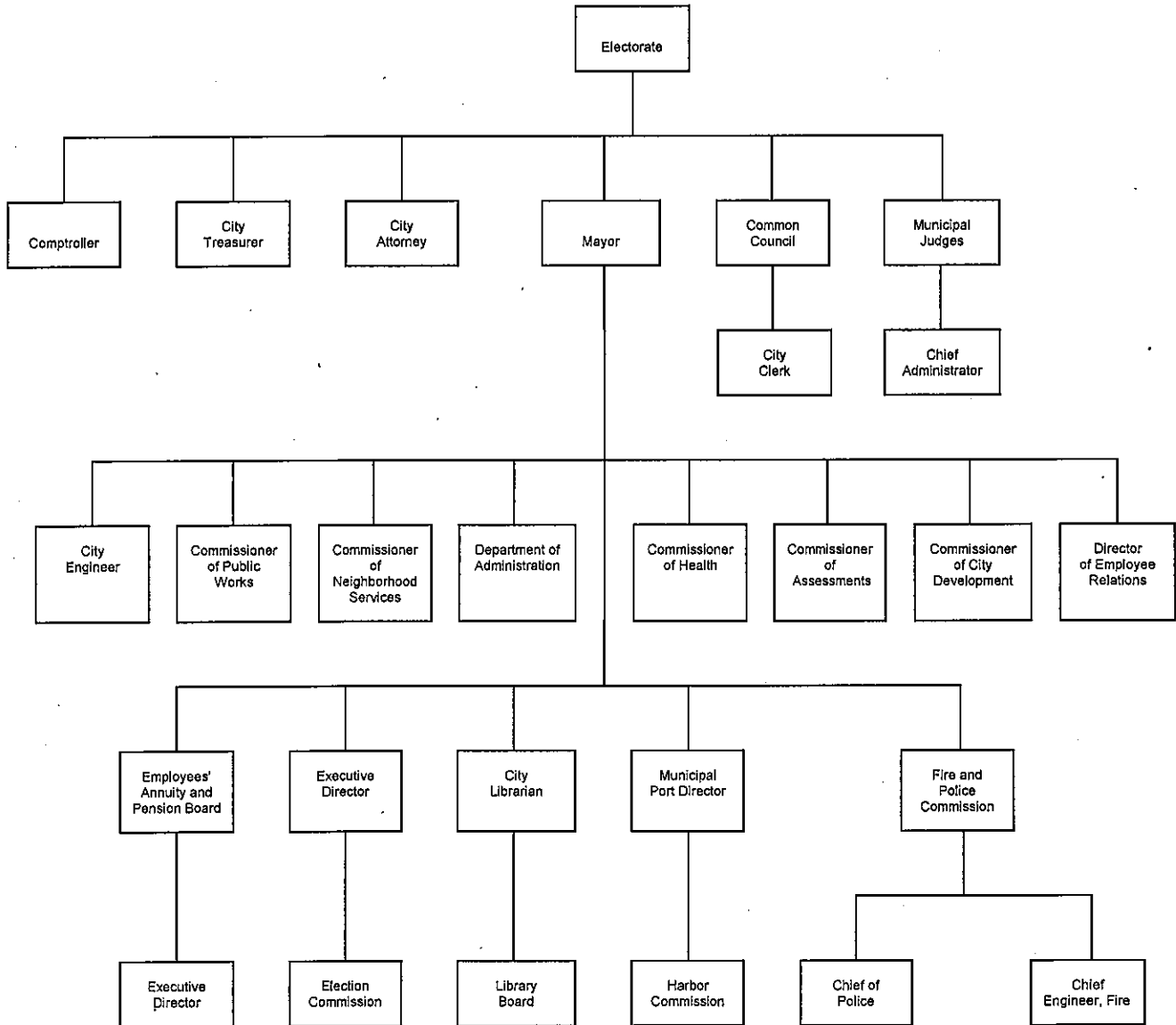
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment, and effort of each member of its General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation,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

Sincerely,

A handwritten signature in black ink that reads "Martin Matson". The signature is written in a cursive, flowing style.

Martin Matson  
Comptroller

**CITY OF MILWAUKEE  
ORGANIZATION CHART  
DECEMBER 31, 2014**



CITY OF MILWAUKEE  
**NAMES OF PRINCIPAL OFFICIALS**  
 DECEMBER 31, 2014

**ELECTED**

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

**COMMON COUNCIL**

President .....	Michael J. Murphy
-----------------	-------------------

**Aldermanic District**

**Alderman**

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

**FINANCE RELATED (Non-Elected)**

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

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## INDEPENDENT AUDITORS' REPORT

The Honorable Members  
Common Council  
City of Milwaukee, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee, Wisconsin, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Authority of the City of Milwaukee, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, which represents 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 solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

### ***Opinions***

In our opinion, based on our audit and the report 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 as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress on pages 18 - 32, 98 and 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.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee, Wisconsin'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.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the statistical section, and the miscellaneous financial data have 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2015, on our consideration of City of Milwaukee, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Milwaukee, Wisconsin's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Milwaukee, Wisconsin  
July 27, 2015

CITY OF MILWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(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, 2014. 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 the 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**

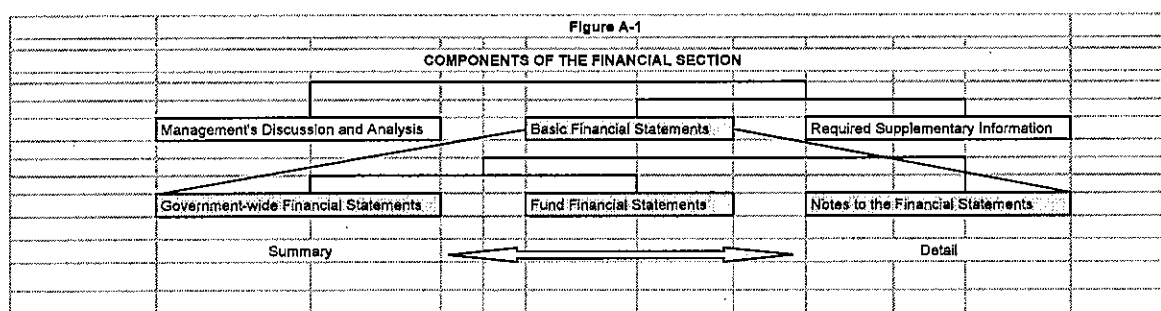
- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2014 by \$941 million (net position); \$214 million in governmental activities and \$727 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of \$746 million. The 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 position increased 2% compared to the previous year of \$923 million.
- The vast majority of the City's net position is capital assets, most of which do not generate revenues by their use or sale. Total net position comprise the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation – \$1.418 billion.
  - Restricted net position, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – \$222 million.
  - Unrestricted net deficit – \$(699) million.
- The City's total 2014 year-end other post-employment benefits (OPEB) obligation is \$326 million; an increase of 14% from the 2013 obligation of \$287 million. The obligation is based on an actuarial valuation as of January 1, 2014, which indicates the 2014 actuarial accrued liability for benefits was \$928 million over a 30-year amortization period.
- Total liabilities of the City remained the same at \$1.8 billion. The long-term portion of total liabilities (\$1.6 billion) consists of \$326 million for OPEB, \$1.1 billion for outstanding debt and \$76 million for compensated absences, claims, and judgments.
- City governmental expenses exceeded combined program revenues by \$662 million. General revenues and transfers of \$677 million resulted in a \$15 million increase of net position for the year. Business-type activities produced an increase of net position of 0.4% over 2013, generating a net change of \$3 million in 2014.
- For governmental activities, program revenue supported 24% of the total expenses for 2014. Property taxes and other taxes financed 32% of the primary government's governmental activities' expenses, state aids for the General Fund funded 29%, and miscellaneous revenues and transfers supported 15% of the expenses. Expenses were less than total revenues and transfers by 2% in 2014.
- For business-type activities, program revenue supported 123% of the expenses for 2014; and, in total exceeded the expenses by \$46 million. Miscellaneous revenue and transfers reduced this excess by \$43 million to result in a \$3 million increase for the year.
- The City's total governmental funds reported total ending fund balances of \$313 million this year. Compared to the prior year ending fund balance of \$346 million, a decrease of \$33 million resulted in a 10% decrease by year end 2014.
- The General Fund balance at year-end 2014 totaled \$113 million – a \$9 million increase compared to 2013. This ending Fund Balance is about 14% of combined General Fund expenditures and transfers disbursed for the year.
- The operating expenditures of the General Fund were \$17 million less than budgeted. General government expenditures, \$256 million, realized the most cost savings. The most significant items, that total \$19 million, account for nearly all of the total positive budget variance for the year 2014.
- Outstanding General Obligation bonds and notes payable decreased by \$11 million during the current fiscal year from \$861 million to \$850 million. In addition, revenue bonds of \$95 million, extendable municipal commercial paper of \$106.7

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million and state loans of \$92 million were outstanding at year end for a total of \$1.1 billion, which remained the same from 2013.

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

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

### Government-wide Financial Statements

The government-wide financial statements are designed to provide 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 position includes all of the government's assets and liabilities and deferred inflows and outflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

Two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities and deferred inflows and outflows—is one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position 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 three other entities in its report: Redevelopment Authority of the City of Milwaukee, Neighborhood Improvement Development Corporation, and Century City Redevelopment Corporation. Although legally independent entities, these organizations are closely related to the City of Milwaukee in terms of their respective financial and public policy responsibilities.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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### **Fund Financial Statements**

The City's major governmental funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant financial components of the municipality as opposed to the City as a whole. These individual funds are established for the purpose of executing specific activities and objectives in accordance with Federal, State and local laws and regulations. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses.

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

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, applying modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in the 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 Position and Changes in Fiduciary Net Position 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 position may be observed and used to discuss the changing financial position of the City as a whole. The net position and net expenses of governmental and business-type activities of the City are presented separately below. Table 1 focuses on the net position and Table 2 focuses on the changes in net position.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Table 1**  
**Summary of Statement of Net Position**  
*(Thousands of Dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
Current and other assets .....	\$ 962,360	\$ 889,945	\$ 118,382	\$ 124,887	\$ 1,080,742	\$ 1,014,832
Capital assets .....	1,018,488	1,095,321	921,280	962,293	1,939,768	2,057,614
Total assets .....	1,980,848	1,985,266	1,039,662	1,087,180	3,020,510	3,072,446
Loss on refunding.....	-	-	726	526	726	526
Long-term obligations .....	1,279,301	1,301,935	283,290	303,308	1,562,591	1,605,243
Other liabilities .....	215,172	178,660	32,970	56,928	248,142	235,588
Total liabilities .....	1,494,473	1,480,595	316,260	360,236	1,810,733	1,840,831
Gain on refunding.....	-	337	-	-	-	337
Subsequent years property taxes.....	287,666	290,721	-	-	287,666	290,721
Net position:						
Net investment in capital assets.....	706,111	748,374	648,594	669,428	1,354,705	1,417,802
Restricted .....	216,314	211,316	770	930	217,084	212,246
Unrestricted .....	(723,716)	(745,740)	74,764	57,112	(648,952)	(688,628)
Total net position .....	\$ 198,709	\$ 213,950	\$ 724,128	\$ 727,470	\$ 922,837	\$ 941,420

Net position of the City's governmental activities increased 7% to \$214 million for 2014. The portion of net position restricted as to use totaled \$211 million. Net position invested in capital facilities (buildings, roads, bridges, etc.) totaled \$748 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net position deficit of \$746 million at the end of 2014 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 position of business-type activities increased 1% to \$727 million in 2014. The City generally can only use net position to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 2% and for business-type activities increased 7% from 2013 due primarily to the issuance and retirement of long-term debt and the recording of OPEB.

Total assets including capital assets increased \$52 million or 2% from 2013. Capital assets of the primary government increased 6% from the previous year due to several completed major street projects by the State of Wisconsin. For 2014, capital assets of the Water Works and the Sewer Maintenance Funds comprise 94% 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 (45%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (49%) includes local sewer mains and connections.

**Changes in net position.** Total annual City revenues less expenses yield the change in net position. The City's program and general revenues totaled \$853 million for governmental activities. Forty-three 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 14% of total revenues, and the remaining 10% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with \$316 million (36%) related to public safety (fire and police, neighborhood services). General government expenditures total \$250 million (28%) while public works expenditures

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total \$170 million (19%). Program specific revenues (charges for services) generated only about 13% of the revenue needed to support the cost of governmental activities. General revenues (taxes, State aids, and miscellaneous) provide the funds for the remaining four percent.

Total governmental activities revenues and transfers exceeded expenditures by \$15 million. For business-type activities revenues exceeded its expenditures and transfers by \$3 million however, prior to the transfer of \$43 million from business type funds to governmental funds, business type funds showed a \$46 million excess of revenues over expenses while governmental activities showed a \$30 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 Position**  
*(Thousands of Dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
Revenues:						
Program revenues:						
Charges for services .....	\$ 111,881	\$ 114,743	\$ 234,480	\$ 236,002	\$ 346,361	\$ 350,745
Operating grants and contributions .....	75,747	73,758	-	-	75,747	73,758
Capital grants and contributions .....	1,536	30,315	3,852	799	5,388	31,114
General revenues:						
Property taxes and other taxes .....	276,193	284,664	-	-	276,193	284,664
State aids for General Fund .....	259,735	260,886	-	-	259,735	260,886
Miscellaneous .....	82,059	88,718	1,443	1,471	83,502	90,189
Total revenues .....	<u>807,151</u>	<u>853,084</u>	<u>239,775</u>	<u>238,272</u>	<u>1,046,926</u>	<u>1,091,356</u>
Expenses						
General government .....	305,744	249,874	-	-	305,744	249,874
Public safety .....	320,317	315,952	-	-	320,317	315,952
Public Works .....	169,250	170,054	-	-	169,250	170,054
Health .....	19,743	18,852	-	-	19,743	18,852
Culture and recreation .....	20,348	21,503	-	-	20,348	21,503
Conservation and development .....	45,605	57,617	-	-	45,605	57,617
Capital contribution to						
Milwaukee Public Schools .....	278	-	-	-	278	-
Contributions .....	22,331	24,001	-	-	22,331	24,001
Interest on long-term debt .....	28,275	23,105	-	-	28,275	23,105
Water .....	-	-	68,728	72,540	68,728	72,540
Sewer Maintenance .....	-	-	44,795	46,840	44,795	46,840
Parking .....	-	-	24,248	24,053	24,248	24,053
Port of Milwaukee .....	-	-	3,855	3,825	3,855	3,825
Metropolitan Sewerage District User Charges.	-	-	43,737	44,557	43,737	44,557
Total expenses .....	<u>931,891</u>	<u>880,958</u>	<u>185,363</u>	<u>191,815</u>	<u>1,117,254</u>	<u>1,072,773</u>
Increase in net position before transfers .....	(124,740)	(27,874)	54,412	46,457	(70,328)	18,583
Transfers .....	<u>41,628</u>	<u>43,115</u>	<u>(41,628)</u>	<u>(43,115)</u>	-	-
Increase in net position .....	(83,112)	15,241	12,784	3,342	(70,328)	18,583
Net position – Beginning .....	281,821	198,709	711,344	724,128	993,165	922,837
Net position – Ending .....	<u>\$ 198,709</u>	<u>\$ 213,950</u>	<u>\$ 724,128</u>	<u>\$ 727,470</u>	<u>\$ 922,837</u>	<u>\$ 941,420</u>



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**Governmental Activities**

Revenues for the City's governmental activities totaled \$853 million, while total expenses totaled \$881 million for 2014. Total revenues, excluding transfers, supported 97% of total expenses; 102% with transfers. Comparable data for 2013 indicates 87% of all revenues, excluding transfers supported the 2013 expenses and, 91% including transfers.

Property taxes represent 33% of the total revenues for 2014 and 2013. The total actual property tax revenues increased 3% over the previous year. The City of Milwaukee's share of the Tax Rate increased \$0.33 from \$10.25 in 2013 to \$10.58 in 2014 (per \$1,000 of Assessed Value), due mainly to a decrease in assessed property value. State aids for the General Fund was \$260 million both in 2013 and 2014. The combined property taxes and State aids comprised approximately 64% of the total revenues for governmental funds in 2014 compared to 66% in 2013. Charges for services equaled 13% of the total revenues in 2014, the same as 2013. Operating grants, capital grants, and contributions increased \$27 million, to a total \$104 million or 12% of total revenues in 2013 compared to 10% in 2013.

The total 2014 governmental activities expenditures decreased by \$51 million (5%) over 2013. A \$62 million total employer contribution to Employees' Retirement System (ERS) in 2013 was the major reason for the \$54 million decrease in governmental activities expenses.

**Chart 1**  
**2014 Expenses and Program Revenues - Governmental Activities**

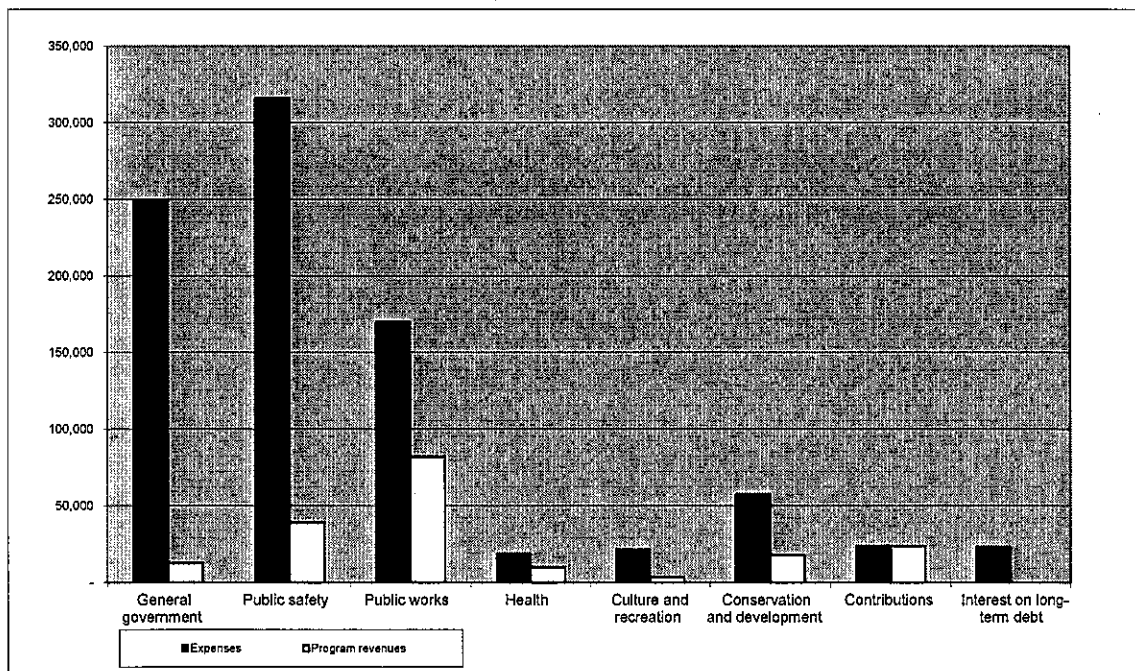


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
General government .....	\$ 305,744	\$ 249,874	\$ 293,204	\$ 237,323
Public safety .....	320,317	315,952	279,908	276,946
Public works .....	169,250	170,054	88,996	57,779
Health .....	19,743	18,852	9,192	9,012
Culture and recreation .....	20,348	21,503	16,551	18,071
Conservation and development .....	45,605	57,617	25,863	39,657
Contributions .....	22,609	24,001	738	249
Interest on long-term debt .....	28,275	23,105	28,275	23,105
<b>Total Governmental Activities .....</b>	<b>\$ 931,891</b>	<b>\$ 880,958</b>	<b>\$ 742,727</b>	<b>\$ 662,142</b>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities decreased in 2014 to \$662 million from \$742 million in 2013 or 11% 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.

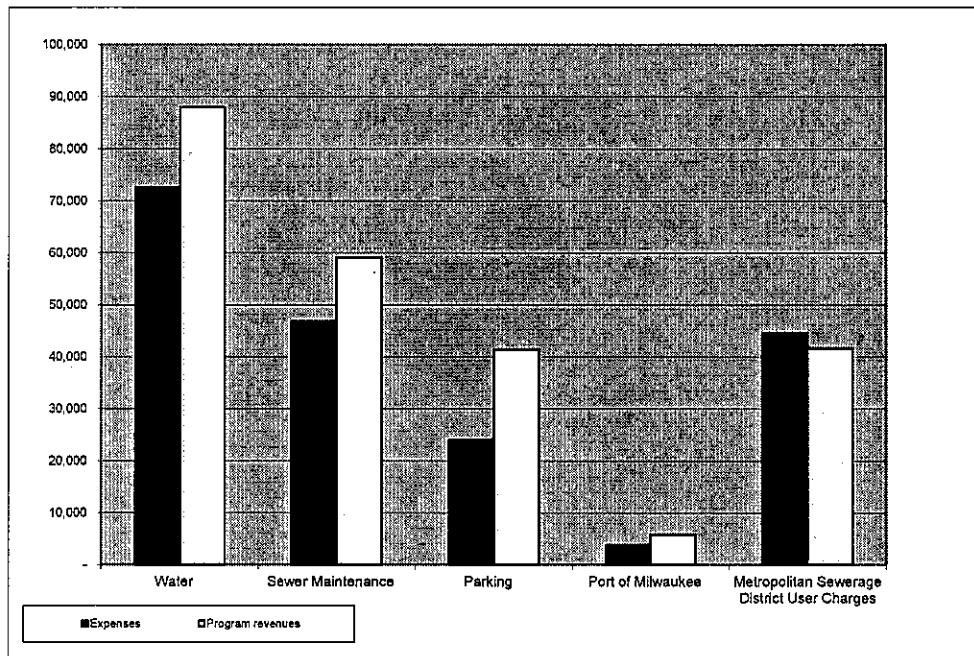
**Business-type Activities**

The two major enterprises or business-type activities for the City of Milwaukee are Waterworks and Sewer Maintenance. The Water Works had operating revenue of \$88 million, expenses of \$72 million and operating income of \$16 million. The Sewer Maintenance produced a net operating income of \$36 million after operating revenue of \$59 million and operating expenses of \$23 million.

Business-type revenues on Table 2 decreased by \$1 million in 2014 compared to 2013, which is less than one percent. Total expenses and transfers of all enterprise funds of the City increased from 2013 to 2014 by \$8 million or 3%. Overall, 2014 year-end Total Net Position increased by \$3 million to \$727 million, which is less than one percent.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (unaudited)

**Chart 2**  
**2014 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

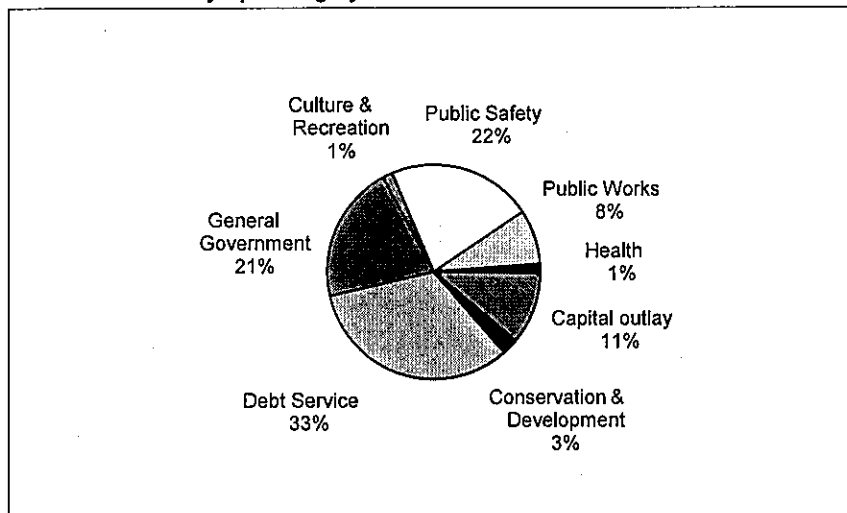
Governmental Funds are reported in the fund based financial statements with a focus on the annual inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with the succeeding year's requirements. Types of Governmental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

As the City completed 2014, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$313 million, a decrease of \$33 million or 10% from 2013. The Capital Projects Fund balance decreased to a fund balance of negative \$20 million. 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 \$92 million in 2014 compared to \$83 million in 2013. The General Obligation Debt Service Fund incurred a reduction in fund balance of \$2 million due to financing sources and revenues being less than debt service expenditures and other financing uses. The General Fund increased by \$8 million to \$111 million.

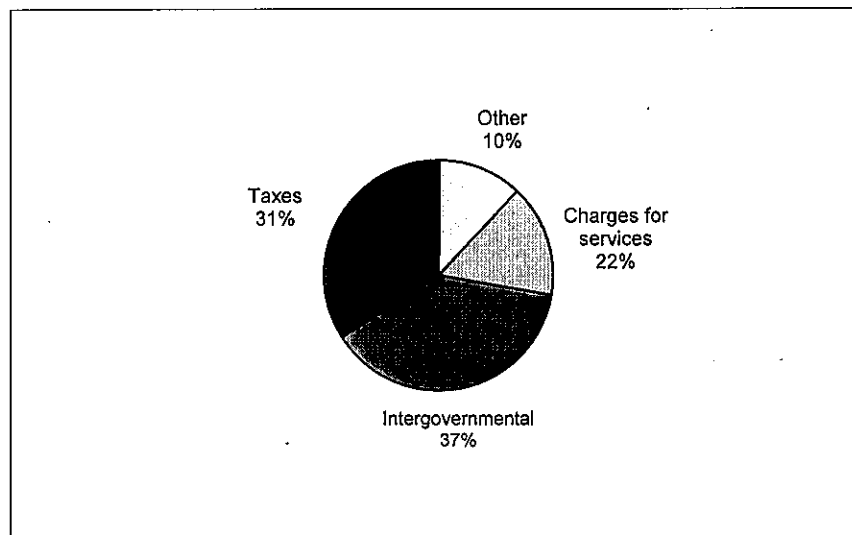
Chart 3 and 4 illustrate spending by function and revenues by source for all governmental funds.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(unaudited)

**Chart 3**  
**2014 City Spending by Function - Governmental Funds**



**Chart 4**  
**2014 Revenues by Source - Governmental Funds**



Revenues for governmental functions overall totaled \$832 million in the fiscal year ended December 31, 2014. Expenditures for governmental funds totaled \$1.3 billion. Expenditures exceeded revenues by \$460 million. Other financing sources helped to close the gap, resulting in a net decrease in governmental fund balances of \$33 million for the year compared to an increase of \$7 million in 2013. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (unaudited)

*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 \$9 million or 9%. Revenues and other financing sources totaled approximately \$811 million and expenditures and other financing uses totaled approximately \$802 million - detailed in Table 4 below. Revenues decreased by \$18 million from 2013 and expenditures decreased by \$50 million from 2013, with expenditures exceeding revenues by 7%. 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 \$52 million. This excludes the budgeted use of funds from the fund balance. Nearly \$20 million was budgeted from the fund balance to fund the 2014 General Fund budget. This was an increase of \$5 million from 2013.

Total General Fund revenues for 2014 totaled \$624 million. The largest revenue category is intergovernmental at \$260 million with 42% of the total revenue. The second largest revenue source is Property Taxes with \$179 million or 29%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 18% or \$114 million. These three categories combined comprise 89% of the total revenues for 2014.

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:	2013	2014	% Change	Expenditures:	2013	2014	% Change
Property taxes .....	\$ 172,594	\$ 179,269	3.9%	General government.....	\$ 317,356	\$ 262,948	-17.1%
Other taxes .....	3,544	6,091	71.9%	Public safety.....	270,680	268,426	-0.8%
Licenses and permits .....	15,030	16,063	6.9%	Public works.....	99,907	103,339	3.4%
Intergovernmental .....	259,735	260,886	0.4%	Health.....	9,147	9,171	0.3%
Charges for services .....	111,881	114,743	2.6%	Culture and recreation .....	15,900	17,012	7.0%
Fines and forfeits .....	4,492	4,587	2.1%	Conservation and			
Contributions received .....	21,871	23,752	8.6%	development .....	3,379	3,522	4.2%
Other .....	16,978	18,796	10.7%		-	-	
Total Revenues .....	606,125	624,187	3.0%	Total Expenditures ....	716,369	664,418	-7.3%
Other Financing Sources				Other Financing Uses			
Debt proceeds .....	188,860	139,948	-25.9%	Transfers out .....	127,119	137,119	7.9%
Transfers in .....	46,247	46,912	1.4%	Total Expenditures			
Total Revenues and				and other Financing			
Other Financing Sources .	<u>841,232</u>	<u>811,047</u>	-3.6%	Uses .....	<u>\$ 843,488</u>	<u>\$ 801,537</u>	-5.0%
Excess of Revenues							
over Expenditures .....	<u>(110,244)</u>	<u>(40,231)</u>	63.5%				
Net Change in							
Fund Balance .....	<u>\$ (2,256)</u>	<u>\$ 9,510</u>	-521.5%				

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 2014, \$110 million was issued and repaid.

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 decreased its fund balance by \$2 million to \$140 million or 2%. Total revenues of the General Obligation Debt Service increased from \$99 million in 2013 to \$112 million in

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(unaudited)

2014. Revenues combined with *Other Financing Sources* totaled \$425 million; expenditures combined with *Other Financing Uses* totaled \$427 million; resulting in a *net decrease in Fund Balance* for year end 2014 of a deficit of \$2 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, 2014 showed a negative fund balance of \$20 million (an increase in the fund balance of \$24 million from 2013). In 2014, total debt proceeds amounted to \$92 million as compared to \$83 million in 2013, an 11% increase. Total revenues decreased by \$3 million from 2013; expenditures increased from \$98 million to \$140 million or 41%. The issuance of bonds and notes during 2014 for capital purposes combined with revenues and transfers were not sufficient to cover the current year's expenditures and, as a result, decreased the year-end fund balance by \$24 million to result in a fund deficit.

#### **Proprietary Funds**

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

At the end of the fiscal year, the total unrestricted net position for all enterprise funds was \$57 million. This was a decrease from \$75 million at December 31, 2013. This decrease includes a \$16 million in Water Works and decreases in the non-major enterprise funds.

In 2014, operating revenues of the enterprise funds totaled \$236 million (less than 1% increase); total operating expenses increased \$5 million to \$166 million. The Water Works is the largest enterprise activity for the City, comprising approximately 37% of the total operating revenues. The Sewer Maintenance Fund comprises 25% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2014, Water Works operating revenues increased 4% while Sewer Maintenance operating revenues increased 3%; all other enterprise funds' operating revenues combined decreased about 4% compared to 2013. Water Works non-operating revenues for 2014 are mainly composed of interest income and other miscellaneous revenues.

The Water Works incurred total expenses of \$72 million for 2014 compared to \$68 million for 2013. Excluding depreciation expense, operating expenses increased over the previous year by \$1.5 million. The non-operating interest expense of the Water Works decreased \$73,000 due to the scheduled principal maturing on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased by 1% from 2013.

#### **General Fund Budgetary Highlights**

For the fiscal year ended December 31, 2014, the General Fund budgetary basis revenues were higher than budgeted revenues by \$1 million. Revenue categories for property taxes and fines/forfeitures had an unfavorable variance compared to budget of \$9 million; however, all other categories of licenses/permits, intergovernmental, charges for services and other exceed the final budgeted amounts by \$10 million. Actual 2014 revenues increased from that of the prior year by \$11 million. Intergovernmental revenues remained constant at \$260 million. This category includes financing from the State for shared taxes, local street aids, and payment for municipal services. The operating expenditures were \$17 million less than budgeted. This favorable variance is a result of mostly savings from general government departments.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2013 less the encumbrances carried over to 2015. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2013 by the Common Council less those appropriations authorized for carryover to 2015. 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 2014 General Fund expenditure budget of \$669 million and the final budget of \$673 million. This is a 7% decrease over the final 2013 budget of \$723 million. The original revenue budget totaled \$611 million with the final budget remaining approximately same. This is a less than 1% increase over the final 2013 revenue budget of \$607 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 \$104 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 \$20 million.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (unaudited)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for governmental and business-type activities as of December 31, 2014 total \$2.1 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$117 million or 6%. Governmental activities' capital assets increased \$77 million or an 8% increase from 2013. Business-type activities' capital assets increased \$41 million or 4% at the end of 2014. A schedule comparing the assets by type for 2013 and 2014 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 new additions were \$95 million and net deletions were \$18 million for 2014 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 a net increase of \$26 million. Of the Sewer Maintenance Fund's net assets at year end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 62% of its total net assets with 28% consisting of machinery and equipment. The total net change in all Water Works net capital assets was an increase of \$16 million.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
Capital assets not being depreciated:						
Land .....	\$ 164,660	\$ 165,730	\$ 19,096	\$ 19,096	\$ 183,756	\$ 184,826
Construction in progress .....	44,241	76,391	12,096	27,731	56,337	104,122
Intangible right of ways .....	1,342	1,342	-	-	1,342	1,342
Capital assets being depreciated:						
Buildings .....	291,942	307,965	95,805	97,699	387,747	405,664
Infrastructure .....	1,540,926	1,605,990	967,395	1,002,751	2,508,321	2,608,741
Improvements other than buildings .....	11,909	11,909	8,025	8,150	19,934	20,059
Machinery and equipment .....	193,770	193,790	242,638	253,901	436,408	447,691
Intangible software.....	2,605	2,605	-	-	2,605	2,605
Nonutility property .....	-	-	3,654	3,654	3,654	3,654
Accumulated depreciation .....	<u>(1,232,907)</u>	<u>(1,270,401)</u>	<u>(427,429)</u>	<u>(450,689)</u>	<u>(1,660,336)</u>	<u>(1,721,090)</u>
<b>Total .....</b>	<b>\$ 1,018,488</b>	<b>\$ 1,095,321</b>	<b>\$ 921,280</b>	<b>\$ 962,293</b>	<b>\$ 1,939,768</b>	<b>\$ 2,057,614</b>

**Debt**

At year-end, the City had \$836 million in general obligation bonds and notes, \$92 million in State loans, \$95 million in revenue bonds, and \$106.7 million in extendable municipal commercial paper outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled \$215 million, of which \$213 million is related to governmental activities.

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

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,081 at the end of 2013 and \$1,074 at the end of 2014; a 1% decrease from the prior year. As of December 31, 2014, the City's outstanding net general obligation debt for governmental activities was 2.45% 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.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (unaudited)

Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has used about 50% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2014, notes were issued in the amount of approximately \$30.7 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

**Table 6**  
**Outstanding Debt**  
**General Obligation, Revenue Bonds and Extendable Municipal Commercial Paper**  
*(Thousand of Dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
General obligation bonds and notes (backed by the City) .....	\$ 822,046	\$ 814,522	\$ 39,334	\$ 35,247	\$ 861,380	\$ 849,769
Extendable Municipal Commercial Paper.....	46,400	41,700	45,600	65,000	92,000	106,700
State loans .....	-	-	82,736	92,100	82,736	92,100
Revenue bonds (backed by specific fee revenues) .....	-	-	98,871	94,624	98,871	94,624
<b>Total .....</b>	<b>\$ 868,446</b>	<b>\$ 856,222</b>	<b>\$ 266,541</b>	<b>\$ 286,971</b>	<b>\$ 1,134,987</b>	<b>\$ 1,143,193</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE**

The average unemployment rate within the City of Milwaukee for 2014 is 7.2%, compared to 8.7% for 2013. The City of Milwaukee per capita income for the most recent fiscal year available (2013) was \$41,017, compared to \$40,628 for 2012. Table 13 contains demographic and economic statistics for the last ten calendar years.

The 2015 adopted City Budget is about \$1.51 billion with a General Fund budget of \$734 million. The General Fund budget increased nearly 2.2% over the 2014 budget of \$718 million. In 2015, the City should expend \$120 million for health insurance and related costs compared to \$110 million budgeted for 2014, an increase of 9%. The City eliminated all mandatory furlough days for 2015.

Milwaukee City Hall is a 120 year old building built on a wood piling foundation. A portion of the wood pilings have begun to decay and are in need of replacement. It is estimated that \$60 million may be spent over the next 10 years to repair the foundation. Actual costs could be higher or lower. Other than for preliminary engineering, no amounts have yet been budgeted for the project and the foundation and building are currently being monitored.

The City has approved an estimated \$98.8 million for Phase I of a streetcar project. Phase I includes 3.8 miles of track with a One-Way Route Length of 2.1 miles. A federal grant of \$54.9 million has been received for the project. The City has approved \$43.9 million of Tax Incremental District borrowing to fund the remaining estimated construction and equipment costs.

Total property taxes levied for all funds of the City in 2014 for 2015 purposes increased \$.13 per thousand dollars of assessed valuation to a rate of \$10.71 (1.2%). The 2013 for 2014 rate increased \$.32 (from \$10.25 to \$10.58 or 3.2%).

The total City property tax levy increased to \$256 million from \$254 million in 2013. While the rate for 2014 increased, the assessed valuation decreased 1.1%; thus providing roughly the same amount in total property tax revenue in all funds. The property tax levy will provide \$114.2 million for general City purposes in 2015. This represents an increase of \$18 million in the property tax revenue from 2014 or a 20% increase. Property Tax Levy for Employee Retirement Purposes will decrease \$7.4 million for 2015. The 2015 General City Purpose budget includes \$122 million in estimated revenue for City charges for services rendered, an increase of \$5 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate \$37 million for 2015. This fee represents 30% of the total charges for services in the 2015 budget. The Street Sweeping-Leaf Collection and Tree Pruning Fee is expected to generate about \$16 million for 2015, about a \$1 million increase over 2014. This Fee comprises 13% of the total charges for services in 2015 compared to 12% in 2014.



CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(unaudited)

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total \$262.2 million; an increase of \$2.3 million from 2014.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**BASIC  
FINANCIAL  
STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE  
STATEMENT OF NET POSITION  
December 31, 2014  
(Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments .....	\$ 312,810	\$ 57,279	\$ 370,089	\$ 23,685
Receivables (net):				
Taxes .....	244,642	-	244,642	-
Accounts .....	44,356	43,301	87,657	142
Unbilled accounts .....	511	18,864	19,375	-
Special assessments .....	7,332	-	7,332	-
Notes and loans .....	104,156	-	104,156	40,817
Accrued interest .....	379	39	418	1,347
Due from component units .....	22,764	-	22,764	-
Due from primary government .....	-	-	-	289
Due from other governmental agencies .....	142,406	484	142,890	763
Inventory of materials and supplies .....	9,549	2,806	12,355	-
Inventory of property for resale .....	26	-	26	5,815
Prepaid items .....	1,014	2,104	3,118	256
Other assets .....	-	10	10	-
 Total Noncapital Assets .....	 889,945	 124,887	 1,014,832	 73,114
Capital assets:				
Capital assets not being depreciated:				
Land .....	165,730	19,096	184,826	12,200
Construction in progress .....	76,391	27,731	104,122	-
Intangible right of ways .....	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings .....	307,965	97,699	405,664	85,786
Infrastructure .....	1,605,990	1,002,751	2,608,741	333
Improvements other than buildings .....	11,909	8,150	20,059	4,264
Machinery and equipment .....	193,790	253,901	447,691	159
Intangible software.....	2,605	-	2,605	565
Nonutility property .....	-	3,654	3,654	-
Accumulated depreciation .....	(1,270,401)	(450,689)	(1,721,090)	(16,964)
 Total Capital Assets .....	 1,095,321	 962,293	 2,057,614	 86,343
 Total Assets .....	 1,985,266	 1,087,180	 3,072,446	 159,457
Deferred Outflows of Resources:				
Loss on refunding.....	-	526	526	-

CITY OF MILWAUKEE  
STATEMENT OF NET POSITION  
December 31, 2014  
(Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable .....	\$ 49,254	\$ 22,140	\$ 71,394	\$ 3,144
Accrued expenses .....	21,263	951	22,214	33
Accrued interest payable .....	9,531	1,145	10,676	-
Internal balances .....	(32,197)	32,197	-	-
Due to component units .....	289	10	299	-
Due to other governmental agencies .....	1,466	-	1,466	2,581
Unearned revenues.....	4,054	485	4,539	-
Revenue anticipation notes payable .....	125,000	-	125,000	-
Other liabilities .....	-	-	-	2,759
Due to primary government:				
Due within one year .....	-	-	-	908
Due in more than one year .....	-	-	-	21,856
Long-term obligations:				
Due within one year .....	154,342	82,784	237,126	905
Due in more than one year .....	<u>1,147,593</u>	<u>220,524</u>	<u>1,368,117</u>	<u>78,876</u>
 Total Liabilities .....	<u>1,480,595</u>	<u>360,236</u>	<u>1,840,831</u>	<u>111,062</u>
Deferred Inflows of Resources:				
Gain on refunding.....	337	-	337	-
Subsequent years property taxes.....	<u>290,384</u>	<u>-</u>	<u>290,384</u>	<u>880</u>
 Total Deferred Inflows of Resources .....	<u>290,721</u>	<u>-</u>	<u>290,721</u>	<u>880</u>
NET POSITION				
Net investment in capital assets.....	748,374	669,428	1,417,802	24,998
Restricted for:				
Debt service .....	201,569	930	202,499	-
Other purposes .....	9,747	-	9,747	12,471
Unrestricted .....	<u>(745,740)</u>	<u>57,112</u>	<u>(688,628)</u>	<u>10,046</u>
 Total Net Position .....	<u>\$ 213,950</u>	<u>\$ 727,470</u>	<u>\$ 941,420</u>	<u>\$ 47,515</u>

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

CITY OF MILWAUKEE  
**STATEMENT OF ACTIVITIES**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (Thousands of Dollars)

Exhibit 2

Functions/Programs			Program Revenues		
			Charges for	Operating	Capital
	Expenses		Services	Grants and	Grants and
				Contributions	Contributions
<b>Primary government:</b>					
Governmental Activities:					
General government .....	\$ 249,874	\$ 10,344	\$ 2,207	\$ -	
Public safety .....	315,952	23,833	15,173	-	
Public works .....	170,054	78,520	3,440	30,315	
Health .....	18,852	923	8,917	-	
Culture and recreation .....	21,503	1,114	2,318	-	
Conservation and development .....	57,617	9	17,951	-	
Contributions .....	24,001	-	23,752	-	
Interest on long-term debt .....	23,105	-	-	-	
Total Governmental Activities .....	<u>880,958</u>	<u>114,743</u>	<u>73,758</u>	<u>30,315</u>	
Business-type Activities:					
Water .....	72,540	88,013	-	384	
Sewer Maintenance .....	46,840	59,121	-	275	
Parking .....	24,053	41,411	-	-	
Port of Milwaukee .....	3,825	5,765	-	140	
Metropolitan Sewerage District					
User Charges .....	<u>44,557</u>	<u>41,692</u>	<u>-</u>	<u>-</u>	
Total Business-type Activities .....	<u>191,815</u>	<u>236,002</u>	<u>-</u>	<u>799</u>	
Total Primary Government .....	<u>\$ 1,072,773</u>	<u>\$ 350,745</u>	<u>\$ 73,758</u>	<u>\$ 31,114</u>	
<b>Component units:</b>					
Redevelopment Authority .....	\$ 10,492	\$ 7,012	\$ 3,722	\$ 571	
Neighborhood Improvement Development					
Corporation .....	672	251	222	52	
Century City Redevelopment Corporation .....	<u>686</u>	<u>272</u>	<u>-</u>	<u>-</u>	
Total Component Units .....	<u>\$ 11,850</u>	<u>\$ 7,535</u>	<u>\$ 3,944</u>	<u>\$ 623</u>	

General revenues:

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

Change in Net Position .....

Net Position - Beginning.....

**Net Position - Ending** .....

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

Net (Expenses) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (237,323)		\$ (237,323)	
(276,946)		(276,946)	
(57,779)		(57,779)	
(9,012)		(9,012)	
(18,071)		(18,071)	
(39,657)		(39,657)	
(249)		(249)	
(23,105)		(23,105)	
<u>(662,142)</u>		<u>(662,142)</u>	
-	\$ 15,857	15,857	
-	12,556	12,556	
-	17,358	17,358	
-	2,080	2,080	
-	(2,865)	(2,865)	
-	44,986	44,986	
<u>(662,142)</u>	<u>44,986</u>	<u>(617,156)</u>	
			\$ 813
			(147)
			(414)
			<u>252</u>
284,664	-	284,664	-
260,886	-	260,886	-
88,718	1,471	90,189	1,105
43,115	(43,115)	-	-
<u>677,383</u>	<u>(41,644)</u>	<u>635,739</u>	<u>1,105</u>
15,241	3,342	18,583	1,357
198,709	724,128	922,837	46,158
<u>\$ 213,950</u>	<u>\$ 727,470</u>	<u>\$ 941,420</u>	<u>\$ 47,515</u>

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**FUND  
FINANCIAL  
STATEMENTS**



CITY OF MILWAUKEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit A-1

	General
<b>ASSETS</b>	
Assets:	
Cash and investments .....	\$ 90,128
Receivables (net):	
Taxes .....	156,320
Accounts .....	42,607
Unbilled accounts .....	511
Special assessments .....	-
Notes and loans .....	6
Accrued interest .....	263
Due from other funds .....	64,941
Due from component units .....	-
Due from other governmental agencies .....	2,885
Advances to other funds .....	6,593
Inventory of materials and supplies .....	9,549
Inventory of property for resale .....	26
Prepaid items .....	1,014
<b>Total Assets</b> .....	<b>\$ 374,843</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable .....	\$ 31,534
Accrued expenses .....	21,188
Due to other funds .....	1,260
Due to component units .....	33
Due to other governmental agencies .....	-
Unearned revenue.....	1,031
Revenue anticipation notes payable .....	-
Advances from other funds .....	-
<b>Total Liabilities</b> .....	<b>55,046</b>
Deferred Inflows of Resources:.....	<b>206,753</b>
Fund Balances:	
Nonspendable .....	17,301
Restricted.....	-
Committed.....	1,587
Assigned .....	44,150
Unassigned.....	50,006
<b>Total Fund Balances</b> .....	<b>113,044</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b> .....	<b>\$ 374,843</b>

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

## Exhibit A-1 (Continued)

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 179,724	\$ 35,038	\$ 6,016	\$ 1,904	\$ 312,810
51,443	-	2,508	34,371	244,642
-	-	1,733	16	44,356
-	-	-	-	511
-	-	7,332	-	7,332
65,476	26,704	-	11,970	104,156
-	116	-	-	379
-	-	-	299	65,240
22,421	-	318	25	22,764
125,095	-	6,165	8,261	142,406
-	-	-	-	6,593
-	-	-	-	9,549
-	-	-	-	26
-	-	-	-	1,014
<u>\$ 444,159</u>	<u>\$ 61,858</u>	<u>\$ 24,072</u>	<u>\$ 56,846</u>	<u>\$ 961,778</u>
\$ 45	\$ -	\$ 13,834	\$ 3,841	\$ 49,254
-	-	-	75	21,263
3,128	-	6,057	22,598	33,043
-	-	187	69	289
-	-	116	1,350	1,466
-	-	1,688	1,335	4,054
125,000	-	-	-	125,000
-	-	6,593	-	6,593
<u>128,173</u>	<u>-</u>	<u>28,475</u>	<u>29,268</u>	<u>240,962</u>
<u>176,275</u>	<u>-</u>	<u>15,646</u>	<u>9,342</u>	<u>408,016</u>
-	-	-	-	17,301
139,711	61,858	3,616	9,747	214,932
-	-	-	8,489	10,076
-	-	-	-	44,150
-	-	(23,665)	-	26,341
<u>139,711</u>	<u>61,858</u>	<u>(20,049)</u>	<u>18,236</u>	<u>312,800</u>
<u>\$ 444,159</u>	<u>\$ 61,858</u>	<u>\$ 24,072</u>	<u>\$ 56,846</u>	<u>\$ 961,778</u>

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CITY OF MILWAUKEE  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit A-2

Fund balances - total governmental funds (Exhibit A-1) \$ 312,800

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

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

Land	\$ 165,730	
Buildings, net of \$104,563 accumulated depreciation	203,402	
Infrastructure, net of \$1,026,950 accumulated depreciation	579,040	
Improvements other than buildings, net of \$9,193 accumulated depreciation	2,716	
Machinery and equipment, net of \$128,061 accumulated depreciation	65,729	
Intangible assets net of \$1,634 accumulated depreciation	2,313	
Construction in progress	<u>76,391</u>	
		1,095,321

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

Taxes to be collected	16,061	
Grant revenues to be collected	6,559	
Special assessments to be collected	6,702	
Notes and loans receivable to repay long-term bonds and notes	<u>88,310</u>	
		117,632

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

Accrued interest payable	(9,531)	
Bonds and notes payable	(856,222)	
Gain on refunding	(337)	
Unamortized premiums	(54,626)	
Compensated absences	(46,779)	
Net other postemployment benefits obligation	(316,725)	
Claims and judgments	<u>(27,583)</u>	
		<u>(1,311,803)</u>

Total net position of governmental activities (Exhibit 1) **\$ 213,950**

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

CITY OF MILWAUKEE  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (Thousands of Dollars)

Exhibit A-3

	<b>General</b>
Revenues:	
Property taxes .....	\$ 179,269
Other taxes .....	6,091
Special assessments .....	
Licenses and permits .....	16,063
Intergovernmental .....	260,886
Charges for services .....	114,743
Fines and forfeits .....	4,587
Contributions received .....	23,752
Other .....	18,796
Total Revenues .....	<u>624,187</u>
Expenditures:	
Current:	
General government .....	262,948
Public safety .....	268,426
Public works .....	103,339
Health .....	9,171
Culture and recreation .....	17,012
Conservation and development .....	3,522
Capital outlay .....	-
Debt Service:	
Principal retirement .....	-
Interest .....	-
Bond issuance costs .....	-
Total Expenditures .....	<u>664,418</u>
Excess (Deficiency) of Revenues over Expenditures .....	<u>(40,231)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued .....	139,948
Proceeds from debt refundings .....	-
Loans receivable activities .....	-
Issuance premium .....	-
Transfers in .....	46,912
Transfers out .....	(137,119)
Total Other Financing Sources and Uses .....	<u>49,741</u>
Net Change in Fund Balances .....	9,510
Fund Balances - Beginning .....	<u>103,534</u>
Fund Balances - Ending .....	<u>\$ 113,044</u>

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

## Exhibit A-3 (Continued)

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 61,807	\$ -	\$ 8,960	\$ -	\$ 250,036
25,520	2,864	-	-	34,475
-	-	1,945	-	1,945
-	-	-	-	16,063
767	-	6,392	49,942	317,987
16,404	-	-	-	131,147
-	-	-	-	4,587
-	-	-	-	23,752
7,549	2,958	8,410	14,751	52,464
<u>112,047</u>	<u>5,822</u>	<u>25,707</u>	<u>64,693</u>	<u>832,456</u>
434	4	-	4,877	268,263
-	-	-	15,173	283,599
-	-	-	3,440	106,779
-	-	-	8,917	18,088
-	-	-	2,318	19,330
-	-	-	29,061	32,583
-	-	139,898	-	139,898
385,884	-	-	-	385,884
37,322	-	-	-	37,322
447	-	-	-	447
<u>424,087</u>	<u>4</u>	<u>139,898</u>	<u>63,786</u>	<u>1,292,193</u>
<u>(312,040)</u>	<u>5,818</u>	<u>(114,191)</u>	<u>907</u>	<u>(459,737)</u>
70,000	-	91,776	30,720	332,444
41,216	-	-	-	41,216
(1,080)	-	-	(1,426)	(2,506)
12,783	-	-	-	12,783
188,912	-	-	-	235,824
(2,218)	(6,900)	(2,022)	(44,450)	(192,709)
<u>309,613</u>	<u>(6,900)</u>	<u>89,754</u>	<u>(15,156)</u>	<u>427,052</u>
(2,427)	(1,082)	(24,437)	(14,249)	(32,685)
<u>142,138</u>	<u>62,940</u>	<u>4,388</u>	<u>32,485</u>	<u>345,485</u>
<u>\$ 139,711</u>	<u>\$ 61,858</u>	<u>\$ (20,049)</u>	<u>\$ 18,236</u>	<u>\$ 312,800</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, 2014  
*(Thousands of Dollars)*

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) (32,685)

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 (\$147,165) less additions from Construction-in-Progress (\$16,988) exceeded depreciation expense (\$52,330) in the current period less loss on disposals (\$1,014)

76,833

Notes and loans receivable to repay long-term bonds and notes

(5,049)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.

Taxes accrued in prior years

\$ 153

Capital grants and contributions

(1,366)

Special assessments beginning of the year \$6,607 less \$6,702 at year end

95

(1,118)

The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of discounts, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:

Bonds and notes issued

(373,660)

Issuance premiums

(12,783)

Gain on refunding

(87)

Repayments:

Principal retirement

385,884

Amortization:

Premiums

13,307

Gain/Loss on refunding

(180)

12,481

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

3,682

Net other postemployment benefits obligation

(37,355)

Claims and judgments

(1,779)

Accrued interest on bonds and notes

231

(35,221)

Changes in net position of governmental activities (Exhibit 2)

**\$ 15,241**

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



CITY OF MILWAUKEE  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS - PROPRIETARY  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents .....	\$ 10,286	\$ 20,258	\$ 15,710	\$ 46,254
Restricted cash and cash equivalents .....	930	10,095	-	11,025
Receivables (net):				
Accounts .....	16,392	15,718	11,191	43,301
Unbilled accounts .....	13,613	2,492	2,759	18,864
Accrued interest .....	-	39	-	39
Due from other funds .....	4,089	1,486	1,007	6,582
Due from other governmental agencies .....	-	484	-	484
Advances to other fund .....	191	-	-	191
Inventory of materials and supplies .....	2,572	234	-	2,806
Prepaid items .....	2,086	-	18	2,104
Other assets .....	10	-	-	10
<b>Total Current Assets .....</b>	<b>50,169</b>	<b>50,806</b>	<b>30,685</b>	<b>131,660</b>
Noncurrent assets:				
Capital assets:				
Capital assets not being depreciated:				
Land .....	2,065	-	17,031	19,096
Construction in progress .....	23,377	732	3,622	27,731
Capital assets being depreciated:				
Buildings .....	29,055	-	68,644	97,699
Infrastructure .....	369,922	614,967	17,862	1,002,751
Improvements other than buildings .....	-	-	8,150	8,150
Machinery and equipment .....	236,062	5,015	12,824	253,901
Nonutility property .....	3,654	-	-	3,654
Accumulated depreciation .....	(235,376)	(142,025)	(73,288)	(450,689)
<b>Net Capital Assets .....</b>	<b>428,759</b>	<b>478,689</b>	<b>54,845</b>	<b>962,293</b>
<b>Total Noncurrent Assets .....</b>	<b>428,759</b>	<b>478,689</b>	<b>54,845</b>	<b>962,293</b>
<b>Total Assets .....</b>	<b>478,928</b>	<b>529,495</b>	<b>85,530</b>	<b>1,093,953</b>
Deferred Outflows of Resources:				
Loss on refunding .....	-	522	4	526

CITY OF MILWAUKEE  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
DECEMBER 31, 2014

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable .....	\$ 6,533	\$ 4,630	\$ 10,987	\$ 22,150
Accrued expenses .....	616	140	195	951
Accrued interest payable .....	154	129	165	448
Compensated absences .....	1,207	179	280	1,666
Advances from other funds .....	-	-	191	191
Due to component units .....	-	-	-	-
Due to other funds .....	34,865	-	3,914	38,779
Unearned revenue.....	-	484	1	485
Extendable Municipal Commercial Paper .....	-	65,000	-	65,000
General obligation debt payable - current .....	2,511	703	2,171	5,385
Total Current Liabilities .....	<u>45,886</u>	<u>71,265</u>	<u>17,904</u>	<u>135,055</u>
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable .....	1,335	9,398	-	10,733
Accrued interest payable .....	-	697	-	697
Total Current Liabilities Payable from Restricted Assets .....	<u>1,335</u>	<u>10,095</u>	<u>-</u>	<u>11,430</u>
Noncurrent Liabilities:				
General obligation debt payable .....	10,197	7,984	11,733	29,914
Revenue bonds & State loans payable .....	9,549	172,284	-	181,833
Other post employment benefits obligation .....	5,059	1,957	1,761	8,777
Total Noncurrent Liabilities .....	<u>24,805</u>	<u>182,225</u>	<u>13,494</u>	<u>220,524</u>
Total Liabilities .....	<u>72,026</u>	<u>263,585</u>	<u>31,398</u>	<u>367,009</u>
<b>NET POSITION:</b>				
Net investment in capital assets.....	405,167	223,320	40,648	669,135
Restricted for Debt Service .....	930	-	-	930
Unrestricted .....	805	43,112	13,488	57,405
Total Net Position .....	<u>\$ 406,902</u>	<u>\$ 266,432</u>	<u>\$ 54,136</u>	<u>\$ 727,470</u>

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

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CITY OF MILWAUKEE  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit B-2

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
<b>Operating Revenues:</b>				
Charges for Services:				
Water sales .....	\$ 72,526	\$ -	\$ -	\$ 72,526
Statutory sewer user fee .....	-	-	40,456	40,456
Sewer maintenance fee .....	-	59,121	-	59,121
Rent .....	-	-	12,667	12,667
Fire protection service .....	7,449	-	-	7,449
Parking meters .....	-	-	4,997	4,997
Parking permits .....	-	-	4,054	4,054
Vehicle towing .....	-	-	5,651	5,651
Parking forfeitures .....	-	-	19,807	19,807
Other .....	8,038	-	1,236	9,274
Total Operating Revenues .....	<u>88,013</u>	<u>59,121</u>	<u>88,868</u>	<u>236,002</u>
<b>Operating Expenses:</b>				
Milwaukee Metropolitan Sewerage District charges ..	-	-	39,350	39,350
Employee services .....	-	6,672	8,070	14,742
Administrative and general .....	7,858	-	-	7,858
Depreciation .....	16,864	6,955	3,461	27,280
Transmission and distribution .....	23,228	-	-	23,228
Services, supplies, and materials .....	-	9,771	20,923	30,694
Water treatment .....	13,288	-	-	13,288
Water pumping .....	7,492	-	-	7,492
Billing and collection .....	2,903	-	-	2,903
Total Operating Expenses .....	<u>71,633</u>	<u>23,398</u>	<u>71,804</u>	<u>166,835</u>
Operating Income .....	<u>16,380</u>	<u>35,723</u>	<u>17,064</u>	<u>69,167</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment income .....	7	4	-	11
Grant revenue .....	-	263	140	403
Interest expense .....	(907)	(5,752)	(631)	(7,290)
Other .....	286	(17,690)	1,174	(16,230)
Total Net Nonoperating Revenues (Expenses) ....	<u>(614)</u>	<u>(23,175)</u>	<u>683</u>	<u>(23,106)</u>
Income before Contributions and Transfers.....	15,766	12,548	17,747	46,061
Capital contributions .....	384	12	-	396
Transfers in .....	-	-	571	571
Transfers out .....	(12,397)	(7,709)	(23,580)	(43,686)
Change in Net Position .....	3,753	4,851	(5,262)	3,342
Total Net Position - Beginning.....	<u>403,149</u>	<u>261,581</u>	<u>59,398</u>	<u>724,128</u>
Total Net Position - Ending .....	<u>\$ 406,902</u>	<u>\$ 266,432</u>	<u>\$ 54,136</u>	<u>\$ 727,470</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, 2014  
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users .....	\$ 81,789	\$ 58,752	\$ 89,869	\$ 230,410
Receipts from interfund services provided .....	5,337	-	-	5,337
Payments to suppliers .....	(29,772)	(7,545)	(60,277)	(97,594)
Payments to employees .....	(20,872)	(6,798)	(8,100)	(35,770)
Payments from other funds .....	-	-	2,003	2,003
Payments to other funds .....	14,777	-	58	14,835
Net Cash Provided by Operating Activities.....	51,259	44,409	23,553	119,221
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Miscellaneous nonoperating revenue .....	286	267	101	654
Other nonoperating expenses .....	-	(17,694)	571	(17,123)
Transfers to other funds .....	(12,397)	(7,709)	(23,580)	(43,686)
Net Cash Used by Noncapital Financing Activities .....	(12,111)	(25,136)	(22,908)	(60,155)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of bonds and notes .....	1,312	49,722	1,785	52,819
Acquisition of property, plant, and equipment .....	(32,944)	(33,149)	(1,765)	(67,858)
Retirement of bonds, notes, and revenue bonds .....	(4,385)	(24,354)	(3,650)	(32,389)
Interest paid .....	(986)	(6,471)	(649)	(8,106)
Other .....	-	-	1,174	1,174
Net Cash Used for Capital and Related Financing Activities .....	(37,003)	(14,252)	(3,105)	(54,360)
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>				
Investment income .....	8	4	-	12
Net Increase (Decrease) in Cash and Cash Equivalents .....	2,153	5,025	(2,460)	4,718
Cash and Cash Equivalents - Beginning .....	9,063	25,328	18,170	52,561
Cash and Cash Equivalents - Ending .....	\$ 11,216	\$ 30,353	\$ 15,710	\$ 57,279

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2014  
*(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 .....	\$ 10,286	\$ 20,258	\$ 15,710	\$ 46,254
Restricted Cash .....	<u>930</u>	<u>10,095</u>	<u>-</u>	<u>11,025</u>
	<u>\$ 11,216</u>	<u>\$ 30,353</u>	<u>\$ 15,710</u>	<u>\$ 57,279</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income .....	\$ 16,380	\$ 35,723	\$ 17,064	\$ 69,167
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation .....	16,864	6,955	3,461	27,280
Changes in assets and liabilities:				
Receivables .....	(1,195)	(1)	1,001	(195)
Due from other funds .....	20,519	(368)	(130)	20,021
Inventories .....	78	(75)	-	3
Prepaid items .....	(1,375)	1	-	(1,374)
Other assets .....	(1)	-	-	(1)
Accounts payable .....	413	2,300	101	2,814
Accrued liabilities .....	(825)	(274)	(243)	(1,342)
Net other postemployment benefits obligation ....	401	148	109	658
Due to other funds .....	-	-	2,191	2,191
Unearned revenue .....	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Net Cash Provided by Operating Activities .....	<u>\$ 51,259</u>	<u>\$ 44,409</u>	<u>\$ 23,553</u>	<u>\$ 119,221</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 \$383,727.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$191,790 with a net value of \$0, and received donated assets in the amount of \$12,000.

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

CITY OF MILWAUKEE  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
<b>ASSETS</b>			
Cash and investments.....	\$ 1,216	\$ 2,993	\$ 229,928
Total Assets .....	<u>1,216</u>	<u>2,993</u>	<u>\$ 229,928</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable .....	\$ 387	\$ 105	\$ 1,518
Due to other governmental agencies .....	<u>-</u>	<u>-</u>	<u>228,410</u>
Total Liabilities .....	<u>387</u>	<u>105</u>	<u>\$ 229,928</u>
Net Position Held In Trust For:			
Employees' pension benefits and other purposes .....	<u>\$ 829</u>	<u>\$ 2,888</u>	

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

CITY OF MILWAUKEE  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
<b>Additions</b>		
Contributions:		
Plan members .....	\$ 3,213	\$ -
Private donations .....	<u>-</u>	<u>1,816</u>
Total Contributions .....	<u>3,213</u>	<u>1,816</u>
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest .....	<u>-</u>	<u>6</u>
Total Additions .....	<u>3,213</u>	<u>1,822</u>
<b>Deductions</b>		
Benefits .....	3,224	-
Fees remitted from Trust .....	-	1,560
Other .....	<u>-</u>	<u>227</u>
Total Deductions .....	<u>3,224</u>	<u>1,787</u>
Change in Net Position .....	(11)	35
Net Position - Beginning .....	<u>840</u>	<u>2,853</u>
Net Position - Ending .....	<u>\$ 829</u>	<u>\$ 2,888</u>

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



CITY OF MILWAUKEE  
COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit D-1

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
<b>ASSETS</b>				
Current Assets:				
Cash and investments.....	\$ 6,276	\$ 1,366	\$ 211	\$ 7,853
Restricted cash and investments .....	15,319	513	-	15,832
Receivables (net):				
Accounts .....	81	55	6	142
Notes and loans .....	40,015	802	-	40,817
Accrued interest .....	1,174	173	-	1,347
Due from primary government .....	289	-	-	289
Due from other governmental agencies .....	763	-	-	763
Inventory of property for resale .....	4,942	873	-	5,815
Prepaid items .....	241	-	15	256
Total Noncapital Assets .....	<u>69,100</u>	<u>3,782</u>	<u>232</u>	<u>73,114</u>
Capital assets:				
Capital assets not being depreciated:				
Land and land improvements .....	11,091	-	1,109	12,200
Construction in progress .....	-	-	-	-
Capital assets being depreciated:				
Buildings .....	75,621	-	10,165	85,786
Infrastructure .....	333	-	-	333
Improvements other than buildings .....	4,264	-	-	4,264
Machinery and equipment .....	6	-	153	159
Intangible assets.....	565	-	-	565
Accumulated depreciation .....	(15,834)	-	(1,130)	(16,964)
Total Capital Assets, Net of Depreciation .....	<u>76,046</u>	<u>-</u>	<u>10,297</u>	<u>86,343</u>
Total Assets .....	<u>145,146</u>	<u>3,782</u>	<u>10,529</u>	<u>159,457</u>

CITY OF MILWAUKEE  
COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
Current Liabilities:				
Accounts payable .....	\$ 3,081	\$ 21	\$ 42	\$ 3,144
Accrued expenses .....	2	13	18	33
Due to other governmental agencies .....	2,372	-	209	2,581
Other liabilities .....	2,307	452	-	2,759
<b>Total Current Liabilities .....</b>	<b>7,762</b>	<b>486</b>	<b>269</b>	<b>8,517</b>
Due to primary government:				
Due within one year .....	883	25	-	908
Due in more than one year .....	21,856	-	-	21,856
<b>Total Due to Primary Government .....</b>	<b>22,739</b>	<b>25</b>	<b>-</b>	<b>22,764</b>
Long-term obligations:				
Due within one year .....	755	150	-	905
Due in more than one year .....	59,996	30	18,850	78,876
<b>Total Noncurrent Liabilities .....</b>	<b>60,751</b>	<b>180</b>	<b>18,850</b>	<b>79,781</b>
<b>Total Liabilities .....</b>	<b>91,252</b>	<b>691</b>	<b>19,119</b>	<b>111,062</b>
Deferred Inflows of Resources:				
Unavailable revenue.....	637	243	-	880
<b>Total Deferred Inflows of Resources.....</b>	<b>637</b>	<b>243</b>	<b>-</b>	<b>880</b>
<b>Total Liabilities and Deferred Inflows of Resources .....</b>	<b>91,889</b>	<b>934</b>	<b>19,119</b>	<b>111,062</b>
<b>NET POSITION:</b>				
Net investment in capital assets.....	26,051	-	(1,053)	24,998
Restricted .....	11,414	1,057	-	12,471
Unrestricted .....	15,792	1,791	(7,537)	10,046
<b>Total Net Position .....</b>	<b>\$ 53,257</b>	<b>\$ 2,848</b>	<b>\$ (8,590)</b>	<b>\$ 47,515</b>

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit D-2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Redevelopment Authority</b>				
Prevention and elimination of blight .....	\$ 10,492	\$ 7,012	\$ 3,722	\$ 571
<b>Neighborhood Improvement Development Corp.</b>				
Housing improvements .....	672	251	222	52
<b>Century City Redevelopment Corporation</b>				
Rental income .....	<u>686</u>	<u>272</u>	<u>-</u>	<u>-</u>
Total Component Units .....	<u>\$ 11,850</u>	<u>\$ 7,535</u>	<u>\$ 3,944</u>	<u>\$ 623</u>
General revenues:				
Miscellaneous .....				
Total General Revenues .....				
Change in Net Position .....				
Net Position - Beginning, as restated (note 1w).....				
Net Position - Ending .....				

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

Net (Expense) Revenue and Changes in Net Position			
Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
\$ 813	\$ -	\$ -	\$ 813
-	(147)	-	(147)
<u>-</u>	<u>-</u>	<u>(414)</u>	<u>(414)</u>
<u>813</u>	<u>(147)</u>	<u>(414)</u>	<u>252</u>
 735	 370	 -	 1,105
<u>735</u>	<u>370</u>	<u>-</u>	<u>1,105</u>
1,548	223	(414)	1,357
<u>51,709</u>	<u>2,625</u>	<u>(8,176)</u>	<u>46,158</u>
<u>\$ 53,257</u>	<u>\$ 2,848</u>	<u>\$ (8,590)</u>	<u>\$ 47,515</u>

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**NOTES  
TO THE  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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:

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

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

*Century City Redevelopment Corporation* - The Century City Redevelopment Corporation (CCRC) is a nonprofit organization created to perform redevelopment activities within the City. CCRC is managed by a Board of Directors made up of members from City government and 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: RACM, 809 North Broadway, 3<sup>rd</sup> Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, 3<sup>rd</sup> Floor, Milwaukee, Wisconsin 53202; and CCRC, 841 North Broadway, 2<sup>nd</sup> Floor, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Housing Authority of the City of Milwaukee (HACM), Milwaukee Economic Development Corporation (MEDC), 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 do not meet the criteria established by GASB Statement 61 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Related Organizations**

*Housing Authority of the City of Milwaukee*

The Housing Authority of the City of Milwaukee (HACM) is responsible for the construction and management of safe, affordable, and quality housing with services that enhance residents' self-sufficiency.

The Housing Authority is governed by a seven member Board of Commissioners who are appointed by the Mayor and confirmed by the Common Council. The City is not legally obligated for any of HACM obligations or debt.

*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 position and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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 proprietary funds include the cost of rents, sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting these criteria are reported as nonoperating expenses. Nonoperating revenues, such as subsidies and investment earnings, result from 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, 2014

**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 – Measurement Focus**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2014 that will be collected in 2015 are recorded as receivable and deferred inflows of resources. Deferred inflows of resources 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 deferred only when cash is received.

CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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.

**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 Position/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, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating, which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc., or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

**F. Property Taxes**

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014 is approximately \$1,898,000.

Delinquent accounts for business type activities are presented in accounts receivable net of allowances. The amounts of the Water, Sewer, and Non-major enterprise fund allowances as of December 31, 2014 were approximately \$594,000, \$432,000, and \$1,341,000 respectively.

**H. Unbilled Services**

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

**I. Special Assessments**

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

**J. Notes and Loan Receivables**

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the 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 \$27,930,000 as of December 31, 2014.

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

**K. Inventories**

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

**CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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 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.

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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. Debt Premiums, Discounts, and Issuance Costs**

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

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

**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.

**R. Fund Balance-Governmental Funds**

The fund balances of the governmental funds are 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.

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**S. Net Position**

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

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

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

**Unrestricted** – This consists of net assets that do not meet the definition of "restricted" or "Net investment in capital assets."

**T. Interfund Transactions**

The City has the following types of interfund transactions:

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

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

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

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

**U. Use of Estimates**

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

**V. New Accounting Pronouncements**

During 2014, the City implemented GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. The implementation of this Statement did not have a significant impact on the 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. This Statement will only impact the Pension plan.

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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, 2015. The City has not analyzed the potential impact of the Statement on its financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No 68*. The objective of this statement is to address an issue regarding the application of the transition provisions of Statement No. 68. The issue relates to contributions to a defined benefit plan after the measurement date of the government's beginning net pension liability. This Statement will eliminate the source of a potential significant understatement of restated net position and expense in the first year on implementation of Statement 68. The City will implement this Statement simultaneously with Statement 68 beginning with the year ending December 31, 2015. The City has not analyzed the potential impact of the Statement on its financial statements.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to provide guidance for determining a fair value measurement for financial reporting purposes. This statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The application of this statement is not required until the year ending December 31, 2015. New disclosures for investment balances will be required by the City as a result of this Statement.

CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. DEPOSITS AND INVESTMENTS**

**A. Primary Government**

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

As of December 31, 2014, the City's deposits and investments are as follows:

	Investment Maturities (in Years)					Credit Rating
	(Thousands of Dollars)					
	Fair Value	Less than 1	1-5	6-10	Greater than 10	
<b>Governmental and Business-type activities:</b>						
<i>Investment type</i>						
Pooled Deposits and Investments .....	\$ 253,089	\$ 253,089	\$ -	\$ -	\$ -	see below
Other Deposits .....	113	113	-	-	-	not rated
Segregated Deposits and Investments						
Interest Checking .....	7,769	7,769	-	-	-	not rated
Wisconsin Local Government						
Investment Pool .....	74,153	74,153	-	-	-	not rated
Municipal Bonds .....	11,092	486	8,426	2,180	-	see below
U.S. Treasury strips .....	643	-	643	-	-	Moody's-Aaa
Treasuries (Fiscal Agent) .....	16,454	16,454	-	-	-	not rated
GNMA Bonds .....	6,776	119	-	-	6,657	Moody's-Aaa
	<u>\$ 370,089</u>	<u>\$ 352,183</u>	<u>\$ 9,069</u>	<u>\$ 2,180</u>	<u>\$ 6,657</u>	
<b>Fiduciary activities:</b>						
<i>Investment type</i>						
Pooled Deposits and Investments .....	\$ 233,097	\$ 233,097	\$ -	\$ -	\$ -	see below
Other Deposits .....	172	172	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government						
Investment Pool .....	8	8	-	-	-	not rated
U.S. Treasury strips .....	860	430	430	-	-	Moody's-Aaa
	<u>\$ 234,137</u>	<u>\$ 233,707</u>	<u>\$ 430</u>	<u>\$ -</u>	<u>\$ -</u>	

**Security Ratings**

The Governmental and Business-type municipal bond holdings of \$11,092,000 were rated by Moody's as follows: Aaa (9.2%), Aa1 (32%), Aa2 (1.8%), Aa3 (8%), A2 (1.8%), with the remaining holdings unrated (17%).



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**Pooled Deposits and Investments**

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

As of December 31, 2014, the City had the following investments and maturities in the Pool:

	Fair Value	Investment Maturities (in Years) (Thousands of Dollars)				Credit Rating
		Less than 1	1-5	6-10	Greater than 10	
<b>Pooled Deposits and Investments</b>						
Bank Demand Deposits .....	\$ 34,079	\$ 34,079	\$ -	\$ -	\$ -	not rated
Other Deposits .....	3,756	3,756	-	-	-	not rated
<b>Deposits and Investments</b>						
Interest Checking .....	178,610	178,610	-	-	-	not rated
Wisconsin Local Government						
Investment Pool .....	178,197	178,197	-	-	-	not rated
Investment Portfolio .....	76,573	12,008	58,974	885	4,706	see below
Certificates of Deposits .....	14,971	14,971	-	-	-	not rated
	<u>\$ 486,186</u>	<u>\$ 421,621</u>	<u>\$ 58,974</u>	<u>\$ 885</u>	<u>\$ 4,706</u>	

**Investment Portfolio Ratings**

Corporate bond holdings of \$34,596,000 were rated as follows: Fitch AA- (4.3%), Moody's Aa1 (4.4%), Aa2 (19.9%), Aaa (10.1%), Standard & Poors AA (30.1%), AA- (17.1%), AA+ (8.1%), Aaa (6%).

**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, 2014, \$5,000 of the City's bank balances 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.

**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.

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**Interest Rate Risk**

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

**Credit Risk**

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

The Component Units have the following deposits and investments as of December 31, 2014:

	Fair value	Investment Maturities (in Years) (Thousands of Dollars)				10 and greater	Moody's Credit Rating
		Less than 1	1-5	6-10			
<b>Component Units:</b>							
Bank Demand Deposits.....	\$ 5,277	\$ 5,277	\$ -	\$ -	\$ -	-	not rated
Local Government Investment Pool.....	320	320	-	-	-	-	not rated
U.S. Treasury Money Market Fund.....	7,980	7,980	-	-	-	-	Aaa
U.S. Treasury Notes.....	1,543	427	1,116	-	-	-	Aaa
U.S. Agencies							
Government National Mortgage Association.....	624	76	548	-	-	-	Aaa
Municipal Bonds .....	423	226	197	-	-	-	Aa3
Corporate Bonds .....	2,205	396	1,809	-	-	-	Baa
Certificates of Deposit.....	3,886	3,886	-	-	-	-	Aa
Money Market.....	1,427	1,427	-	-	-	-	N/A
	<u>\$ 23,685</u>	<u>\$ 20,015</u>	<u>\$ 3,670</u>	<u>\$ -</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, 2014 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	Uninsured and Uncollateralized
Redevelopment Authority.....	\$ 8,404,994	\$ 3,443,927
Neighborhood Improvement Development Corporation.....	1,904,696	1,112,647

**CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. PROPERTY TAXES**

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

At December 31, 2014, 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:

	<b>City Levy</b>	<b>Purchased Taxes Receivable</b>	<b>Total</b>
	<i>(Thousands of Dollars)</i>		
2009 and prior .....	\$ 1,360	\$ 1,942	\$ 3,302
2010 .....	1,224	2,134	3,358
2011 .....	2,698	4,523	7,221
2012 .....	5,042	8,233	13,275
2013 .....	<u>11,139</u>	<u>18,409</u>	<u>29,548</u>
Total delinquent property taxes receivable .....	<u>\$ 21,463</u>	<u>\$ 35,241</u>	56,704
Property taxes receivable on foreclosed property .....			39,186
Less: Allowance for uncollectible taxes .....			<u>(32,368)</u>
Net delinquent property taxes receivable, including tax deeded property			<u>\$ 63,522</u>

CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 01-01-14	Additions (Thousands of Dollars)	Deletions	Balance 12-31-14
<b>Governmental activities</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 164,660	\$ 1,300	\$ 230	\$ 165,730
Construction in progress .....	44,241	49,138	16,988	76,391
Intangible right of ways .....	<u>1,342</u>	<u>-</u>	<u>-</u>	<u>1,342</u>
Total capital assets not being depreciated .....	<u>210,243</u>	<u>50,438</u>	<u>17,218</u>	<u>243,463</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	291,942	16,787	764	307,965
Infrastructure.....	1,540,926	72,281	7,217	1,605,990
Improvements other than buildings .....	11,909	-	-	11,909
Machinery and equipment .....	193,770	7,659	7,639	193,790
Intangible software.....	<u>2,605</u>	<u>-</u>	<u>-</u>	<u>2,605</u>
Total capital assets being depreciated .....	<u>2,041,152</u>	<u>96,727</u>	<u>15,620</u>	<u>2,122,259</u>
Less accumulated depreciation for:				
Buildings .....	97,385	7,894	716	104,563
Infrastructure .....	1,003,794	30,373	7,217	1,026,950
Improvements other than buildings .....	8,894	299	-	9,193
Machinery and equipment .....	121,637	13,327	6,903	128,061
Intangible software .....	<u>1,197</u>	<u>437</u>	<u>-</u>	<u>1,634</u>
Total accumulated depreciation .....	<u>1,232,907</u>	<u>52,330</u>	<u>14,836</u>	<u>1,270,401</u>
Total capital assets being depreciated, net ...	<u>808,245</u>	<u>44,397</u>	<u>784</u>	<u>851,858</u>
<b>Government activity capital assets, net .....</b>	<b><u>\$ 1,018,488</u></b>	<b><u>\$ 94,835</u></b>	<b><u>\$ 18,002</u></b>	<b><u>\$ 1,095,321</u></b>
Depreciation expense for governmental activities was charged to functions as follows:				
General government .....	\$ 676			
Public safety .....	9,228			
Public works .....	41,521			
Health .....	201			
Culture and recreation .....	<u>704</u>			
Total .....	<u>\$ 52,330</u>			

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	Balance 01-01-14	Additions	Deletions	Balance 12-31-14
<b>Business-type activities</b>		<i>(Thousands of Dollars)</i>		
<b>Water Works</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 2,065	\$ -	\$ -	\$ 2,065
Construction in progress .....	7,747	33,529	17,899	23,377
 Total capital assets not being depreciated .....	 9,812	 33,529	 17,899	 25,442
 <i>Capital assets being depreciated:</i>				
Buildings .....	29,055	-	-	29,055
Infrastructure .....	366,897	3,056	31	369,922
Machinery and equipment .....	225,138	14,843	3,919	236,062
Nonutility property .....	3,654	-	-	3,654
 Total capital assets being depreciated .....	 624,744	 17,899	 3,950	 638,693
 Less accumulated depreciation for:				
Buildings .....	17,750	918	-	18,668
Infrastructure .....	94,990	4,935	46	99,879
Machinery and equipment .....	109,021	10,872	3,703	116,190
Nonutility property .....	500	139	-	639
 Total accumulated depreciation .....	 222,261	 16,864	 3,749	 235,376
 Total capital assets being depreciated, net ...	 402,483	 1,035	 201	 403,317
 Water Works capital assets, net .....	 412,295	 34,564	 18,100	 428,759
 <b>Sewer Maintenance</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress .....	-	732	-	732
 Total capital assets not being depreciated .....	 -	 732	 -	 732
 <i>Capital assets being depreciated:</i>				
Infrastructure .....	582,865	32,294	192	614,967
Machinery and equipment .....	4,880	135	-	5,015
 Total capital assets being depreciated .....	 587,745	 32,429	 192	 619,982
 Less accumulated depreciation for:				
Infrastructure .....	132,421	6,651	192	138,880
Machinery and equipment .....	2,841	304	-	3,145
 Total accumulated depreciation .....	 135,262	 6,955	 192	 142,025
 Total capital assets being depreciated, net ...	 452,483	 25,474	 -	 477,957
 Sewer Maintenance capital assets, net .....	 452,483	 26,206	 -	 478,689

CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
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	Balance 01-01-14	Additions	Deletions	Balance 12-31-14
		(Thousands of Dollars)		
<b>Other business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	17,031	-	-	17,031
Construction in progress .....	<u>4,349</u>	<u>1,301</u>	<u>2,028</u>	<u>3,622</u>
Total capital assets not being depreciated .....	<u>21,380</u>	<u>1,301</u>	<u>2,028</u>	<u>20,653</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	66,750	1,894	-	68,644
Infrastructure—port.....	17,633	229	-	17,862
Improvements other than buildings .....	8,025	125	-	8,150
Machinery and equipment .....	<u>12,620</u>	<u>283</u>	<u>79</u>	<u>12,824</u>
Total capital assets being depreciated .....	<u>105,028</u>	<u>2,531</u>	<u>79</u>	<u>107,480</u>
Less accumulated depreciation for:				
Buildings .....	45,696	2,037	-	47,733
Infrastructure—port.....	10,267	324	-	10,591
Improvements other than buildings .....	6,539	314	-	6,853
Machinery and equipment .....	<u>7,404</u>	<u>786</u>	<u>79</u>	<u>8,111</u>
Total accumulated depreciation .....	<u>69,906</u>	<u>3,461</u>	<u>79</u>	<u>73,288</u>
Total capital assets being depreciated, net ...	<u>35,122</u>	<u>(930)</u>	<u>-</u>	<u>34,192</u>
Other business-type activities, net .....	<u>56,502</u>	<u>371</u>	<u>2,028</u>	<u>54,845</u>
<b>Business-type activity capital assets, net .....</b>	<b><u>\$ 921,280</u></b>	<b><u>\$ 61,141</u></b>	<b><u>\$ 20,128</u></b>	<b><u>\$ 962,293</u></b>
Depreciation expense for business-type activities was charged to functions as follows:				
Water Utility				
Depreciation .....	\$ 16,725			
Depreciation charged to Sanitary Sewer .....	<u>139</u>			
	16,864			
Sewer Maintenance .....	6,955			
Other business-type activities .....	<u>3,461</u>			
Total .....	<u>\$ 27,280</u>			

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	Balance 01-01-14	Additions (Thousands of Dollars)	Deletions	Balance 12-31-14
<b>Component Units</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 12,013	\$ 187	\$ -	\$ 12,200
Construction in Progress .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated .....	<u>12,013</u>	<u>187</u>	<u>-</u>	<u>12,200</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	85,310	476	-	85,786
Infrastructure .....	333	-	-	333
Improvements other than buildings .....	4,092	172	-	4,264
Machinery and equipment .....	159	-	-	159
Intangibles.....	<u>565</u>	<u>-</u>	<u>-</u>	<u>565</u>
Total capital assets being depreciated .....	<u>90,459</u>	<u>648</u>	<u>-</u>	<u>91,107</u>
Less accumulated depreciation for:				
Buildings .....	13,583	2,232	-	15,815
Infrastructure .....	79	314	-	393
Improvements other than buildings .....	491	14	-	505
Machinery and equipment .....	35	17	-	52
Intangibles.....	<u>142</u>	<u>57</u>	<u>-</u>	<u>199</u>
Total accumulated depreciation .....	<u>14,330</u>	<u>2,634</u>	<u>-</u>	<u>16,964</u>
Total capital assets being depreciated, net ..	<u>76,129</u>	<u>(1,986)</u>	<u>-</u>	<u>74,143</u>
<b>Component units capital assets, net .....</b>	<b><u>\$ 88,142</u></b>	<b><u>\$ (1,799)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 86,343</u></b>

CITY OF MILWAUKEE  
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**5. DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred balances in the governmental funds as of December 31, 2014 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>				
Current property taxes .....	\$ 197,797	\$ 88,283	\$ 4,304	\$ -	\$ 290,384
Delinquent property taxes .....	8,956	-	-	7,105	16,061
Unavailable grant revenue .....	-	-	4,322	2,237	6,559
Long-term receivables .....	-	87,992	318	-	88,310
Unbilled special assessments .....	-	-	6,702	-	6,702
Total .....	<u>\$ 206,753</u>	<u>\$ 176,275</u>	<u>\$ 15,646</u>	<u>\$ 9,342</u>	<u>\$ 408,016</u>

**6. SHORT-TERM DEBT**

During 2014, the City issued and repaid \$110,000,000 of General Obligation Cash Flow Promissory Notes, Series 2014 R1 (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 2014.

As of December 31, 2013, the City had outstanding \$130,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2014, the City repaid the outstanding balance and issued \$125,000,000 short-term RANs for the same purpose. The new notes of \$125,000,000 bear an interest rate of 1.5% and will mature on June 30, 2015. The liability and related receivable to repay the revenue anticipation notes are recorded in the General Obligation Debt Service Fund.



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**7. LONG-TERM OBLIGATIONS**

**A. Changes in Long-Term Obligations**

Changes in long-term obligations for the year ended December 31, 2014 were as follows:

	Balance 01-01-14	Additions	Deductions	Balance 12-31-14	Amounts Due within One Year
		<i>(Thousands of Dollars)</i>			
<b>Governmental activities:</b>					
General obligation bonds and notes					
City .....	\$ 723,083	\$ 213,380	\$ 212,247	\$ 724,216	\$ 101,591
Milwaukee Public Schools .....	98,963	-	8,657	90,306	6,979
Deferred amount on refundings .....	70	87	(180)	337	-
Unamortized premiums .....	55,150	12,783	13,307	54,626	-
Extendable Municipal Commercial Paper					
City .....	46,400	90,280	94,980	41,700	41,700
Milwaukee Public Schools .....	-	70,000	70,000	-	-
Compensated absences .....	50,461	78	3,760	46,779	2,381
Net other postemployment benefits obligation .....	279,370	71,378	34,023	316,725	-
Claims and judgments .....	25,804	6,847	5,068	27,583	1,691
Total governmental activities .....	<u>\$ 1,279,301</u>	<u>\$ 464,833</u>	<u>\$ 441,862</u>	<u>\$ 1,302,272</u>	<u>\$ 154,342</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
General obligation bonds and notes .....	\$ 15,791	\$ -	\$ 3,121	\$ 12,670	\$ 2,511
Deferred amount on refundings .....	-	-	-	-	-
Unamortized premiums .....	91	-	53	38	-
Extendable Municipal Commercial Paper .....	-	-	-	-	-
Revenue bonds .....	10,836	1,312	1,264	10,884	1,335
Compensated absences .....	1,251	587	631	1,207	1,207
Net other postemployment benefits obligation .....	4,659	1,983	1,583	5,059	-
Total Water Works .....	<u>32,628</u>	<u>3,882</u>	<u>6,652</u>	<u>29,858</u>	<u>5,053</u>
<b>Sewer Maintenance</b>					
General obligation bonds and notes .....	9,388	-	701	8,687	703
State Loans .....	82,736	14,222	4,858	92,100	4,978
Revenue bonds .....	88,035	-	4,295	83,740	4,420
Deferred amount on refundings .....	(712)	-	(190)	(522)	-
Unamortized premiums .....	6,748	-	906	5,842	-
Extendable Municipal Commercial Paper .....	44,000	35,500	14,500	65,000	65,000
Compensated absences .....	221	200	242	179	179
Net other postemployment benefits obligation .....	1,809	735	587	1,957	-
Total Sewer Maintenance .....	<u>232,004</u>	<u>50,657</u>	<u>25,899</u>	<u>256,983</u>	<u>75,280</u>

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	Balance 01-01-14	Additions	Deductions	Balance 12-31-14	Amounts Due within One Year
		(Thousands of Dollars)			
<b>Other Enterprise Funds</b>					
General obligation bonds and notes .....	14,155	1,764	2,029	13,890	2,171
Deferred amount on refundings .....	(14)	-	(10)	(4)	-
Unamortized premiums .....	33	-	19	14	-
Extendable Municipal Commercial Paper .....	1,600	20	1,620	-	-
Compensated absences .....	315	16	51	280	280
Net other postemployment benefits obligation .....	1,622	694	555	1,761	-
Total Other Enterprise .....	<u>17,396</u>	<u>2,494</u>	<u>4,264</u>	<u>15,941</u>	<u>2,451</u>
 Total business-type activities .....	 <u>\$ 282,028</u>	 <u>\$ 57,033</u>	 <u>\$ 36,815</u>	 <u>\$ 302,782</u>	 <u>\$ 82,784</u>
 <b>Component Units</b>					
Revenue bonds .....	\$ 61,285	\$ -	\$ 3,310	\$ 57,975	\$ 755
Unamortized discounts .....	-	-	-	-	-
Notes payable .....	20,380	-	1,350	19,030	150
Advance from other organizations .....	-	-	-	-	-
Environmental remediation liability.....	-	2,287	-	2,287	-
Net other postemployment benefits.....	419	88	18	489	-
Total component units .....	<u>\$ 82,084</u>	<u>\$ 2,375</u>	<u>\$ 4,678</u>	<u>\$ 79,781</u>	<u>\$ 905</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, 2014, general obligation bonds totaling \$8,854,605 was issued of which \$8,741,702 was issued to finance capital improvements and \$112,903 for business-type activities.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40% of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds, under the School's 2% debt limit, to finance purchases of school sites and to construct or remodel school buildings, and without referendum for certain pension obligations. As of December 31, 2014, there was \$13,694,646 of debt outstanding. There is also \$90,306,263 of debt for school purposes issued under the City's 5% debt limit. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2014, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately \$1,060,199,000. These assets are excluded from the financial statements of the City.

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As of December 31, 2014, \$171,809,539 is outstanding for Tax Incremental District purposes. Total remaining debt service requirements associated with the debt is \$219,196,122. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

**C. State Loans**

The City issues revenue bonds to provide funds for water and sewer improvements. The revenue bonds do not have a General Obligation pledge of the City. During 2014 the City received loans from the State's Safe Drinking Water Loan Program for Water Works Fund projects for a total of \$1,311,125, and from the State's Clean Water Fund Program for Sewer Maintenance Enterprise Fund projects for a total of \$14,222,264. The State loans will be repaid from revenues of the Water Works and Sewer Maintenance Enterprise Funds.

**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, 2014, installment loans totaling \$53,669,314 was issued of which \$24,794,108 was issued to finance capital improvements, \$225,806 for business-type activities and \$28,649,400 to purchase 2013's delinquent taxes.

**E. Letter of Credit**

On April 25, 2013, the City entered into a taxable line of credit (the "Line") with PNC Bank, National Association (the "Bank") in the amount of \$50,000,000. The Line is secured by a General Obligation pledge of the City, and may be drawn upon at any time for any public purpose. The Line has an initial maturity date of April 25, 2016, and may be extended by mutual consent until April 25, 2023. Interest on the line is based upon the Daily LIBOR rate. The Line may be terminated at any time by the City for any reason, and by the Bank for certain events, including downgrade of the City below "BBB+".

Following is a summary of the Line draws (in thousands), which are in the totals in the long-term obligation table in footnote 7(A) above:

<b>Line of Credit</b>				
<b>Balance</b>				<b>Balance</b>
<b>01-01-14</b>	<b>Additions</b>	<b>Deletions</b>		<b>12-31-14</b>
\$ 2,060	-	2,060	\$	-

**F. Extendable Municipal Commercial Paper**

During 2014, the City continued to issue Extendable Municipal Commercial Paper Promissory Notes (the "EMCP"), which are not general obligations of the City. The EMCP are limited obligations of the City payable from proceeds of the sale refunding notes or bonds issued to refinance the EMCP. The EMCP do not represent or constitute a debt of the City within the meaning of any constitutional or statutory limitation. During 2014, \$195,800,000 of EMCP were issued of which \$25,000,000 were for cash flow needs of the City, \$58,241,000 was issued to finance capital expenditures, \$7,018,000 for fiscal purposes, \$41,000 for non-major enterprise, \$35,500,000 for Sewer purposes pending borrowing with sewer revenue bonds, and \$70,000,000 for cash flow needs of the schools.

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Following is a summary of the EMCP issued (in thousands), which are in the totals in the long-term obligation table in footnote 7(a) above:

**Extendable Municipal Commercial Paper**

Balance 01-01-14	Additions	Deletions	Balance 12-31-14
\$ 92,000	195,800	181,100	\$ 106,700

The principal amount outstanding at any one time may not exceed \$200,000,000 with the maturity of each note ranging from 1 to 90 days and may be extended up to 180 days from the original maturity date not to exceed the final maturity date of May 22, 2017. Of the \$106,700,000 outstanding on December 31, 2014, \$65,000,000 is planned to be financed on a long term basis with revenue bonds, and \$41,700,000 with long-term general obligation debt.

**G. 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					
2015 .....	\$ 108,570	\$ 33,500	\$ -	\$ -	\$ 142,070
2016 .....	87,803	28,626	-	-	116,429
2017 .....	74,994	24,578	-	-	99,572
2018 .....	129,305	20,434	-	-	149,739
2019 .....	62,618	16,598	-	-	79,216
2020-2024 .....	198,250	47,925	-	-	246,175
2025-2029 .....	121,387	11,523	-	-	132,910
2030-2034 .....	31,595	298	-	-	31,893
Total .....	<u>\$ 814,522</u>	<u>\$ 183,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 998,004</u>
Business-type activities					
Water Works					
2015 .....	\$ 2,511	\$ 617	\$ 1,335	\$ 225	\$ 4,688
2016 .....	1,818	487	1,386	191	3,882
2017 .....	856	395	1,421	156	2,828
2018 .....	857	353	1,456	120	2,786
2019 .....	858	310	306	99	1,573
2020-2024 .....	4,175	920	1,620	402	7,117
2025-2029 .....	1,595	79	1,781	239	3,694
2030-2034 .....	-	-	1,579	62	1,641
Total .....	<u>\$ 12,670</u>	<u>\$ 3,161</u>	<u>\$ 10,884</u>	<u>\$ 1,494</u>	<u>\$ 28,209</u>

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Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
<b>Sewer Maintenance</b>					
2015 .....	\$ 703	\$ 414	\$ 9,398	\$ 5,889	\$ 16,404
2016 .....	706	380	9,651	5,635	16,372
2017 .....	681	346	9,922	5,350	16,299
2018 .....	681	313	10,252	5,015	16,261
2019 .....	681	279	10,619	4,636	16,215
2020-2024 .....	4,435	753	55,285	16,999	77,472
2025-2029 .....	800	19	49,255	7,988	58,062
2030-2034 .....	-	-	21,458	1,341	22,799
Total .....	<u>\$ 8,687</u>	<u>\$ 2,504</u>	<u>\$ 175,840</u>	<u>\$ 52,853</u>	<u>\$ 239,884</u>
<b>Other Enterprise</b>					
2015 .....	\$ 2,171	\$ 628	\$ -	\$ -	\$ 2,799
2016 .....	1,668	527	-	-	2,195
2017 .....	1,324	448	-	-	1,772
2018 .....	1,227	386	-	-	1,613
2019 .....	1,153	329	-	-	1,482
2020-2024 .....	4,609	897	-	-	5,506
2025-2029 .....	1,738	126	-	-	1,864
Total .....	<u>\$ 13,890</u>	<u>\$ 3,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,231</u>
<b>Total Component Units</b>					
2015.....	\$ 150	\$ 225	\$ 755	\$ 17	\$ 1,147
2016.....	-	211	965	17	1,193
2017.....	-	210	1,190	17	1,417
2018.....	-	193	1,435	16	1,644
2019.....	753	208	1,700	16	2,677
2020-2024 .....	3,738	919	13,280	70	18,007
2025-2029 .....	3,953	705	23,865	43	28,566
2030-2034 .....	4,179	479	14,785	6	19,449
2035-2039 .....	4,418	240	-	-	4,658
2040-2049 .....	1,839	26	-	-	1,865
Total .....	<u>\$ 19,030</u>	<u>\$ 3,416</u>	<u>\$ 57,975</u>	<u>\$ 202</u>	<u>\$ 80,623</u>

#### H. 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, 2014, the City's legal debt limit was \$1,129,659,000. Of this amount, \$521,792,000 was for school purposes and \$607,867,000 was for City purposes.

#### I. Refundings

In May 2014, the City issued General Obligation Promissory Notes, Series 2014 N2 with a par amount of \$29,975,686 and Corporate Purpose Bonds, Series 2014 B3 with a par amount of \$12,645,395. A portion of these issues were for refunding purposes to provide long-term financing for interim debt, and to reduce the interest cost of long-term debt. The City used the proceeds to refund \$7,150,000 of Extendable Municipal Commercial Paper.

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, 2014, \$38,685,000 of City bonds are considered defeased.

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**J. Conduit Debt**

Occasionally, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2014 is approximately \$16,559,000 for the City and \$488,000,000 for RACM.

**8. RETIREMENT PLANS**

**Pension Benefits**

*Plan Description* – The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 789 North Water Street, Suite 300, Milwaukee, WI 53202, or may be found by visiting ERS' website [www.cmers.com](http://www.cmers.com), by clicking on "Library" and then "Reports".

*Funding Policy* – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, for general City employees enrolled prior to January 1, 2014, 4% for general City employees enrolled on or after January 1, 2014, 7%, police officers, firefighters, 7% for elected officials enrolled prior to January 1, 2014, and 4% for elected officials enrolled on or after January 1, 2014. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute a percentage of their earnable compensation for pension benefits as described above. A general City employee who enrolls as a member in the Employees' Retirement System on or after January 1, 2014 has the following: a minimum service retirement age of 65 and a service retirement allowance equal to 1.6% of the members final average salary times the total number of years of all creditable service; eligibility for a service retirement allowance when attaining the age of 60 years and the completion of 30 years of creditable service. Additionally, they are eligible for a pension escalator of 2% annually after the fifth anniversary of their service retirement, with spouse survivors of service retirees also eligible for the escalator. All new city employees enrolled on or after January 1, 2014, are required to contribute 4% of their earnable compensation to the retirement system. The City's employer contributions to the System for the plan year 2014 was \$74,790,000 equal to the required contributions on behalf of the plan members for the year. This amount consisted of \$36,747,000 from the employer and \$42,786,000 from employees. Total contributions for the years ended December 31, 2013 and 2012 were \$70,607,000 and \$80,324,000, respectively, equal to the required contribution for each year. In 2013 the funding policy changed and the City went to a "stable contribution" policy. The actuarial contribution shall be based on separate calculated rates for police officers, firefighters and general City employees and shall be applicable for a 5-year period. The actuary shall, consistent with actuarial standards of practice, set the actuarial contribution rate at a percentage of covered compensation sufficient to fund the entire amount of the employers' share of the normal cost, and to amortize any unfunded past service liability.

**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 and COBRA dental insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. 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

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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.

In addition to medical insurance, before 2014 the City allowed its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees covered under the City's Life Insurance plan until December 31, 2013 was equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

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

General City employees retiring at age 55 or older with 30 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible prior to 2014 continue coverage at the level on the date prior to their date of retirement. Firefighters retiring at age 49 with 22 years of service, or at age 57 regardless of service, and police officers retiring with 25 years of service regardless of age, or at age 57 regardless of service and who have coverage under the group life insurance plan at the time of retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends.

The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

*Funding Policy.* The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2014, the City paid approximately \$34,327,000 and \$2,429,000, 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.

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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.....	\$ 73,571,000
Interest on Net OPEB Obligation.....	13,032,000
Adjustment to ARC.....	<u>(11,813,000)</u>
Annual OPEB Cost.....	74,790,000
Contribution made.....	<u>36,746,665</u>
Increase in net OPEB Obligation.....	38,043,335
Net OPEB Obligation - beginning of year.....	<u>287,460,000</u>
Net OPEB Obligation - end of year.....	<u>\$ 325,503,335</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
12/31/2012	\$ 76,156,000	46.6%	253,523,000
12/31/2013	71,489,000	52.5%	287,460,000
12/31/2014	74,790,000	49.9%	325,503,335

*Funded Status and Funding Progress.* Actuarial liabilities decreased from \$946.9 million as of January 1, 2012, to \$928.5 million as of January 1, 2014. Factors contributing to the decrease in actuarial liabilities were favorable healthcare claims experience, favorable demographic experience and changes in plan provisions including increasing the portion of premium paid by certain retirees. As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$928,496,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$928,496,000. The covered payroll (annual payroll of active employees covered by the plan) was \$381,099,831 and the ratio of the UAAL to the covered payroll was 227 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.

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 8.0% initially, and reduced by decrements to the ultimate rate of 4.5% after 9 years. The actuarial assumption for wage inflation is 3%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.



CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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 2014, approximately \$7,401,092 was paid for sick leave from all funds. At December 31, 2014, accumulated sick leave earned but not taken totaled approximately \$162,192,908 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 2014, terminal leave payments totaled \$1,219,000 to employees retiring during the year. As of December 31, 2014, the City has accrued approximately \$29,014,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$46,780,000 with the remainder accrued vacation leave of \$17,766,000.

CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**9. FUND BALANCE**

The constraints placed on fund balance for the governmental funds at December 31, 2014 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization (Thousands of Dollars)	Capital Projects	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>						
Loans receivable.....	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 6
Advances.....	6,593	-	-	-	-	6,593
Inventory.....	9,549	-	-	-	-	9,549
Inventory of property for resale.....	26	-	-	-	-	26
Prepaid items.....	1,014	-	-	-	-	1,014
Investment-Targeted Mortgage.....	113	-	-	-	-	113
<b>Spendable</b>						
Restricted for:						
Future debt payments.....	-	139,711	61,858	-	-	201,569
Capital projects.....	-	-	-	3,616	-	3,616
Grants.....	-	-	-	-	4,026	4,026
Economic Development.....	-	-	-	-	5,721	5,721
Committed to:						
Contributions.....	1,587	-	-	-	-	1,587
Debt.....	-	-	-	-	-	-
Delinquent taxes.....	-	-	-	-	8,489	8,489
Assigned to:						
Conservation and development.....	138	-	-	-	-	138
General government.....	22,072	-	-	-	-	22,072
Health.....	186	-	-	-	-	186
Library.....	130	-	-	-	-	130
Public safety.....	3,656	-	-	-	-	3,656
Public works.....	1,035	-	-	-	-	1,035
2015 budgetary financing.....	16,700	-	-	-	-	16,700
Environmental remediation.....	233	-	-	-	-	233
Unassigned	<u>50,006</u>	<u>-</u>	<u>-</u>	<u>(23,665)</u>	<u>-</u>	<u>26,341</u>
<b>Total Fund Balance.....</b>	<b>\$ 113,044</b>	<b>\$ 139,711</b>	<b>\$ 61,858</b>	<b>\$ (20,049)</b>	<b>\$ 18,236</b>	<b>\$ 312,800</b>

**Tax Stabilization and Advances to Other Funds**

A tax stabilization arrangement is incorporated into the City's adopted *Reserve for Tax Stabilization Fund Balance Policy* and is governed by the City's Code of Ordinances. At December 31, 2014, the tax stabilization reserve was \$73,299,000. Of this amount, \$16,700,000 has been committed to the funding of the 2015 General Fund budget and \$56,599,000 is unassigned for 2015 and subsequent years' budgets. This Reserve includes an amount for advances of \$6,593,000 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, 2014

**Fund deficit**

The Capital Projects Fund had a deficit fund balance of \$20,049,000 as of December 31, 2014, 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 2015.

**10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS**

The individual interfund receivable and payable balances at December 31, 2014 were as follows:

		Due From					Total
		General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	
		(Thousands of Dollars)					
Due To	General Fund .....	\$ -	\$ 299	\$ 961	\$ -	\$ -	\$ 1,260
	General Obligation Debt .....	-	-	3,128	-	-	3,128
	Capital Projects .....	6,057	-	-	-	-	6,057
	Nonmajor Governmental Funds .....	22,598	-	-	-	-	22,598
	Water Works .....	32,372	-	-	1,486	1,007	34,865
	Sewer Maintenance .....	-	-	-	-	-	-
	Nonmajor Enterprise Funds ...	3,914	-	-	-	-	3,914
Totals .....		<u>\$ 64,941</u>	<u>\$ 299</u>	<u>\$ 4,089</u>	<u>\$ 1,486</u>	<u>\$ 1,007</u>	<u>\$ 71,822</u>

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

The City of Milwaukee General Fund advances funds to the Special Assessments Capital Projects fund periodically to finance cash flows. These advances are non-interest bearing and are repaid as collections from the receivables are obtained. At December 31, 2014 the outstanding balance was \$6,593,000.

The City of Milwaukee Water Fund advanced \$272,286 to the Parking Enterprise Fund in 2012. This advance is non interest bearing and is due in annual installments from 2013 to 2021. At December 31, 2014 the outstanding balance was \$191,000

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Interfund transfers for the year ended December 31, 2014 were as follows:

<b>Funds Transferred To</b>	<b>Fund Transferred From</b>	<b>Amount</b>
<b>General Fund</b>	General Obligation Debt	\$ 1,647
	Nonmajor Governmental Funds	9,073
	Sewer Maintenance	925
	Water Works	12,397
	Nonmajor Enterprise Funds	1,586
	Nonmajor Enterprise Funds	19,611
	Nonmajor Enterprise Funds	1,673
	<b>Subtotal General Fund</b>	<b><u>46,912</u></b>
<b>General Obligation Debt</b>	General	135,000
	General	2,119
	Public Debt Amortization	6,900
	Capital Projects	2,022
	Nonmajor Governmental Funds	35,377
	Sewer Maintenance	6,784
	Nonmajor Enterprise Funds	710
	<b>Subtotal Debt Service</b>	<b><u>188,912</u></b>
<b>Nonmajor Enterprise</b>	General Obligation Debt	<u>571</u>
	<b>Subtotal Nonmajor Proprietary</b>	<b><u>571</u></b>
	<b>Total Interfund Transfers</b>	<b><u>\$ 236,395</u></b>

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, 2014

**11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS**

Balances due to and due from component units as of December 31, 2014 were as follows:

<b>Component Unit Payable</b>	<b>Primary Government's Receivable</b> <i>(Thousands of Dollars)</i>
Due from RACM for reimbursable expenditures .....	318
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate .....	22,421
Due from NIDC for home and Community Development Block grants .....	<u>25</u>
Total .....	<u>\$ 22,764</u>

<b>Component Unit Receivable</b>	<b>Primary Government's Payable</b> <i>(Thousands of Dollars)</i>
Due to RACM for reimbursable expenditures .....	220
Due to RACM for home and Community Development Block grants .....	<u>69</u>
Total .....	<u>\$ 289</u>

**12. OPERATING LEASES**

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2015 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:

<b>Year</b>	<b>Amount</b>
<i>(Thousands of Dollars)</i>	
2015	\$ 5,609
2016	4,433
2017	4,061
2018	3,826
2019	3,408
2020-2024	18,471
2025-2029	18,662
2030-2034	11,567
2035 and beyond	<u>5,801</u>
Total	<u>\$ 75,838</u>

CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

### 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 reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide financial statements.

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2014 were as follows:

General liability claims .....	\$ 13,358,000
Workers' compensation claims .....	12,346,000
Unemployment claims .....	466,000
Pollution remediation obligation.....	1,413,000

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

	2013	2014
Beginning of year liability .....	\$ 23,784,000	\$ 25,804,000
Current year claims and changes in estimates .....	5,118,000	6,847,000
Claim payments .....	<u>(3,098,000)</u>	<u>(5,068,000)</u>
End of year liability .....	<u>\$ 25,804,000</u>	<u>\$ 27,583,000</u>

The City is self-insured for active and retiree health insurance, which is recorded in accounts payable within the general fund. Changes in the balance of this claim liability during 2013 were for active only. Beginning in 2014, active and retiree are included. The past years were as follows:

	2013	2014
Beginning of year liability .....	\$ -	\$ 7,098,000
Current year claims and changes in estimates .....	62,530,000	93,561,000
Claim payments .....	<u>(55,432,000)</u>	<u>(92,648,000)</u>
End of year liability .....	<u>\$ 7,098,000</u>	<u>\$ 8,011,000</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2014

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 Circuit Court branches have begun to schedule trials in the last half of 2014.

A plaintiff has challenged the assessment of its billboards in a section 74.37 action. The Wisconsin Supreme Court decided in 2006 that the economic scarcity value of the city-issue billboard permit has value that can be assessed as real property. The Joint Finance Committee of the Wisconsin Legislature recently approved a new property tax exemption for these permits that would end this assessment as of January 1, 2014, if adopted by the full Legislature and signed by the Governor. This would effectively reverse the Supreme Court decision, leaving the taxes the City collected in 2009, 2010, 2011 and 2012 still at issue in the court. The circuit court branches have begun to scheduling trials in the last half of 2014, however, these cases are still pending.

Several Plaintiffs 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 assessment is consistent with the law because they run with the property. The four separate cases have been consolidated in court for a trial in 2015. This case is still pending.

A total of 19 lawsuits have been filed related to body cavity and strip search cases at the City of Milwaukee as of December 31, 2014. Three have been settled and 16 still remain pending.

Additionally, in 2014, six new lawsuits were filed against the City of Milwaukee. These are related to individual claims against the City, two businesses filing suit against the City related to not granting licenses and finally a taxicab company filing a lawsuit against the City for the City removing the taxicab permit limits.

However, in 2014, four cases were settled related to the following cases. The first one was a case against a police officer, which was settled for \$1,200,000. Another case of a citizen who claimed he was unlawfully shot by a police officer was settled for \$190,000.

Chaunte Ott had filed suit in 2009 that he was wrongly convicted of murder and imprisoned for 13 years. This case was settled for \$6,500,000. Lastly, a case from 2007 where a city resident was rear-ended by a city vehicle filing for damages was settled for \$40,000.

#### **Environmental Liabilities**

The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PCB pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of \$700,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, cleanup is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

During 2014, the City spent \$38,000 in pollution remediation-related activities. At December 31, 2014, the City has an outstanding liability of \$1,413,000 related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Four of the seven landfills have been closed. The remaining three landfills are no longer accepting waste. The Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The City has accrued \$233,000 in the government-wide financial statement, as part of general liability claims for landfill closure related to the three sites. The City spent \$75,374 in post-closure care of solid waste landfills during 2014. Actual future costs may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF MILWAUKEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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, 2014.

**Commitments**

The following is a list of encumbrances by function at December 31, 2014:

	General Fund	Capital Projects	Water Works	Total
		<i>(Thousands of Dollars)</i>		
General government.....	\$ 16,072	\$ 11	\$ -	\$ 16,083
Conservation and development.....	138	4,597	-	4,735
Health.....	186	-	-	186
Library.....	130	3,043	-	3,173
Public safety.....	3,656	3,759	-	7,415
Public works.....	1,035	-	-	1,035
Infrastructures.....	-	37,650	8,199	45,849
Total.....	<u>\$ 21,217</u>	<u>\$ 49,060</u>	<u>\$ 8,199</u>	<u>\$ 78,476</u>

**14. SUBSEQUENT EVENTS**

On February 12, 2015, the City issued \$4,135,000 of Extendable Municipal Commercial Paper for refunding purposes. This issuance was repaid on May 28, 2015.

On March 2, 2015, the City issued \$29,325,000 of Extendable Municipal Commercial Paper for refunding purposes. This issuance was repaid on May 28, 2015.

On March 11, 2015, the City was advanced \$6,590,067 on the 2014 Clean Water Fund loan from the State for Water Works purposes. Annual payments are required in each of the years 2015 through 2034.

On May 28, 2015, the City issued \$125,000,000 of general obligation cash flow promissory notes for cash flow purposes. The maturity date is December 23, 2015, and is anticipated to be repaid from the receipt of State shared revenues.

On May 28, 2015, the City issued \$131,270,000 of general obligation promissory notes, series N2 for capital projects, fiscal, and refunding purposes. The notes mature in each of the years 2016 through 2025.

On May 28, 2015, the City issued \$27,565,000 of general obligation corporate purpose bonds, series B3 for capital projects and refunding purposes. The bonds mature in each of the years 2026 through 2032.

On May 28, 2015, the City issued \$21,490,000 of general obligation corporate purpose bonds, series T4 for capital projects. The bonds mature in each of the years 2026 through 2032.



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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CITY OF MILWAUKEE  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
<b>Revenues:</b>				
Property taxes .....	\$ 188,270	\$ 188,270	\$ 179,269	\$ (9,001)
Other taxes .....	3,022	3,837	6,091	2,254
Licenses and permits .....	13,921	13,921	16,063	2,142
Intergovernmental .....	259,956	259,956	260,886	930
Charges for services .....	112,958	113,446	114,743	1,297
Fines and forfeits .....	4,755	4,755	4,577	(178)
Other .....	28,457	28,457	32,284	3,827
<b>Total Revenues .....</b>	<b>611,339</b>	<b>612,642</b>	<b>613,913</b>	<b>1,271</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government .....	273,522	275,922	256,082	19,840
Public safety .....	269,098	268,001	267,344	657
Public works .....	97,450	103,334	103,244	90
Health .....	9,269	9,472	9,028	444
Culture and recreation .....	16,229	16,380	16,342	38
Conservation and development .....	3,344	3,520	3,519	1
<b>Total Expenditures .....</b>	<b>668,912</b>	<b>676,629</b>	<b>655,559</b>	<b>21,070</b>
<b>Deficiency of Revenues over Expenditures .....</b>	<b>(57,573)</b>	<b>(63,987)</b>	<b>(41,646)</b>	<b>22,341</b>
<b>Other Financing Sources (Uses):</b>				
General obligation bonds and notes issued .....	-	4,948	139,948	135,000
Transfers in .....	32,875	34,519	46,912	12,393
Transfers out .....	-	-	(137,119)	(137,119)
Contributions received .....	30,451	30,451	23,752	(6,699)
Contributions used .....	(25,282)	(24,984)	(24,001)	983
Use of fund balance - reserved for tax stabilization ..	20,000	20,000	20,000	-
<b>Total Other Financing Sources and Uses .....</b>	<b>58,044</b>	<b>64,934</b>	<b>69,492</b>	<b>4,558</b>
<b>Net Change in Fund Balance .....</b>	<b>471</b>	<b>947</b>	<b>27,846</b>	<b>26,899</b>
<b>Fund Balance - Beginning (Excludes Reserved for Tax Stabilization) .....</b>	<b>83,534</b>	<b>83,534</b>	<b>83,534</b>	<b>-</b>
<b>Fund Balance - Ending .....</b>	<b>\$ 84,005</b>	<b>\$ 84,481</b>	<b>\$ 111,380</b>	<b>\$ 26,899</b>

**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 \$20 million at January 1, 2014.

Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

The City budgets for pension contributions to paid from the Employees' Retirement System reserve fund as revenues and expenditures which are netted for GAAP basis fund presentation. In 2014, this amount was \$13.5 million.

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
*(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
1/1/2012	-	946,857,500	946,857,500	0.0%	409,571,707	231.20%
1/1/2013	-	888,982,700	888,982,700	0.0%	382,794,900	232.23%
1/1/2014	-	928,496,000	928,496,000	0.0%	408,230,744	227.44%

*See accompanying independent auditors' report.*

CITY OF MILWAUKEE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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, 2014
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	3.0%
Health care inflation rate	8.0% per year graded down to 4.5% per year ultimate trend in 0.5% increments.

**COMBINING  
AND INDIVIDUAL  
FUND STATEMENTS  
AND SCHEDULES**

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### **Nonmajor Governmental Funds**

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

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

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

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

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



CITY OF MILWAUKEE  
COMBINING BALANCE SHEET NONMAJOR  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit F-1

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Assets:					
Cash and cash equivalents .....	\$ 1,036	\$ 777	\$ -	\$ 91	\$ 1,904
Receivables (net):					
Taxes .....	-	-	34,371	-	34,371
Accounts .....	-	16	-	-	16
Notes and loans .....	6,280	5,690	-	-	11,970
Due from other funds .....	-	299	-	-	299
Due from component units .....	21	4	-	-	25
Due from other governmental agencies .....	6,564	1,697	-	-	8,261
Prepaid items .....	-	-	-	-	-
<b>Total Assets .....</b>	<b>\$ 13,901</b>	<b>\$ 8,483</b>	<b>\$ 34,371</b>	<b>\$ 91</b>	<b>\$ 56,846</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable .....	\$ 2,223	\$ 1,618	\$ -	\$ -	\$ 3,841
Accrued expenses .....	-	75	-	-	75
Due to other funds .....	3,821	-	18,777	-	22,598
Due to component units .....	-	69	-	-	69
Due to other governmental agencies .....	558	792	-	-	1,350
Unearned revenue.....	1,036	299	-	-	1,335
<b>Total Liabilities .....</b>	<b>7,638</b>	<b>2,853</b>	<b>18,777</b>	<b>-</b>	<b>29,268</b>
Deferred Inflows of Resources:					
Unavailable revenue .....	2,237	-	7,105	-	9,342
Fund Balances:					
Restricted.....	4,026	5,630	-	91	9,747
Committed.....	-	-	8,489	-	8,489
<b>Total Fund Balances .....</b>	<b>4,026</b>	<b>5,630</b>	<b>8,489</b>	<b>91</b>	<b>18,236</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances ...</b>	<b>\$ 13,901</b>	<b>\$ 8,483</b>	<b>\$ 34,371</b>	<b>\$ 91</b>	<b>\$ 56,846</b>

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit F-2

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental .....	\$ 33,489	\$ 16,453	\$ -	\$ -	\$ 49,942
Other .....	-	-	3,640	11,111	14,751
<b>Total Revenues .....</b>	<b>33,489</b>	<b>16,453</b>	<b>3,640</b>	<b>11,111</b>	<b>64,693</b>
Expenditures:					
Current:					
General government .....	-	2,207	2,670	-	4,877
Public safety .....	12,004	3,169	-	-	15,173
Public works .....	3,440	-	-	-	3,440
Health .....	8,892	25	-	-	8,917
Culture and recreation .....	960	1,358	-	-	2,318
Conservation and development .....	8,244	9,707	-	11,110	29,061
<b>Total Expenditures .....</b>	<b>33,540</b>	<b>16,466</b>	<b>2,670</b>	<b>11,110</b>	<b>63,786</b>
Excess (deficiency) of Revenues over Expenditures .....	(51)	(13)	970	1	907
Other Financing Sources (Uses):					
General obligation bonds and notes issued ..	-	-	30,720	-	30,720
Loans receivable activities.....	(744)	(682)	-	-	(1,426)
Transfers out .....	-	-	(44,450)	-	(44,450)
<b>Total Other Financing Sources (Uses)</b>	<b>(744)</b>	<b>(682)</b>	<b>(13,730)</b>	<b>-</b>	<b>(15,156)</b>
<b>Net Change in Fund Balances .....</b>	<b>(795)</b>	<b>(695)</b>	<b>(12,760)</b>	<b>1</b>	<b>(14,249)</b>
Fund Balances - Beginning .....	4,821	6,325	21,249	90	32,485
<b>Fund Balances - Ending .....</b>	<b>\$ 4,026</b>	<b>\$ 5,630</b>	<b>\$ 8,489</b>	<b>\$ 91</b>	<b>\$ 18,236</b>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit F-3  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GRANT AND AID PROJECTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
*(Thousands of Dollars)*

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental .....	<u>\$ 35,904</u>	<u>\$ 33,489</u>	<u>\$ (2,415)</u>
Expenditures:			
Current:			
Public safety .....	12,590	12,004	586
Public works .....	3,577	3,440	137
Health .....	10,427	8,892	1,535
Culture and recreation .....	1,066	960	106
Conservation and development .....	<u>8,244</u>	<u>8,244</u>	<u>-</u>
Total Expenditures .....	<u>35,904</u>	<u>33,540</u>	<u>2,364</u>
Excess of Revenues over Expenditures .....	-	(51)	(51)
Other Financing Sources (Uses):			
Loans receivable activities .....	-	(744)	(744)
Transfers out .....	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance .....	-	(795)	(795)
Fund Balance - Beginning .....	<u>-</u>	<u>4,821</u>	<u>4,821</u>
Fund Balance - Ending .....	<u>\$ -</u>	<u>\$ 4,026</u>	<u>\$ 4,026</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
*(Thousands of Dollars)*

Exhibit F-4

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental .....	\$ 16,453	\$ 16,453	\$ -
Expenditures:			
Current:			
General government .....	2,207	2,207	-
Public safety .....	3,169	3,169	-
Public works .....	-	-	-
Health .....	25	25	-
Culture and recreation .....	1,358	1,358	-
Conservation and development .....	9,707	9,707	-
Total Expenditures .....	16,466	16,466	-
Deficiency of Revenues under Expenditures .....	(13)	(13)	-
Other Financing Sources:			
Loans receivable activities .....	(682)	(682)	-
Fund Balance - Beginning .....	6,325	6,325	-
Fund Balance - Ending .....	\$ 5,630	\$ 5,630	\$ -

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ECONOMIC DEVELOPMENT**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit F-5

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other .....	<u>\$ 11,705</u>	<u>\$ 11,111</u>	<u>\$ (594)</u>
Expenditures:			
Current:			
Conservation and development .....	<u>11,705</u>	<u>11,110</u>	<u>\$ 595</u>
Excess of Revenues over Expenditures .....	-	1	1
Fund Balance - Beginning .....	<u>90</u>	<u>90</u>	<u>-</u>
<b>Fund Balance - Ending .....</b>	<b><u>\$ 90</u></b>	<b><u>\$ 91</u></b>	<b><u>\$ 1</u></b>

See accompanying independent auditors' report.

### **Nonmajor Enterprise Funds**

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

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

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

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

CITY OF MILWAUKEE  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit G-1

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents .....	\$ 15,635	\$ 75	\$ -	\$ 15,710
Receivables (net):				
Accounts .....	286	615	10,290	11,191
Unbilled accounts .....	-	-	2,759	2,759
Due from other funds .....	-	-	1,007	1,007
Prepaid items .....	18	-	-	18
Total Current Assets .....	<u>15,939</u>	<u>690</u>	<u>14,056</u>	<u>30,685</u>
Noncurrent assets:				
Capital assets:				
Capital assets not being depreciated:				
Land .....	8,577	8,454	-	17,031
Construction in progress .....	3,589	33	-	3,622
Capital assets being depreciated:				
Buildings .....	54,821	13,823	-	68,644
Infrastructures .....	-	17,862	-	17,862
Improvements other than buildings .....	5,446	2,704	-	8,150
Machinery and equipment .....	6,235	6,589	-	12,824
Accumulated depreciation .....	(47,401)	(25,887)	-	(73,288)
Total Noncurrent Assets .....	<u>31,267</u>	<u>23,578</u>	<u>-</u>	<u>54,845</u>
Total Assets.....	<u>47,206</u>	<u>24,268</u>	<u>14,056</u>	<u>85,530</u>
Deferred Outflows of Resources:				
Loss on refunding.....	<u>3</u>	<u>1</u>	<u>-</u>	<u>4</u>

CITY OF MILWAUKEE  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2014

Exhibit G-1 (Continued)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable .....	\$ 1,290	\$ 378	\$ 9,319	\$ 10,987
Accrued expenses .....	158	37	-	195
Accrued interest payable .....	140	25	-	165
Compensated absences .....	186	94	-	280
Advances from other funds .....	191	-	-	191
Due to component units .....	-	-	-	-
Due to other funds .....	-	1,443	2,471	3,914
Unearned revenue.....	1	-	-	1
Extendable Municipal Commercial Paper .....	-	-	-	-
General obligation debt payable - current .....	1,719	452	-	2,171
Total Current Liabilities .....	<u>3,685</u>	<u>2,429</u>	<u>11,790</u>	<u>17,904</u>
Noncurrent Liabilities:				
General obligation debt payable .....	9,825	1,908	-	11,733
Other post employment benefits obligation .....	1,424	337	-	1,761
Total Noncurrent Liabilities .....	<u>11,249</u>	<u>2,245</u>	<u>-</u>	<u>13,494</u>
Total Liabilities .....	<u>14,934</u>	<u>4,674</u>	<u>11,790</u>	<u>31,398</u>
<b>NET POSITION:</b>				
Net investment in capital assets.....	19,723	21,218	-	40,941
Unrestricted .....	<u>12,552</u>	<u>(1,623)</u>	<u>2,266</u>	<u>13,195</u>
Total Net Position .....	<u>\$ 32,275</u>	<u>\$ 19,595</u>	<u>\$ 2,266</u>	<u>\$ 54,136</u>

See accompanying independent auditors' report.



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Exhibit G-2

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (Thousands of Dollars)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for Services:				
Statutory sewer user fee .....	\$ -	\$ -	\$ 40,456	\$ 40,456
Rent .....	6,902	5,765	-	12,667
Parking meters .....	4,997	-	-	4,997
Parking permits .....	4,054	-	-	4,054
Vehicle towing .....	5,651	-	-	5,651
Parking forfeitures .....	19,807	-	-	19,807
Other .....	-	-	1,236	1,236
Total Operating Revenues .....	<u>41,411</u>	<u>5,765</u>	<u>41,692</u>	<u>88,868</u>
Operating Expenses:				
Milwaukee Metropolitan Sewerage District Charges ....	-	-	39,350	39,350
Employee services .....	6,332	1,634	104	8,070
Administrative and general .....	-	-	-	-
Depreciation .....	2,558	903	-	3,461
Transmission and distribution .....	-	-	-	-
Services, supplies and materials .....	14,648	1,172	5,103	20,923
Billing and collection .....	-	-	-	-
Total Operating Expenses .....	<u>23,538</u>	<u>3,709</u>	<u>44,557</u>	<u>71,804</u>
Operating Income .....	<u>17,873</u>	<u>2,056</u>	<u>(2,865)</u>	<u>17,064</u>
Nonoperating Revenues (Expenses):				
Grant revenue .....	-	140	-	140
Interest expense .....	(515)	(116)	-	(631)
Other .....	1,193	(19)	-	1,174
Total Nonoperating Revenues (Expenses) .....	<u>678</u>	<u>5</u>	<u>-</u>	<u>683</u>
Income (Loss) before Contributions and Transfers	18,551	2,061	(2,865)	17,747
Capital contributions .....	-	-	-	-
Transfers in .....	-	571	-	571
Transfers out .....	<u>(20,529)</u>	<u>(3,051)</u>	<u>-</u>	<u>(23,580)</u>
Change in Net Position .....	(1,978)	(419)	(2,865)	(5,262)
Total Net Position - Beginning .....	<u>34,253</u>	<u>20,014</u>	<u>5,131</u>	<u>59,398</u>
Total Net Position - Ending .....	<u>\$ 32,275</u>	<u>\$ 19,595</u>	<u>\$ 2,266</u>	<u>\$ 54,136</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (Thousands of Dollars)

Exhibit G-3

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users .....	\$41,454	\$ 5,856	\$42,559	\$ 89,869
Payments to suppliers .....	(14,739)	(1,108)	(44,430)	(60,277)
Payments to employees .....	(6,438)	(1,660)	(2)	(8,100)
Payments from other funds .....	-	-	2,003	2,003
Payments to other funds .....	(27)	215	(130)	58
Net Cash Provided by Operating Activities .....	<u>20,250</u>	<u>3,303</u>	<u>-</u>	<u>23,553</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Miscellaneous nonoperating revenue .....	-	101	-	101
Transfers from other funds .....	-	571	-	571
Transfers to other funds .....	(20,529)	(3,051)	-	(23,580)
Net Cash Used for Noncapital Financing Activities .....	<u>(20,529)</u>	<u>(2,379)</u>	<u>-</u>	<u>(22,908)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of bonds and notes .....	1,605	180	-	1,785
Acquisition of property, plant and equipment .....	(1,297)	(468)	-	(1,765)
Retirement of bonds, notes and revenue bonds .....	(3,155)	(495)	-	(3,650)
Interest paid .....	(527)	(122)	-	(649)
Other .....	1,193	(19)	-	1,174
Net Cash Used for Capital and Related Financing Activities .....	<u>(2,181)</u>	<u>(924)</u>	<u>-</u>	<u>(3,105)</u>
Net Decrease in Cash and Cash Equivalents .....	(2,460)	-	-	(2,460)
Cash and Cash Equivalents - Beginning .....	<u>18,095</u>	<u>75</u>	<u>-</u>	<u>18,170</u>
<b>Cash and Cash Equivalents - Ending .....</b>	<b><u>\$ 15,635</u></b>	<b><u>\$ 75</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,710</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating income .....	\$17,873	\$ 2,056	\$ (2,865)	\$ 17,064
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation .....	2,558	903	-	3,461
Changes in assets and liabilities:				
Receivables .....	44	91	866	1,001
Due from other funds .....	-	-	(130)	(130)
Accounts payable .....	(91)	64	128	101
Accrued liabilities .....	(217)	(26)	-	(243)
Net other postemployment benefits obligation .....	111	-	(2)	109
Due to other funds .....	(27)	215	2,003	2,191
Unearned revenue .....	(1)	-	-	(1)
Net Cash Provided by Operating Activities .....	<u>\$20,250</u>	<u>\$ 3,303</u>	<u>\$ -</u>	<u>\$ 23,553</u>

See accompanying independent auditors' report.

### **Agency Funds**

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

CITY OF MILWAUKEE  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
*(Thousands of Dollars)*

Exhibit H-1

	Balance 01-01-14	Additions	Deductions	Balance 12-31-14
<b>BOARD OF SCHOOL DIRECTORS FUND</b>				
<b>ASSETS</b>				
Cash and investments.....	\$ 179,639	\$ 1,564,879	\$ 1,614,175	\$ 130,343
Taxes receivable .....	-	166,437	166,437	-
<b>Total Assets .....</b>	<b>\$ 179,639</b>	<b>\$ 1,731,316</b>	<b>\$ 1,780,612</b>	<b>\$ 130,343</b>
<b>LIABILITIES</b>				
<b>Due to Other Governmental Agencies:</b>				
Milwaukee School Board .....	\$ 179,639	\$ 1,564,879	\$ 1,614,175	\$ 130,343
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash and investments.....	\$ 101,457	\$ 225,011	\$ 228,617	\$ 97,851
Taxes Receivable .....	-	131,031	131,031	-
<b>Total Assets .....</b>	<b>\$ 101,457</b>	<b>\$ 356,042</b>	<b>\$ 359,648</b>	<b>\$ 97,851</b>
<b>LIABILITIES</b>				
<b>Due to Other Governmental Agencies:</b>				
State of Wisconsin .....	\$ 185	\$ 4,533	\$ 4,441	\$ 277
Milwaukee County .....	58,800	131,690	128,217	62,273
Menomonee Falls School District .....	-	154	154	-
Milwaukee Area District Board of Vocational Technical & Adult Education .....	23,631	44,612	53,195	15,048
Milwaukee Metropolitan Sewerage District .....	18,841	43,987	42,575	20,253
Washington County .....	-	4	4	-
Waukesha County .....	-	27	27	-
<b>Total Liabilities .....</b>	<b>\$ 101,457</b>	<b>\$ 225,007</b>	<b>\$ 228,613</b>	<b>\$ 97,851</b>
<b>PAYROLL DEDUCTIONS FUND</b>				
<b>ASSETS</b>				
Cash and investments.....	\$ 190	\$ 998	\$ 954	\$ 234
<b>LIABILITIES</b>				
Accounts payable .....	\$ 190	\$ 998	\$ 954	\$ 234

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit H-1 (Continued)

	Balance 01-01-14	Additions	Deductions	Balance 12-31-14
<b>FEES, PENALTIES AND SALES TAX FUND</b>				
<b>ASSETS</b>				
Cash and investments.....	\$ 173	\$ 3,402	\$ 3,359	\$ 216
<b>LIABILITIES</b>				
Accounts payable .....	\$ -	\$ 55	\$ 55	\$ -
Due to Other Governmental Agencies:				
State of Wisconsin .....	137	2,664	2,634	167
Milwaukee County .....	36	682	669	49
<b>Total Liabilities .....</b>	<b>\$ 173</b>	<b>\$ 3,401</b>	<b>\$ 3,358</b>	<b>\$ 216</b>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and investments.....	\$ 1,325	\$ 12,003	\$ 12,044	\$ 1,284
<b>LIABILITIES</b>				
Accounts payable .....	\$ 1,325	\$ 12,003	\$ 12,044	\$ 1,284
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments.....	\$ 282,784	\$ 1,806,293	\$ 1,859,149	\$ 229,928
Receivables:				
Taxes .....	-	297,468	297,468	-
<b>Total Assets .....</b>	<b>\$ 282,784</b>	<b>\$ 2,103,761</b>	<b>\$ 2,156,617</b>	<b>\$ 229,928</b>
<b>LIABILITIES</b>				
Accounts payable .....	\$ 1,515	\$ 13,056	\$ 13,053	\$ 1,518
Due to other governmental agencies .....	281,269	1,793,232	1,846,091	228,410
<b>Total Liabilities .....</b>	<b>\$ 282,784</b>	<b>\$ 1,806,288</b>	<b>\$ 1,859,144</b>	<b>\$ 229,928</b>

See accompanying independent auditors' report.

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**MISCELLANEOUS  
FINANCIAL  
DATA**



CITY OF MILWAUKEE  
**COMBINED SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
 DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit I-1

	Real Estate	Personal Property	Total
<b>Year Levied</b>			
2002 -2003 .....	\$ 114	\$ -	\$ 114
2004 .....	98	-	98
2005 .....	121	-	121
2006 .....	220	(160)	60
2007 .....	328	(241)	87
2008 .....	659	347	1,006
2009 .....	1,347	469	1,816
2010 .....	2,975	383	3,358
2011 .....	6,905	316	7,221
2012 .....	13,011	264	13,275
2013 .....	<u>29,190</u>	<u>358</u>	<u>29,548</u>
Delinquent Taxes Receivable .....	<u>\$ 54,968</u>	<u>\$ 1,736</u>	56,704
Add: Property taxes receivable on foreclosed property (A) .....			<u>39,186</u>
Total Delinquent Taxes Receivable .....			95,890
Less: Estimated uncollectible taxes .....			<u>(32,368)</u>
<b>Net Delinquent Taxes Receivable .....</b>			<b><u>\$ 63,522</u></b>

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

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - PRIMARY GOVERNMENT**  
 DECEMBER 31, 2014  
 (Thousands of Dollars)

Exhibit I-2

Cash and Cash Equivalents:		
Cash .....	\$ 37,838	
Local Government Pooled - Investment Fund .....	252,358	
Institutional Money Market Fund .....	186,379	
Cash with Fiscal Agent .....	<u>16,453</u>	
Total Cash and Cash Equivalents .....		\$ 493,028
Investments:		
Treasury Notes, Bills and Agencies .....	1,502	
Municipal Bonds.....	11,092	
Certificates of Deposit .....	14,971	
Investment Portfolio .....	76,573	
Other .....	<u>7,060</u>	
Total Investments .....		<u>111,198</u>
Total Cash and Cash Equivalents and Investments .....		<u>\$ 604,226</u>

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Cash and Cash Equivalents and Investments - Fund:				
General .....	\$ 90,015	\$ 113	\$ -	\$ 90,128
General Obligation Debt Service .....	175,194	-	4,530	179,724
Public Debt Amortization .....	16,527	18,511	-	35,038
Capital Projects .....	6,016	-	-	6,016
Nonmajor Governmental Funds .....	1,904	-	-	1,904
Water Works .....	10,286	-	930	11,216
Sewer Maintenance .....	20,258	-	10,095	30,353
Nonmajor Enterprise Funds .....	15,710	-	-	15,710
Pension and Other Employee Benefit Trusts .....	1,216	-	-	1,216
Private-Purpose Trusts .....	1,961	1,032	-	2,993
Agency Funds .....	<u>229,928</u>	<u>-</u>	<u>-</u>	<u>229,928</u>
Total Cash and Cash Equivalents and Investments - Fund .....	<u>\$ 569,015</u>	<u>\$ 19,656</u>	<u>\$ 15,555</u>	<u>\$ 604,226</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
DEBT SERVICE REQUIREMENTS TO MATURITY -  
GENERAL OBLIGATION BONDS AND NOTES  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit I-3

Year	Bridges		Economic Development		Finance Real and Personal Property Tax Receivables	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,996	\$ 1,725	\$ 1	\$ -	\$ 22,139	\$ 2,234
2016	3,878	1,499	-	-	10,256	1,433
2017	3,331	1,320	-	-	6,675	1,010
2018	3,212	1,158	-	-	4,450	732
2019	3,101	1,002	-	-	3,293	537
2020	2,903	857	-	-	2,105	403
2021	2,795	718	-	-	1,752	307
2022	2,351	591	-	-	1,753	219
2023	2,282	475	-	-	1,752	131
2024	2,283	366	-	-	1,752	44
2025	2,503	258	-	-	-	-
2026	1,717	162	-	-	-	-
2027	1,441	91	-	-	-	-
2028	1,161	40	-	-	-	-
2029	589	10	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
Totals	<u>38,543</u>	<u>10,272</u>	<u>1</u>	<u>-</u>	<u>55,927</u>	<u>7,050</u>
Total Requirements	<u>\$48,815</u>		<u>\$1</u>		<u>\$62,977</u>	

See accompanying independent auditors' report.

Fire		Grant and Aid Improvements - City Share		Harbor	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 3,431	\$ 846	\$ 15	\$ 1	\$ 452	\$ 107
2,480	702	7	-	274	87
2,572	579	-	-	219	74
1,707	477	-	-	199	63
1,686	394	-	-	194	54
1,208	322	-	-	167	45
969	267	-	-	166	37
969	218	-	-	131	28
702	178	-	-	126	22
702	142	-	-	122	17
831	106	-	-	126	11
832	69	-	-	89	6
530	42	-	-	51	3
444	23	-	-	30	1
431	7	-	-	11	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
19,494	4,372	22	1	2,357	555
<u>\$23,866</u>		<u>\$23</u>		<u>\$2,912</u>	

CITY OF MILWAUKEE  
DEBT SERVICE REQUIREMENTS TO MATURITY -  
GENERAL OBLIGATION BONDS AND NOTES  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Industrial Land Bank		Library		Local Improvement Projects/ Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1	\$ -	\$ 1,469	\$ 569	\$ 676	\$ 63
2015	-	-	1,372	497	391	27
2016	-	-	1,272	431	105	8
2017	-	-	1,054	374	48	3
2018	-	-	1,039	322	22	1
2019	-	-	982	271	-	-
2020	-	-	917	224	-	-
2021	-	-	867	180	-	-
2022	-	-	808	139	-	-
2023	-	-	809	99	-	-
2024	-	-	748	61	-	-
2025	-	-	593	29	-	-
2026	-	-	176	11	-	-
2027	-	-	129	4	-	-
2028	-	-	66	1	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
<b>Totals</b>	<b>1</b>	<b>-</b>	<b>12,301</b>	<b>3,212</b>	<b>1,242</b>	<b>102</b>
<b>Total Requirements</b>	<b><u>\$1</u></b>		<b><u>\$15,513</u></b>		<b><u>\$1,344</u></b>	

See accompanying independent auditors' report.

Municipal Expenses		Parking		Playgrounds/ Recreational Facilities	
Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ 1,349	\$ 1,719	\$ 521	\$ 1,259	\$ 248
-	1,349	1,394	440	1,061	193
-	1,349	1,105	374	868	146
61,900	675	1,028	323	686	109
-	-	959	275	673	77
-	-	915	229	356	51
-	-	830	186	166	37
-	-	818	147	166	30
-	-	708	109	166	22
-	-	626	77	129	14
-	-	494	51	105	8
-	-	386	30	105	3
-	-	256	15	4	-
-	-	188	7	-	-
-	-	107	2	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>61,900</u>	<u>4,722</u>	<u>11,533</u>	<u>2,786</u>	<u>5,744</u>	<u>938</u>
<b><u>\$66,622</u></b>		<b><u>\$14,319</u></b>		<b><u>\$6,682</u></b>	

CITY OF MILWAUKEE  
**DEBT SERVICE REQUIREMENTS TO MATURITY -**  
**GENERAL OBLIGATION BONDS AND NOTES**  
 DECEMBER 31, 2014  
*(Thousands of Dollars)*

Exhibit I-3 (Continued)

Year	Police		Public Buildings		Schools	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,963	\$ 1,166	\$22,801	\$ 5,631	\$ 6,979	\$ 4,035
2016	3,284	940	20,263	4,594	9,077	3,682
2017	2,956	783	16,868	3,704	6,783	3,257
2018	2,302	644	15,520	2,949	5,955	2,933
2019	1,983	535	15,607	2,213	5,316	2,651
2020	1,549	448	13,079	1,522	4,471	2,408
2021	1,460	374	9,852	974	1,162	2,186
2022	1,271	307	4,962	624	497	2,148
2023	1,211	246	4,414	400	496	2,125
2024	1,211	188	2,903	219	270	2,107
2025	1,192	133	878	127	12,000	2,100
2026	1,046	80	878	88	-	1,958
2027	711	39	801	54	37,300	979
2028	466	15	525	28	-	-
2029	213	4	525	9	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
<b>Totals</b>	<b>25,818</b>	<b>5,902</b>	<b>129,876</b>	<b>23,136</b>	<b>90,306</b>	<b>32,569</b>
<b>Total Requirements</b>	<b><u>\$31,720</u></b>		<b><u>\$153,012</u></b>		<b><u>\$122,875</u></b>	

See accompanying independent auditors' report.

Exhibit I-3 (Continued)

Sewer Maintenance		Sewers		Streets	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 703	\$ 414	\$ 4,164	\$ 665	\$ 18,433	\$ 6,049
706	380	3,238	449	14,222	5,216
681	346	2,106	290	11,784	4,563
681	313	1,620	193	10,420	4,015
681	279	1,150	124	10,249	3,506
681	245	1,093	69	9,951	3,008
1,077	201	484	33	8,688	2,548
1,077	147	336	12	8,081	2,138
800	100	120	3	8,378	1,732
800	60	-	-	8,276	1,330
800	19	-	-	8,110	954
-	-	-	-	6,259	623
-	-	-	-	4,115	396
-	-	-	-	3,689	249
-	-	-	-	2,278	143
-	-	-	-	-	105
-	-	-	-	-	105
-	-	-	-	30,000	13
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,687</u>	<u>2,504</u>	<u>14,311</u>	<u>1,838</u>	<u>162,933</u>	<u>36,693</u>
<b><u>\$11,191</u></b>		<b><u>\$16,149</u></b>		<b><u>\$199,626</u></b>	



CITY OF MILWAUKEE  
DEBT SERVICE REQUIREMENTS TO MATURITY -  
GENERAL OBLIGATION BONDS AND NOTES  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Tax Incremental Districts		Urban Renewal		Water	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 13,630	\$ 7,860	\$ 3,614	\$ 1,059	\$ 2,511	\$ 617
2016	15,233	7,147	3,041	897	1,818	487
2017	17,211	6,378	2,463	760	856	395
2018	18,036	5,523	2,395	649	857	353
2019	16,043	4,700	2,455	537	858	310
2020	15,347	3,947	2,303	427	835	267
2021	14,810	3,225	2,122	323	835	226
2022	13,155	2,561	1,711	237	835	184
2023	11,675	1,973	1,147	173	835	142
2024	9,005	1,488	1,117	116	835	101
2025	8,585	1,075	1,018	65	820	59
2026	5,925	730	550	27	775	20
2027	6,215	441	145	10	-	-
2028	4,485	190	133	5	-	-
2029	860	74	80	1	-	-
2030	835	45	-	-	-	-
2031	370	22	-	-	-	-
2032	390	8	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
<b>Totals</b>	<b>171,810</b>	<b>47,387</b>	<b>24,294</b>	<b>5,286</b>	<b>12,670</b>	<b>3,161</b>
<b>Total Requirements</b>	<b><u>\$219,197</u></b>		<b><u>\$29,580</u></b>		<b><u>\$15,831</u></b>	

See accompanying independent auditors' report.

Exhibit I-3 (Continued)

Total Requirements	
Principal	Interest
\$113,955	\$35,159
91,995	30,020
77,855	25,767
132,070	21,486
65,310	17,516
57,944	14,519
48,085	11,866
38,980	9,773
35,620	7,969
30,840	6,368
38,210	5,027
19,155	3,825
51,745	2,081
11,250	563
5,160	251
835	150
370	127
30,390	21
-	-
-	-
-	-
849,769	192,488

**\$1,042,257**

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

Exhibit I-4

Year	Principal	Interest	Total Requirements
2015	1,335	225	1,560
2016	1,386	191	1,577
2017	1,421	156	1,577
2018	1,456	120	1,576
2019	306	99	405
2020	312	93	405
2021	318	87	405
2022	324	80	404
2023	330	74	404
2024	336	68	404
2025	343	61	404
2026	349	55	404
2027	356	48	404
2028	363	41	404
2029	370	34	404
2030	377	27	404
2031	384	19	403
2032	392	12	404
2033	399	4	403
2034	<u>27</u>		<u>27</u>
	<b><u>\$ 10,884</u></b>	<b><u>\$ 1,494</u></b>	<b><u>\$ 12,378</u></b>

*Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 and 5 for 2014 consisted of gross revenues plus interest income in the amount of \$88,013, less operating expenses (excluding depreciation but including the payment in lieu of taxes) of \$67,166. As a result, the net revenue available for debt service was \$20,847. Debt service requirements consisted of \$1,480 for 2014. At the end of the year, bond coverage computes to 14.09.*

*See accompanying independent auditors' report.*

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

Exhibit I-5

Year	Revenue Bonds		State Loans (Revenue Bonds)		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	4,420	3,662	4,978	2,227	9,398	5,889
2016	4,550	3,533	5,101	2,102	9,651	5,635
2017	4,695	3,376	5,227	1,974	9,922	5,350
2018	4,895	3,171	5,357	1,844	10,252	5,015
2019	5,130	2,927	5,489	1,709	10,619	4,636
2020	5,380	2,664	5,625	1,572	11,005	4,236
2021	5,635	2,388	5,765	1,431	11,400	3,819
2022	5,500	2,109	5,907	1,286	11,407	3,395
2023	5,760	1,828	6,054	1,138	11,814	2,966
2024	3,455	1,597	6,204	986	9,659	2,583
2025	3,625	1,428	6,357	831	9,982	2,259
2026	3,805	1,258	6,515	671	10,320	1,929
2027	3,995	1,081	6,676	508	10,671	1,589
2028	4,190	906	5,918	352	10,108	1,258
2029	4,395	723	3,779	230	8,174	953
2030	4,620	518	2,761	148	7,381	666
2031	4,860	304	1,425	96	6,285	400
2032	2,355	146	1,462	59	3,817	205
2033	<u>2,475</u>	<u>50</u>	<u>1,500</u>	<u>20</u>	<u>3,975</u>	<u>70</u>
	<b><u>\$ 83,740</u></b>	<b><u>\$ 33,669</u></b>	<b><u>\$ 92,100</u></b>	<b><u>\$ 19,184</u></b>	<b><u>\$ 175,840</u></b>	<b><u>\$52,853</u></b>

*Note: Sewerage System Revenue Bonds coverage consisted of gross operating revenues plus interest income in the amount of \$59,125 less operating expenses (excluding depreciation) of \$16,443. As a result, the net revenue available for debt service was \$42,682. Debt service requirements consisted of \$14,329 for 2014. At the end of the year, bond coverage computes to 2.98.*

*See accompanying independent auditors' report.*

CITY OF MILWAUKEE  
SCHEDULE OF ACCOUNT BALANCES  
CAPITAL PROJECTS BY PURPOSE  
DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
<b>ASSETS</b>					
Assets:					
Cash and cash equivalents .....	\$2,570	\$ 819	\$ 96	\$ -	\$ 1,185
Receivables (net):					
Taxes .....	-	80	-	-	117
Accounts .....	-	-	-	-	-
Special Assessments .....	-	-	-	-	-
Due from component units .....	-	-	-	-	-
Due from other governmental agencies .....	189	-	-	-	-
Prepaid items .....	-	-	-	-	-
<b>Total Assets</b> .....	<b>\$2,759</b>	<b>\$ 899</b>	<b>\$ 96</b>	<b>\$ -</b>	<b>\$ 1,302</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable .....	\$ 862	\$ -	\$ 352	\$ 497	\$ 99
Accrued expenses .....	-	-	-	-	-
Due to other funds .....	-	-	-	683	-
Due to component units .....	-	-	-	-	-
Due to other governmental agencies .....	116	-	-	-	-
Unearned revenue.....	-	-	-	-	-
Advances from other funds .....	-	-	-	-	-
<b>Total Liabilities</b> .....	<b>978</b>	<b>-</b>	<b>352</b>	<b>1,180</b>	<b>99</b>
Deferred Inflows of Resources:					
Unavailable revenue .....	43	137	-	-	200
Fund Balances:					
Nonspendable .....	-	-	-	-	-
Restricted.....	1,738	762	-	(1,180)	1,003
Unassigned.....	-	-	(256)	-	-
<b>Total Fund Balances</b> .....	<b>1,738</b>	<b>762</b>	<b>(256)</b>	<b>(1,180)</b>	<b>1,003</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b> .....	<b>\$2,759</b>	<b>\$ 899</b>	<b>\$ 96</b>	<b>\$ -</b>	<b>\$ 1,302</b>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ -	\$ -	\$ 1,290	\$ -	\$ -	\$ 56	\$ -	\$ 6,016
-	146	-	116	204	1,845	-	2,508
-	-	6	-	1,727	-	-	1,733
-	-	-	-	-	-	7,332	7,332
-	-	-	-	-	318	-	318
-	-	-	-	5,976	-	-	6,165
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 146</u>	<u>\$ 1,296</u>	<u>\$ 116</u>	<u>\$ 7,907</u>	<u>\$ 2,219</u>	<u>\$ 7,332</u>	<u>\$ 24,072</u>
\$ 2,948	\$ 2,655	\$ 1	\$ 1,234	\$ 2,566	\$ 2,440	\$ 180	\$ 13,834
-	-	-	-	-	-	-	-
1,145	1,923	-	521	1,785	-	-	6,057
-	-	-	16	-	171	-	187
-	-	-	-	-	-	-	116
-	-	2	-	1,686	-	-	1,688
-	-	-	-	-	-	6,593	6,593
<u>4,093</u>	<u>4,578</u>	<u>3</u>	<u>1,771</u>	<u>6,037</u>	<u>2,611</u>	<u>6,773</u>	<u>28,475</u>
-	250	-	200	4,629	3,485	6,702	15,646
-	-	-	-	-	-	-	-
-	-	1,293	-	-	-	-	3,616
(4,093)	(4,682)	-	(1,855)	(2,759)	(3,877)	(6,143)	(23,665)
(4,093)	(4,682)	1,293	(1,855)	(2,759)	(3,877)	(6,143)	(20,049)
<u>\$ -</u>	<u>\$ 146</u>	<u>\$ 1,296</u>	<u>\$ 116</u>	<u>\$ 7,907</u>	<u>\$ 2,219</u>	<u>\$ 7,332</u>	<u>\$ 24,072</u>

CITY OF MILWAUKEE  
**SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**CAPITAL PROJECTS BY PURPOSE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
*(Thousands of Dollars)*

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes .....	\$ -	\$ 110	\$ 170	\$ 90	\$ 75
Special Assessments .....	-	-	-	-	-
Intergovernmental .....	531	-	-	-	-
Other .....	<u>47</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>2,635</u>
Total Revenues .....	<u>578</u>	<u>110</u>	<u>170</u>	<u>155</u>	<u>2,710</u>
Expenditures:					
Capital outlay .....	<u>13,926</u>	<u>99</u>	<u>1,862</u>	<u>5,502</u>	<u>2,945</u>
Excess (deficiency) of Revenues over Expenditures .....	<u>(13,348)</u>	<u>11</u>	<u>(1,692)</u>	<u>(5,347)</u>	<u>(235)</u>
Other Financing Sources (Uses):					
General obligation bonds and notes issued .....	7,258	-	2,679	3,874	494
Transfers in .....	-	-	-	-	-
Transfers out .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses .....	<u>7,258</u>	<u>-</u>	<u>2,679</u>	<u>3,874</u>	<u>494</u>
Net Change in Fund Balance .....	(6,090)	11	987	(1,473)	259
Fund Balance (Deficit) - Beginning .....	<u>7,828</u>	<u>751</u>	<u>(1,243)</u>	<u>293</u>	<u>744</u>
Fund Balance (Deficit) - Ending .....	<u>\$ 1,738</u>	<u>\$ 762</u>	<u>\$ (256)</u>	<u>\$ (1,180)</u>	<u>\$ 1,003</u>

See accompanying independent auditors' report.

## Exhibit I-7 (Continued)

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ 225	\$ 1,471	\$ -	\$ 350	\$ 2,800	\$ 3,669	\$ -	\$ 8,960
-	-	-	-	-	-	1,945	1,945
-	-	-	-	5,861	-	-	6,392
-	2	5	31	711	4,914	-	8,410
<u>225</u>	<u>1,473</u>	<u>5</u>	<u>381</u>	<u>9,372</u>	<u>8,583</u>	<u>1,945</u>	<u>25,707</u>
<u>9,201</u>	<u>39,742</u>	<u>14</u>	<u>8,069</u>	<u>39,737</u>	<u>16,813</u>	<u>1,988</u>	<u>139,898</u>
<u>(8,976)</u>	<u>(38,269)</u>	<u>(9)</u>	<u>(7,688)</u>	<u>(30,365)</u>	<u>(8,230)</u>	<u>(43)</u>	<u>(114,191)</u>
4,617	34,659	-	2,435	28,460	7,300	-	91,776
-	-	-	-	-	-	-	-
-	-	-	-	-	(2,022)	-	(2,022)
<u>4,617</u>	<u>34,659</u>	<u>-</u>	<u>2,435</u>	<u>28,460</u>	<u>5,278</u>	<u>-</u>	<u>89,754</u>
(4,359)	(3,610)	(9)	(5,253)	(1,905)	(2,952)	(43)	(24,437)
<u>266</u>	<u>(1,072)</u>	<u>1,302</u>	<u>3,398</u>	<u>(854)</u>	<u>(925)</u>	<u>(6,100)</u>	<u>4,388</u>
<u>\$ (4,093)</u>	<u>\$ (4,682)</u>	<u>\$ 1,293</u>	<u>\$ (1,855)</u>	<u>\$ (2,759)</u>	<u>\$ (3,877)</u>	<u>\$ (6,143)</u>	<u>\$ (20,049)</u>



CITY OF MILWAUKEE  
GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General .....	\$ 102,304	\$ 93,303	\$ (9,001)
Provision for Employees' Retirement .....	85,966	85,966	-
Total Property Taxes .....	<u>188,270</u>	<u>179,269</u>	<u>(9,001)</u>
Other Taxes:			
Payment in lieu of taxes .....	950	1,128	178
Interest on city tax certificates and other taxes .....	2,887	4,963	2,076
Total Other Taxes .....	<u>3,837</u>	<u>6,091</u>	<u>2,254</u>
Licenses and Permits:			
Licenses:			
Business and occupational .....	5,403	5,684	281
Other .....	84	80	(4)
Permits:			
Building .....	6,984	8,751	1,767
Zoning .....	356	349	(7)
Other .....	1,094	1,199	105
Total Licenses and Permits .....	<u>13,921</u>	<u>16,063</u>	<u>2,142</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes .....	227,304	227,477	173
Local street aids .....	25,092	25,105	13
Payment for municipal services .....	1,850	1,897	47
Other .....	5,710	6,407	697
Total Intergovernmental .....	<u>259,956</u>	<u>260,886</u>	<u>930</u>
Charges for Services:			
General government .....	10,216	10,344	128
Public safety .....	23,517	23,833	316
Public works .....	77,553	78,520	967
Health .....	957	923	(34)
Culture and recreation .....	1,193	1,114	(79)
Conservation and development .....	10	9	(1)
Total Charges for Services .....	<u>113,446</u>	<u>114,743</u>	<u>1,297</u>
Fines and Forfeits:			
Court and contract forfeitures .....	4,755	4,573	(182)
Other .....	-	4	4
Total Fines and Forfeits .....	<u>4,755</u>	<u>4,577</u>	<u>(178)</u>
Other:			
Interest on temporary investments .....	832	1,123	291
Miscellaneous .....	27,625	31,161	3,536
Total Other .....	<u>28,457</u>	<u>32,284</u>	<u>3,827</u>
<b>Total .....</b>	<b><u>\$ 612,642</u></b>	<b><u>\$ 613,913</u></b>	<b><u>\$ 1,271</u></b>

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Thousands of Dollars)

Exhibit I-9

		2014 Actual				Variance - Favorable (Unfavorable)
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	
General Government:						
Zoning Appeals .....	\$ 233	\$ 190	\$ 25	\$ -	\$ 215	\$ 18
Mayor .....	878	834	70	1	905	(27)
Common Council - City Clerk .....	6,435	5,058	1,187	54	6,299	136
Municipal Court .....	2,901	1,882	1,018	3	2,903	(2)
City Attorney .....	9,679	4,889	4,819	46	9,754	(75)
Administration .....	8,773	5,663	3,006	57	8,726	47
Employee Relations .....	124,766	2,870	113,983	7	116,860	7,906
Election Commission .....	2,310	1,415	603	-	2,018	292
Comptroller .....	29,132	3,220	23,090	14	26,324	2,808
City Treasurer .....	61,173	1,431	60,466	12	61,909	(736)
Assessor's Office .....	3,417	2,741	498	15	3,254	163
Employee's Retirement .....	6,668	-	1,868	-	1,868	4,800
Interest Expense .....	1,647	-	1,647	-	1,647	-
Pension Reserve Fund .....	13,400	-	13,400	-	13,400	-
Non-departmental - unallocated ..	4,135	-	-	-	-	4,135
 Total General Government .....	 275,547	 30,193	 225,680	 209	 256,082	 19,465
Public Safety:						
Fire and Police Commission .....	1,297	801	493	2	1,296	1
Fire Department .....	75,111	67,956	5,422	1,438	74,816	295
Police Department .....	176,102	160,194	14,010	1,543	175,747	355
Neighborhood Services .....	15,491	10,837	4,578	70	15,485	6
 Total Public Safety .....	 268,001	 239,788	 24,503	 3,053	 267,344	 657
Public Works:						
General Office .....	2,601	2,259	229	25	2,513	88
Infrastructure .....	30,974	16,543	14,820	540	31,903	(929)
Operations .....	66,133	34,407	32,527	1,894	68,828	(2,695)
 Total Public Works .....	 99,708	 53,209	 47,576	 2,459	 103,244	 (3,536)
 Health .....	 9,472	 6,860	 2,163	 5	 9,028	 444
Culture and Recreation:						
Public Library .....	16,380	11,787	2,712	1,843	16,342	38
Conservation and Development:						
Department of City Development .....	3,520	2,351	1,168	-	3,519	1
 Total .....	 \$ 672,628	 \$ 344,188	 \$ 303,802	 \$ 7,569	 \$ 655,559	 \$ 17,069

See accompanying independent auditors' report.

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

Table 1

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities					
Net investment in capital assets.....	\$ 492,841	\$ 500,045	\$ 558,328	\$ 559,343	\$ 562,934
Restricted .....	109,149	115,803	116,516	143,951	164,011
Unrestricted .....	(196,677)	(200,581)	(298,676)	(396,139)	(478,822)
Total governmental activities net position .	<u>405,313</u>	<u>415,267</u>	<u>376,168</u>	<u>307,155</u>	<u>248,123</u>
Business-type activities					
Net investment in capital assets.....	560,899	554,966	581,594	607,122	650,478
Restricted .....	8,383	8,748	9,528	10,935	11,159
Unrestricted .....	63,657	82,725	60,566	47,065	19,392
Total business-type activities net position .	<u>632,939</u>	<u>646,439</u>	<u>651,688</u>	<u>665,122</u>	<u>681,029</u>
Primary government					
Net investment in capital assets.....	1,053,740	1,055,011	1,139,922	1,166,465	1,213,412
Restricted .....	117,532	124,551	126,044	154,886	175,170
Unrestricted .....	(133,020)	(117,856)	(238,110)	(349,074)	(459,430)
Total primary government net position .....	<u>\$ 1,038,252</u>	<u>\$ 1,061,706</u>	<u>\$ 1,027,856</u>	<u>\$ 972,277</u>	<u>\$ 929,152</u>

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets.....	\$ 625,372	\$ 645,761	\$ 686,492	\$ 706,111	\$ 748,374
Restricted .....	210,066	206,053	211,440	216,314	211,316
Unrestricted .....	(562,424)	(614,761)	(616,111)	(723,716)	(745,740)
Total governmental activities net position .	<u>273,014</u>	<u>237,053</u>	<u>281,821</u>	<u>198,709</u>	<u>213,950</u>
Business-type activities					
Net investment in capital assets.....	619,758	618,625	623,909	648,594	669,428
Restricted .....	11,422	15,034	-	770	930
Unrestricted .....	45,625	58,195	87,435	74,764	57,112
Total business-type activities net position .	<u>676,805</u>	<u>691,854</u>	<u>711,344</u>	<u>724,128</u>	<u>727,470</u>
Primary government					
Net investment in capital assets.....	1,245,130	1,264,386	1,310,401	1,354,705	1,417,802
Restricted .....	221,488	221,087	211,440	217,084	212,246
Unrestricted .....	(516,799)	(556,566)	(528,676)	(648,952)	(688,628)
Total primary government net position .....	<u>\$ 949,819</u>	<u>\$ 928,907</u>	<u>\$ 993,165</u>	<u>\$ 922,837</u>	<u>\$ 941,420</u>

See accompanying independent auditors' report.

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

Table 2

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses</b>				
<b>Governmental Activities</b>				
General government .....	\$ 180,975	\$ 179,647	\$ 204,724	\$ 208,608
Public safety .....	263,852	263,608	297,711	314,935
Public works .....	155,048	154,644	157,701	174,629
Health .....	27,036	27,316	23,102	20,830
Culture and recreation .....	19,931	21,506	21,298	20,639
Conservation and development .....	57,245	66,092	70,025	61,693
Capital contribution to Milwaukee Public				
Schools .....	18,002	14,028	2,788	6,474
Contributions .....	25,465	25,412	21,915	22,177
Interest on long-term debt .....	22,589	32,131	30,536	28,368
Total Governmental Activities Expenses.....	<u>770,143</u>	<u>784,384</u>	<u>829,800</u>	<u>858,353</u>
<b>Business-type Activities</b>				
Water .....	58,230	58,074	62,064	64,562
Sewer Maintenance .....	26,096	26,605	29,928	29,167
Parking .....	22,369	22,609	24,025	25,078
Other activities .....	34,789	35,603	37,927	44,401
Total Business-type Activities .....	<u>141,484</u>	<u>142,891</u>	<u>153,944</u>	<u>163,208</u>
Total Primary Government Expenses .....	<u>911,627</u>	<u>927,275</u>	<u>983,744</u>	<u>1,021,561</u>
<b>Program Revenues</b>				
<b>Governmental activities</b>				
Charges for services				
General government .....	11,049	12,174	12,408	12,589
Public safety .....	13,888	13,522	15,121	17,998
Public works .....	35,382	44,722	45,855	53,348
Health .....	693	667	798	644
Culture and recreation .....	1,808	1,892	1,888	1,443
Conservation and development .....	590	551	426	388
Grants and contributions .....	87,718	91,271	75,074	77,032
Total Governmental Activities				
Program Revenues.....	<u>151,128</u>	<u>164,799</u>	<u>151,570</u>	<u>163,442</u>
<b>Business-type Activities</b>				
Charges for services				
Water .....	71,903	69,636	72,808	73,731
Sewer Maintenance .....	31,072	34,261	37,756	40,724
Parking .....	38,961	40,736	39,730	43,961
Other activities .....	36,395	35,489	37,199	45,096
Capital grants and contributions .....	1,850	7,780	6,062	10,203
Total Business-type Activities				
Program Revenues.....	<u>180,181</u>	<u>187,902</u>	<u>193,555</u>	<u>213,715</u>
Total Primary Government				
Program Revenues .....	<u>331,309</u>	<u>352,701</u>	<u>345,125</u>	<u>377,157</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities .....	(619,015)	(619,585)	(678,230)	(694,911)
Business-type Activities .....	38,697	45,011	39,611	50,507
Total primary government net expense .....	<u>\$ (580,318)</u>	<u>\$ (574,574)</u>	<u>\$ (638,619)</u>	<u>\$ (644,404)</u>

See accompanying independent auditors' report.

Table 2 (continued)

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 207,504	\$ 259,420	\$ 245,191	\$ 221,740	\$ 305,744	\$ 251,538
331,409	326,366	326,879	328,677	320,317	315,952
167,983	168,699	166,787	158,527	169,250	170,054
22,995	23,360	21,137	22,020	19,743	18,852
22,901	21,075	19,864	20,512	20,348	21,503
50,683	66,758	67,171	56,872	45,605	57,617
5,153	91,161	4,386	4,853	278	-
21,026	23,321	23,382	22,803	22,331	24,001
23,985	26,467	28,047	31,105	28,275	23,105
<u>853,639</u>	<u>1,006,627</u>	<u>902,844</u>	<u>867,109</u>	<u>931,891</u>	<u>882,622</u>
67,946	67,966	69,196	66,571	68,728	72,540
34,847	41,188	40,813	41,430	44,795	46,840
24,659	25,450	25,267	26,101	24,248	24,053
48,356	51,761	46,780	47,744	47,592	48,382
<u>175,808</u>	<u>186,365</u>	<u>182,056</u>	<u>181,846</u>	<u>185,363</u>	<u>191,815</u>
<u>1,029,447</u>	<u>1,192,992</u>	<u>1,084,900</u>	<u>1,048,955</u>	<u>1,117,254</u>	<u>1,074,437</u>
9,011	9,931	10,148	10,428	10,131	10,344
16,649	16,202	19,049	20,785	23,759	23,833
62,553	68,135	71,348	74,168	75,968	78,520
1,078	1,071	1,297	1,101	877	923
1,482	1,504	1,239	1,239	1,137	1,114
284	303	412	469	9	9
<u>73,694</u>	<u>152,757</u>	<u>105,422</u>	<u>118,869</u>	<u>77,283</u>	<u>104,073</u>
<u>164,751</u>	<u>249,903</u>	<u>208,915</u>	<u>227,059</u>	<u>189,164</u>	<u>218,816</u>
73,132	73,473	84,394	88,122	85,034	88,013
48,199	52,046	51,788	54,956	57,270	59,121
42,245	47,477	44,148	42,730	43,256	41,411
49,456	53,143	52,796	54,288	48,920	47,457
18,674	3,094	4,393	5,133	3,852	799
<u>231,706</u>	<u>229,233</u>	<u>237,519</u>	<u>245,229</u>	<u>238,332</u>	<u>236,801</u>
<u>396,457</u>	<u>479,136</u>	<u>446,434</u>	<u>459,481</u>	<u>427,496</u>	<u>455,617</u>
(688,888)	(756,724)	(693,929)	(640,050)	(742,727)	(663,806)
55,898	42,868	55,463	63,383	52,969	44,986
<u>\$ (632,990)</u>	<u>\$ (713,856)</u>	<u>\$ (638,466)</u>	<u>\$ (576,667)</u>	<u>\$ (689,758)</u>	<u>\$ (618,820)</u>



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

Table 2 (continued)

	Fiscal Year			
	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities</b>				
Taxes .....	\$ 224,918	\$ 236,043	\$ 243,654	\$ 257,210
State aids for General Fund .....	272,875	272,417	272,539	271,100
Miscellaneous .....	82,796	87,510	84,042	61,949
Special item - receipt of loans receivable .....	14,325	-	-	-
Transfers .....	<u>33,631</u>	<u>33,569</u>	<u>36,483</u>	<u>38,052</u>
Total Governmental Activities .....	<u>628,545</u>	<u>629,539</u>	<u>636,718</u>	<u>628,311</u>
<b>Business-type Activities</b>				
Miscellaneous .....	1,460	2,058	2,121	979
Transfers .....	<u>(33,631)</u>	<u>(33,569)</u>	<u>(36,483)</u>	<u>(38,052)</u>
Total Business-type Activities .....	<u>(32,171)</u>	<u>(31,511)</u>	<u>(34,362)</u>	<u>(37,073)</u>
Total Primary Government .....	<u>596,374</u>	<u>598,028</u>	<u>602,356</u>	<u>591,238</u>
<b>Change in Net Position</b>				
Governmental Activities .....	9,530	9,954	(41,512)	(60,577)
Business-type Activities .....	<u>6,526</u>	<u>13,500</u>	<u>5,249</u>	<u>18,825</u>
Total Primary Government .....	<u>\$ 16,056</u>	<u>\$ 23,454</u>	<u>\$ (36,263)</u>	<u>\$ (41,752)</u>

See accompanying independent auditors' report.

Table 2 (continued)

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 270,191	\$ 283,442	\$ 276,168	\$ 279,588	\$ 276,193	\$ 284,664
272,337	270,939	273,240	260,141	259,735	260,886
47,217	179,057	64,214	81,153	82,059	88,718
-	-	-	-	-	-
40,111	48,177	44,346	44,643	41,628	43,115
<u>629,856</u>	<u>781,615</u>	<u>657,968</u>	<u>665,525</u>	<u>659,615</u>	<u>677,383</u>
120	1,085	3,932	750	1,443	1,471
(40,111)	(48,177)	(44,346)	(44,643)	(41,628)	(43,115)
(39,991)	(47,092)	(40,414)	(43,893)	(40,185)	(41,644)
<u>589,865</u>	<u>734,523</u>	<u>617,554</u>	<u>621,632</u>	<u>619,430</u>	<u>635,739</u>
(126,868)	87,686	(35,961)	25,475	(83,112)	15,241
2,877	8,371	15,049	19,490	12,784	3,342
<u>\$ (123,991)</u>	<u>\$ 96,057</u>	<u>\$ (20,912)</u>	<u>\$ 44,965</u>	<u>\$ (70,328)</u>	<u>\$ 18,583</u>

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

Table 3

	Fiscal Year			
	2005	2006	2007	2008
<b>Revenues:</b>				
Property taxes .....	\$ 205,205	\$ 214,833	\$ 221,082	\$ 227,637
Other taxes .....	20,461	20,910	20,867	27,746
Special assessments .....	4,651	3,823	3,542	3,631
Licenses and permits .....	13,374	13,729	13,704	12,918
Intergovernmental .....	355,406	345,078	336,870	333,345
Charges for services .....	68,762	84,191	79,754	88,224
Fines and forfeits .....	5,893	5,541	5,800	5,277
Contributions received .....	25,187	25,807	22,270	21,532
Other .....	32,333	44,169	43,990	33,563
<b>Total Revenues .....</b>	<b>731,272</b>	<b>758,081</b>	<b>747,879</b>	<b>753,873</b>
<b>Expenditures:</b>				
Current:				
General government .....	209,446	206,581	225,893	224,444
Public safety .....	262,934	267,669	268,456	279,934
Public works .....	92,701	90,539	97,778	109,196
Health .....	26,970	27,782	22,288	20,748
Culture and recreation .....	19,162	20,409	19,714	18,858
Conservation and development .....	32,079	34,801	30,954	31,796
Capital outlay .....	138,839	145,095	127,336	114,825
Debt Service:				
Principal retirement .....	81,206	146,721	152,077	181,102
Interest .....	29,593	34,798	35,360	33,637
Bond issuance costs .....	887	484	78	147
<b>Total Expenditures .....</b>	<b>893,817</b>	<b>974,879</b>	<b>979,934</b>	<b>1,014,687</b>
 Excess (deficiency) of Revenues over Expenditures .....	 (162,545)	 (216,798)	 (232,055)	 (260,814)
<b>Other Financing Sources (Uses):</b>				
General obligation bonds and notes issued .....	126,828	215,763	102,928	237,368
Refunding bonds issued .....	28,112	1,785	-	-
Payment to escrow agent on advance refundings ..	(30,492)	-	-	-
Payment - current refunding .....	-	(1,819)	-	-
Loans receivable activities .....	-	1,007	4,975	(518)
Issuance premium .....	13,692	8,033	2,129	3,694
Capital lease .....	-	-	-	-
Transfers in .....	71,699	139,533	145,447	201,073
Transfers out .....	(38,068)	(105,964)	(108,964)	(163,021)
<b>Total Other Financing Sources and Uses.....</b>	<b>171,771</b>	<b>258,338</b>	<b>146,515</b>	<b>278,596</b>
 <b>Special Item:</b>				
Receipt of loans receivable .....	14,325	-	-	-
 <b>Net Change in Fund Balances .....</b>	<b>\$ 23,551</b>	<b>\$ 41,540</b>	<b>\$ (85,540)</b>	<b>\$ 17,782</b>
 Debt service as a percentage of noncapital expenditures .....	 13.6%	 20.5%	 20.7%	 22.5%

See accompanying independent auditors' report.

Table 3 (Continued)

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 238,832	\$ 247,956	\$ 242,631	\$ 244,038	\$ 245,254	\$ 250,036
30,291	34,109	30,706	34,172	31,156	34,475
2,418	3,421	3,163	2,344	1,986	1,945
12,186	12,948	13,289	14,410	15,030	16,063
332,138	344,929	360,287	346,116	329,892	317,987
93,498	200,461	188,312	115,901	116,813	131,147
4,802	5,422	5,076	5,042	4,492	4,587
21,300	23,005	24,021	21,826	21,871	23,752
40,682	49,541	38,483	43,575	38,577	52,464
<u>776,147</u>	<u>921,792</u>	<u>905,968</u>	<u>827,424</u>	<u>805,071</u>	<u>832,456</u>
227,325	281,978	259,089	235,936	322,431	268,263
290,535	287,815	283,282	291,787	287,330	283,599
101,118	101,681	103,585	96,991	102,657	106,779
21,867	22,343	20,129	20,963	18,821	18,088
19,654	18,046	18,124	18,565	18,560	19,330
28,298	35,468	41,459	42,366	30,616	32,583
98,003	240,480	96,870	87,429	98,913	139,898
205,228	333,780	331,960	417,107	531,243	385,884
31,941	33,305	37,184	37,992	36,887	37,322
463	1,314	1,040	933	755	447
<u>1,024,432</u>	<u>1,356,210</u>	<u>1,192,722</u>	<u>1,250,069</u>	<u>1,448,213</u>	<u>1,292,193</u>
(248,285)	(434,418)	(286,754)	(422,645)	(643,142)	(459,737)
227,525	415,291	231,652	301,084	410,945	332,444
66,585	94,420	80,648	189,590	182,341	41,216
-	-	-	(63,884)	-	-
(71,800)	(106,500)	(41,949)	(34,134)	-	-
(250)	(293)	(8,783)	2,317	635	(2,506)
9,437	21,632	17,079	21,038	14,345	12,783
-	-	-	-	-	-
196,930	253,412	195,101	198,576	230,452	235,824
(156,819)	(205,235)	(150,755)	(153,933)	(188,824)	(192,709)
<u>271,608</u>	<u>472,727</u>	<u>322,993</u>	<u>460,654</u>	<u>649,894</u>	<u>427,052</u>
-	-	-	-	-	-
\$ <u>23,323</u>	\$ <u>38,309</u>	\$ <u>36,239</u>	\$ <u>38,009</u>	\$ <u>6,752</u>	\$ <u>(32,685)</u>
<u>24.0%</u>	<u>29.5%</u>	<u>32.7%</u>	<u>38.7%</u>	<u>41.0%</u>	<u>36.9%</u>

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

Table 4

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Reserved .....	<u>\$ 85,227</u>	<u>\$ 105,175</u>	<u>\$ 90,853</u>	<u>\$ 73,007</u>	<u>\$ 71,356</u>
All Other Governmental Funds					
Reserved .....	<u>\$ 148,440</u>	<u>\$ 171,682</u>	<u>\$ 90,812</u>	<u>\$ 154,448</u>	<u>\$ 177,820</u>
Unreserved, reported in:					
Capital projects funds .....	(15,093)	(14,400)	(12,951)	(39,071)	(38,776)
Nonmajor governmental funds .....	<u>10,497</u>	<u>8,154</u>	<u>16,357</u>	<u>14,469</u>	<u>15,776</u>
Total all other governmental funds .....	<u>\$ 143,844</u>	<u>\$ 165,436</u>	<u>\$ 94,218</u>	<u>\$ 129,846</u>	<u>\$ 154,820</u>
	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund					
Reserved .....	<u>\$ 59,626</u>				
All Other Governmental Funds					
Reserved .....	<u>\$ 232,790</u>				
Unreserved, reported in:					
Capital projects funds .....	(27,931)				
Nonmajor governmental funds .....	<u>-</u>				
Total all other governmental funds .....	<u>\$ 204,859</u>				
General Fund					
Nonspendable .....		\$ 15,044	\$ 15,721	\$ 15,389	\$ 17,301
Restricted.....		-	-	-	-
Committed.....		2,995	1,835	1,741	1,587
Assigned .....		26,778	35,915	43,172	44,150
Unassigned.....		<u>27,169</u>	<u>52,319</u>	<u>43,232</u>	<u>50,006</u>
Total General Fund.....		<u>\$ 71,986</u>	<u>\$ 105,790</u>	<u>\$ 103,534</u>	<u>\$ 113,044</u>
All Other Governmental Funds					
Nonspendable .....		\$ 886	\$ 565	\$ 254	\$ -
Restricted.....		5,855	9,774	230,642	214,932
Committed.....		223,000	227,769	21,249	8,489
Assigned .....		-	-	-	-
Unassigned.....		<u>(1,003)</u>	<u>(5,165)</u>	<u>(10,194)</u>	<u>(23,665)</u>
Total all other governmental funds .....		<u>\$ 228,738</u>	<u>\$ 232,943</u>	<u>\$ 241,951</u>	<u>\$ 199,756</u>

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

See accompanying independent auditors' report.

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

Table 5

Budget Year	Real Estate			Personal Property		
	Residential Property	Commercial Property	Manufacturing Property	Machinery Tools Patterns	Furniture Fixtures & Equipment	All Other
2004	12,938,633	6,493,805	729,858	187,208	560,426	99,587
2005	14,301,662	6,903,490	733,600	178,275	558,290	97,103
2006	16,116,818	7,547,715	721,966	185,601	541,831	108,218
2007	18,211,504	8,498,283	740,265	212,808	577,964	114,128
2008	18,753,915	8,950,205	726,692	220,073	578,674	144,790
2009	19,173,233	9,483,547	772,960	219,741	631,263	150,908
2010	17,743,825	9,485,580	732,008	211,075	632,652	139,433
2011	17,156,627	9,202,213	732,280	219,340	605,115	132,890
2012	17,069,535	9,191,349	746,955	214,901	571,664	123,239
2013	14,750,295	8,992,762	707,124	214,694	538,278	118,947
2014	14,265,491	9,195,174	709,328	216,866	525,387	121,913
Budget Year	Total Taxable Assessed Value			Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Total Assessed to Total Estimated Actual Value
2004	21,009,517			9.73	21,730,754	96.7
2005	22,772,420			9.19	23,491,774	96.9
2006	25,222,149			8.75	26,256,714	96.1
2007	28,354,952			7.99	30,226,985	93.8
2008	29,374,373			8.00	31,887,192	92.1
2009	30,431,675			8.09	32,257,525	94.4
2010	28,944,573			8.89	31,266,329	92.6
2011	28,048,464			9.12	29,520,783	95.0
2012	27,917,642			9.25	27,954,670	99.9
2013	25,322,101			10.25	26,421,932	95.8
2014	25,034,158			10.58	26,089,611	96.0

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

See accompanying independent auditors' report.

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

Table 6

	Budget Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>City Direct Rates (A)</b>										
City of Milwaukee	\$ 8.52	\$ 8.08	\$ 7.28	\$ 7.46	\$ 7.59	\$ 8.42	\$ 8.67	\$ 8.86	\$ 9.87	\$ 10.23
Allocation of Debt Service incurred for Schools	<u>0.64</u>	<u>0.67</u>	<u>0.71</u>	<u>0.55</u>	<u>0.50</u>	<u>0.47</u>	<u>0.45</u>	<u>0.39</u>	<u>0.38</u>	<u>0.35</u>
<b>Total Direct Rate</b>	<b>9.16</b>	<b>8.75</b>	<b>7.99</b>	<b>8.01</b>	<b>8.09</b>	<b>8.89</b>	<b>9.12</b>	<b>9.25</b>	<b>10.25</b>	<b>10.58</b>
<b>Overlapping Rates (B)</b>										
Milwaukee School Board	8.84	8.35	7.48	7.96	8.75	9.41	9.49	9.69	10.73	10.86
Less: allocation of Debt Service in City rate	<u>(0.64)</u>	<u>(0.67)</u>	<u>(0.71)</u>	<u>(0.55)</u>	<u>(0.50)</u>	<u>(0.47)</u>	<u>(0.45)</u>	<u>(0.39)</u>	<u>(0.38)</u>	<u>(0.35)</u>
<b>Total School Rate</b>	<b>8.20</b>	<b>7.68</b>	<b>6.77</b>	<b>7.41</b>	<b>8.25</b>	<b>8.94</b>	<b>9.04</b>	<b>9.30</b>	<b>10.35</b>	<b>10.51</b>
Milwaukee Area District Board of Vocational, Technical and Adult Education	2.00	1.96	1.89	1.92	1.94	2.06	2.02	1.95	2.21	2.22
County of Milwaukee	4.70	4.43	4.18	4.22	4.20	4.48	4.69	4.72	5.26	5.35
State of Wisconsin	0.21	0.20	0.19	0.19	0.18	0.18	0.18	0.17	0.18	0.18
Milwaukee Metropolitan Sewerage District	<u>1.59</u>	<u>1.48</u>	<u>1.39</u>	<u>1.39</u>	<u>1.37</u>	<u>1.43</u>	<u>1.52</u>	<u>1.51</u>	<u>1.70</u>	<u>1.78</u>
<b>Total Tax Rate (C)</b>	<b><u>\$ 25.86</u></b>	<b><u>\$ 24.50</u></b>	<b><u>\$ 22.41</u></b>	<b><u>\$ 23.14</u></b>	<b><u>\$ 24.03</u></b>	<b><u>\$ 25.98</u></b>	<b><u>\$ 26.57</u></b>	<b><u>\$ 26.90</u></b>	<b><u>\$ 29.95</u></b>	<b><u>\$ 30.62</u></b>

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

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

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

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**PRINCIPAL PROPERTY TAXPAYERS**  
 Current Year and Nine Years Ago  
 (Thousands of Dollars)

Table 7

Taxpayer	Type of Business	2014		2005	
		Assessed Valuation	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
U. S. Bank	Banking	\$ 233,120	.93	\$ 222,500	.88
Northwestern Mutual Life Insurance Company	Insurance	172,614	.69	165,461	.66
Marcus Corp./Mil. City Center/Pfister	Hotels/Motels/Restaurants	105,713	.42	99,579	.39
Mandel Group	Real Estate	121,806	.46		
Metropolitan Associates	Real Estate	93,716	.37	87,805	.35
NNN 411 East Wisconsin LLC	Real Estate	74,382	.30	91,034	.36
100 E. Wisconsin Ave Joint Venture	Real Estate Investment	76,468	.31	58,183	.23
Gorman & Co.	Real Estate	65,939	.23		
Towne Realty	Real Estate	63,248	.25	87,902	.35
Riverbend Place	Real Estate	58,962	.24		
Miller-Coors Brewing	Brewery	58,079	.23	66,293	.26
Teachers Insurance & Annuity Association of America	Real Estate				
M&I Marshall & Ilsley Bank/Metavente Corp.	Banking			77,443	.31
Geneva Exchange Fund	Real Estate			57,491	.23
		<u>\$ 1,124,047</u>	<u>4.49</u>	<u>\$ 1,013,691</u>	<u>4.02</u>

Source: City of Milwaukee Assessor's Office

See accompanying independent auditors' report.



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

Table 8

Budget Year	Taxes Levied for the Fiscal Year (Original Levy)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy		Collections		Total Collections to Date	
				Levy Year (B)	Percent	Purchased	Total	Amount	Percentage of Adjusted Levy
				Current Tax Collections	Original Levy Collected	Delinquents Original Levy Year (C)	Adjusted Levy in Subsequent Years		
2005	\$ 248,267	\$ 24,047	\$ 272,314	\$ 242,587	97.71%	\$ 14,992	\$ 14,637	\$ 272,216	99.96%
2006	261,685	23,643	285,328	255,823	97.76	15,664	13,719	285,206	99.96
2007	265,319	29,201	294,520	257,347	97.00	18,577	18,376	294,300	99.93
2008	286,180	36,088	322,268	277,115	96.83	23,945	20,879	321,939	99.90
2009	276,186	33,434	309,620	265,691	96.20	18,017	24,751	308,459	99.63
2010	291,943	29,913	321,856	281,196	96.32	16,482	22,174	319,852	99.38
2011	295,967	29,872	325,839	284,691	96.19	16,049	21,740	322,480	98.97
2012	301,051	28,917	329,968	288,749	95.91	13,596	20,401	322,746	97.81
2013	304,700	30,725	335,425	293,489	96.32	16,237	12,423	322,149	96.04
2014	307,246	30,930	338,176	295,624	96.22	13,004	-	308,628	91.26

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

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

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

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

See accompanying independent auditors' report.

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

Table 9

<u>Year</u>	<u>Governmental Activities</u>			<u>Estimated Actual Taxable Value of Property</u>	<u>Percentage of Total Taxable Value of Property</u>	<u>Per Capita</u>
	<u>General Obligation Bonds and Notes</u>	<u>Less: Amounts Available in Debt Service Funds</u>	<u>Total</u>			
2005	664,285	44,207	620,078	23,491,774	2.64%	1,046.08
2006	733,327	52,284	681,043	26,256,714	2.59%	1,153.59
2007	669,404	56,778	612,626	30,226,985	2.03%	1,038.01
2008	725,670	59,849	665,821	31,887,192	2.09%	1,126.85
2009	742,752	68,241	674,511	32,257,525	2.09%	1,154.98
2010	812,183	63,116	749,067	31,266,329	2.40%	1,259.29
2011	825,574	67,264	758,310	29,520,783	2.57%	1,272.33
2012	785,867	67,971	717,896	27,954,670	2.57%	1,206.55
2013	822,046	178,068	643,978	26,421,932	2.44%	1,081.41
2014	814,522	174,865	639,657	26,089,611	2.45%	1,074.15

<u>Year</u>	<u>Business-Type Activities</u>			<u>Total Primary Government</u>	<u>Percentage of Personal Income (A)</u>	<u>Per Capita (A)</u>
	<u>General Obligation Bonds and Notes</u>	<u>Revenue Bonds</u>	<u>State Loans (Revenue Bonds)</u>			
2005	46,125	71,476	-	737,679	2.39%	1,244.47
2006	74,135	68,150	-	823,328	2.53%	1,394.60
2007	58,936	64,711	14,369	750,642	2.20%	1,271.86
2008	34,970	61,170	49,653	811,614	2.31%	1,373.59
2009	36,803	57,515	48,002	816,831	2.30%	1,389.68
2010	82,002	53,737	80,724	965,530	2.69%	1,622.74
2011	88,956	74,815	80,513	1,002,594	2.71%	1,622.74
2012	43,318	65,579	77,083	903,876	2.33%	1,519.12
2013	39,334	98,871	82,736	864,919	2.21%	1,452.42
2014	35,247	94,624	92,100	861,628	not available	1,446.90

*Note:* Details regarding the City's outstanding debt can be found in the notes to the financial statements and in the Miscellaneous Financial Data Section.

(A) See Table 13 for personal income and population data

See accompanying independent auditors' report.

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

Table 10

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt limit .....	\$ 2,188,643	\$ 2,066,455	\$ 1,956,827	\$ 1,849,535	\$ 1,826,273
Total net debt applicable to limit .....	<u>805,660</u>	<u>789,308</u>	<u>695,488</u>	<u>683,312</u>	<u>696,614</u>
Legal debt margin .....	<u>\$ 1,382,983</u>	<u>\$ 1,277,147</u>	<u>\$ 1,261,339</u>	<u>\$ 1,166,223</u>	<u>\$ 1,129,659</u>
Total net debt applicable to the limit as a percentage of debt limit ..	36.81%	36.82%	35.54%	36.95%	38.14%

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

Table 10 (continued)

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed Value .....		<u>\$ 25,034,158</u>
Equalized Value .....		<u>26,089,611</u>
Debt Limit 7% of Equalized Value .....		1,826,273
Amount of Debt Applicable to Debt Limit:		
General Obligation bonds .....	\$ 350,340	
General Obligation notes .....	485,892	
Parking bonds and notes .....	11,533	
Harbor bonds and notes .....	2,357	
Water Works bonds .....	12,670	
Sewer Maintenance bonds and notes.....	8,687	
Water Works revenue bonds .....	10,884	
Sewer revenue bonds .....	83,740	
Sewer clean water loans .....	92,100	
Extendable Municipal Commercial Paper.....	<u>41,700</u>	
Total Debt .....		\$ 1,099,903
Deduct:		
Assets in Debt Service Funds .....	174,865	
Water Works revenue bonds (A) .....	10,884	
Sewer revenue bonds.....	83,740	
Sewer clean water loans .....	92,100	
Extendable Municipal Commercial Paper (B).....	<u>41,700</u>	
Total Deductions .....		<u>403,289</u>
Total Amount of Debt Applicable to Debt Limit		<u>696,614</u>
Legal Debt Margin .....		<u>\$ 1,129,659</u>

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

(B) Extendable Municipal Commercial Paper does not represent or constitute a debt of the City within the meaning of any constitutional or statutory limitation.

Note: State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. However, it may be reduced in any year by the amount of any surplus money in the debt service fund. The statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. The legal debt margin as of December 31, 2014 was \$521,792 for school purposes and \$607,867 for general purposes.

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
December 31, 2014  
(Thousands of Dollars)

Table 11

Name of Government Unit	Net Debt Outstanding	Percentage Applicable to City of Milwaukee (C)	City of Milwaukee's Share of Debt
<b>Debt Repaid with property taxes</b>			
Direct Debt:			
City of Milwaukee (A) .....	\$ 696,614	100%	\$ 696,614
Overlapping Debt:			
Milwaukee Area Technical College District .....	109,920	37.00	40,670
County of Milwaukee .....	685,013	44.85	307,228
Milwaukee Metropolitan Sewerage Area (B) .....	923,728	45.84	<u>423,437</u>
<b>Total Direct and Overlapping Debt .....</b>			<b><u>\$ 1,467,949</u></b>

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

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

(A) *Excludes \$16,559 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction. Net Debt Outstanding computation shown Table 11.*

(B) *Includes \$689,893 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.*

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

See accompanying independent auditors' report.

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

Table 12

Year	Water Revenue Bonds						Coverage
	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	
				Principal	Interest		
2005	72,661	51,953	20,708	824	352	1,176	17.61
2006	71,149	51,365	19,784	846	330	1,176	16.82
2007	74,211	55,514	18,697	868	307	1,175	15.91
2008	74,207	58,960	15,247	891	284	1,175	12.98
2009	73,157	63,019	10,138	915	260	1,175	8.63
2010	73,488	66,765	6,723	915	260	1,175	5.72
2011	84,406	65,213	19,193	964	211	1,175	16.33
2012	88,136	65,547	22,589	989	185	1,174	19.24
2013	85,043	65,661	19,382	1,015	158	1,173	16.52
2014	88,013	67,166	20,847	1,264	216	1,480	14.09

Year	Sewer Revenue Bonds						Coverage
	Gross Revenues	Debt	Net	Debt Service		Total Debt Service	
		Coverage Expenses	Available Revenue	Principal	Interest		
2005	31,390	15,022	16,368	2,390	2,762	5,152	3.18
2006	34,630	14,834	19,796	2,480	2,667	5,147	3.85
2007	38,170	17,747	20,423	2,570	2,575	5,145	3.97
2008	41,033	16,334	24,699	3,214	2,836	6,050	4.08
2009	48,231	16,438	31,793	4,740	3,552	8,292	3.83
2010	52,063	16,696	35,367	4,901	3,399	8,300	4.26
2011	54,667	14,691	39,976	6,454	4,038	10,492	3.81
2012	54,140	15,440	38,700	6,792	4,616	11,408	3.39
2013	57,300	15,873	41,427	7,032	4,400	11,432	3.62
2014	59,125	16,443	42,682	8,603	5,726	14,329	2.98

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

See accompanying independent auditors' report.

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

Table 13

<b>County of Milwaukee</b>						
<b>Year</b>	<b>Population (A)</b>	<b>Personal Income (Thousands of Dollars (B)</b>	<b>Per Capita Income (C)</b>	<b>Median Age (D)</b>	<b>School Enrollment (E)</b>	<b>Unemployment Rate (F)</b>
2005	592,765	31,862,221	34,167	30.6	100,262	7.2
2006	590,370	33,705,644	36,232	30.6	97,509	6.9
2007	590,190	34,610,340	37,157	30.6	87,360	6.9
2008	590,870	35,605,736	38,091	30.6	85,369	6.7
2009	584,000	36,219,621	38,422	30.6	82,444	11.4
2010	580,500	36,453,170	38,437	30.3	81,372	11.9
2011	595,525	37,496,095	39,390	30.3	80,098	10.9
2012	595,425	38,808,170	40,628	33.7	78,461	10.1
2013	596,500	39,213,035	41,017	33.7	78,502	8.7
2014	595,993	Not available	Not available	33.8	77,391	7.2

(A) The December 31, 2005 through 2014 populations are a final estimate from the Wisconsin Department Administration. (The population data differs from the Census Bureau.)

(B) Personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Personal income includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.

(C) Per capita personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce and includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.

(D) Prior to 2012, Median age of the population was determined only during a census. These figures represent the data collected by the American Community Survey.

(E) Annual School Census by Board of School Directors. Represents Milwaukee Public Schools only.

(F) Unemployment Rate is the annual average from the Wisconsin's Workforce, Wisconsin Worknet and Labor Market Information System.

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**PRINCIPAL EMPLOYERS**  
 Current Year and Nine Years Ago

Table 14

Employer	2014 Estimates (1)			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Aurora Health Care	24,462	1	5.47%	14,247	1	3.35%
Wheaton Franciscan Healthcare	10,687	2	2.39%			
Froedtert Memorial Lutheran Hospital and Community Health	9,028	3	2.02%			
Roundy's Supermarkets	9,000	4	2.01%			
Medical College of Wisconsin	5,400	5	1.21%			
Columbia St. Mary's Health System	5,400	6	1.21%	5,749	7	1.35%
Northwestern Mutual Life	5,000	7	1.12%	4,687	8	1.10%
ProHealth Care Inc	4,700	8	1.05%			
Childrens Hospital	4,471	9	1.00%			
Goodwill Industries	4,055	10	0.91%			
U.S. Government (Includes Zablocki V.A. Medical Center)				10,700	2	2.52%
Covenant Health Care				9,100	3	2.14%
City of Milwaukee				7,306	4	1.72%
Milwaukee Public Schools				7,137	5	1.68%
M&I Marshall & Ilsley				6,729	6	1.58%
University of Wisconsin-Milwaukee				4,307	9	1.01%
Medical College of Wisconsin				4,052	10	0.95%
	<u>82,203</u>		<u>18.38%</u>	<u>74,014</u>		<u>17.40%</u>

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

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

Source: The 2014 Business Journal of Greater Milwaukee as of July 11, 2014.

The 2005 data was from the 2006 Business Journal.

Total employment data (2005 = 425,389) (2014 = 447,273) from the State of Wisconsin Workforce Development.

See accompanying independent auditors' report.



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

Table 15

Functions/Programs	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	678	673	692	696	694	720	700	719	707	728
Temporary - Election Commission	63	103	29	104	11	98	8	2,145	819	2,389
Public Safety										
Fire										
Fire Fighting Force	1,033	1,007	1,077	1,001	985	949	951	911	911	900
Civilians	74	75	75	75	79	77	76	105	116	112
Police										
Law Enforcement	2,155	2,159	2,156	2,156	2,144	2,042	2,034	2,034	2,013	1,978
Civilian	564	567	613	606	616	614	619	619	608	618
School Crossing Guards	241	241	241	241	241	251	251	251	251	252
Neighborhood Services	227	224	228	229	229	240	247	251	269	272
Public Works										
Administrative Services	65	65	64	63	63	66	64	58	46	47
Infrastructure Services	711	703	698	696	707	807	804	803	802	810
Operations	1,606	1,588	1,577	1,530	1,557	1,398	1,381	1,438	1,438	1,433
Sanitation emergency	-	-	-	-	-	-	-	-	-	-
Winter relief	74	66	66	66	66	66	66	-	-	-
Health	345	326	337	312	306	274	272	268	254	252
Culture and recreation	409	402	398	396	377	368	378	376	372	370
Conservation and development	238	236	232	220	193	176	179	163	142	134
Youth initiative positions	-	25	25	25	25	25	25	-	-	-
Water	363	355	346	346	348	404	382	367	369	369
Sewer Maintenance	198	199	189	179	172	164	164	164	146	146
Parking	128	129	128	129	129	130	131	122	120	120
Port of Milwaukee	<u>29</u>	<u>30</u>	<u>31</u>	<u>35</u>	<u>35</u>	<u>37</u>	<u>35</u>	<u>36</u>	<u>37</u>	<u>37</u>
Subtotal	9,201	9,173	9,202	9,105	8,977	8,906	8,767	10,830	9,420	10,967
Less Temporary Positions	<u>(63)</u>	<u>(103)</u>	<u>(29)</u>	<u>(104)</u>	<u>(11)</u>	<u>(98)</u>	<u>(8)</u>	<u>(2,145)</u>	<u>(819)</u>	<u>(2,631)</u>
Total Budgeted Positions	<u>9,138</u>	<u>9,070</u>	<u>9,173</u>	<u>9,001</u>	<u>8,966</u>	<u>8,808</u>	<u>8,759</u>	<u>8,685</u>	<u>8,601</u>	<u>8,336</u>

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

See accompanying independent auditors' report.

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

Table 16

Functions/Programs	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Investment portfolio return	3.00%	4.78%	5.09%	2.74%	0.75%	0.32%	0.21%	0.22%	0.22%	0.20%
Courtroom cases	116,388	114,949	110,130	102,721	112,765	119,779	121,234	104,170	119,761	93,577
Public safety										
Police										
Dispatched assignments	292,927	297,286	286,535	266,577	254,044	246,365	238,657	248,678	241,423	247,552
Traffic citations	98,044	93,369	95,327	120,618	114,447	104,001	103,311	94,442	73,325	53,744
Homicide clearance rates	71%	72%	84%	93%	83%	75%	72%	70%	64%	60%
Fire										
Number of medical emergency assists	51,091	51,862	52,735	53,898	53,047	53,629	56,085	59,487	60,499	62,766
Number of fires extinguished	2,662	2,527	2,438	2,073	1,930	2,201	2,643	2,841	2,444	2,419
Civilian fire deaths	12	16	14	6	7	3	10	8	2	10
Building Inspection										
Complaints reported	34,078	34,431	33,576	34,161	35,940	37,146	35,910	35,404	37,212	36,567
Orders issued	55,443	54,976	52,729	51,760	66,559	67,043	71,356	68,613	67,457	58,217
Public Works										
Major streets paving (miles)	5.94	7.81	4.01	13.01	5.4	11.28	1.05	5.70	17.12	24.6
Asphalt patching/pot holes (tons)	10,014	10,344	10,560	14,900	10,700	10,500	18,952	16,010	15,845	17,025
Refuse tonnage	317,122	312,451	292,775	310,517	298,780	274,651	262,265	252,987	256,411	253,997
Recycling tonnage	25,483	25,300	23,716	22,937	21,862	21,389	22,837	24,147	25,052	25,273
Health										
Food inspections	4,889	5,153	4,972	4,721	5,005	5,208	4,615	7,637	8,735	8,556
Immunizations	22,794	27,444	26,700	30,449	46,838	27,994	21,953	18,882	16,417	10,912
Culture and Recreation										
Library hours of operation	33,339	33,218	34,302	34,372	32,608	25,996	27,844	31,092	30,914	30,846
Collections size	3,030,281	3,018,232	2,828,429	2,848,244	2,756,141	2,577,805	2,587,412	2,441,757	2,364,905	2,306,138
Public computers	481	495	490	505	505	480	725	757	754	723
Conservation and Development										
Jobs created	2,466	3,494	2,354	1,073	366	498	534	324	2,198	834
Jobs retained	2,775	9,182	2,092	2,103	888	1,644	1,382	1,965	2,800	1,626
New housing units	1,538	982	1,037	196	527	810	503	687	402	331
Water										
Millions gallons sold	38,439	35,486	35,049	34,085	33,341	32,500	32,246	32,909	30,560	29,894
Population served	852,857	849,981	858,920	857,816	867,599	861,000	861,249	862,524	864,715	864,653
Sewer Maintenance										
Sewer service backups	43	40	42	47	28	33	24	23	25	31
Street flooding complaints	4,143	4,810	3,366	7,238	3,690	2,770	3,293	4,775	3,092	3,023
Parking										
Citations issued	929,714	932,346	906,423	880,859	885,802	874,690	823,999	778,288	770,430	743,038
Vehicle tows	26,799	31,659	36,273	34,898	31,516	28,295	25,762	26,910	32,631	33,416
Port										
Metric tonnage total	3,424,827	3,481,541	3,568,929	2,931,125	2,910,515	2,324,566	2,808,801	1,915,419	2,618,312	3,022,657

Sources: Various city departments

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

See accompanying independent auditors' report.

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

Table 17

Functions/Programs	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
Stations	7	7	7	8	8	8	8	8	8	8
Lock-up facilities	7	7	7	7	7	7	7	7	7	7
Patrol vehicles	482	485	478	521	533	536	556	501	537	521
Patrol motorcycles	59	57	57	57	57	57	55	55	56	55
Fire Stations	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets - paved	1,418	1,418	1,418	1,418	1,418	1,272	1,272	1,272	1,272	1,272
Streets - unpaved	15	15	15	15	15	15	15	15	15	15
Alleys	415	415	415	415	415	415	414	414	414	414
Street lights	67,427	67,742	67,447	67,709	67,798	67,949	68,073	68,540	68,698	68,698
Alley lights	8,803	8,917	8,790	8,925	8,931	8,616	8,810	8,820	8,815	8,815
Garbage/snow trucks	188	173	172	187	188	182	181	180	180	180
Health										
Health centers	5	5	3	3	3	3	3	3	3	3
Culture and Recreation										
Playgrounds, playfields, tot lots, recreation centers	277	277	277	277	276	276	276	276	130	138
Libraries	13	13	13	13	13	13	13	13	13	13
Water										
Miles of mains	1,961	1,964	1,966	1,967	1,955	1,956	1,960	1,961	1,962	1,963
Hydrants	19,754	19,780	19,632	19,824	19,811	19,847	19,867	19,869	19,870	19,870
Million gallons pumped	44,560	41,862	41,873	40,848	39,617	37,443	36,992	37,920	36,490	37,460
Million gallons consumed	38,401	35,486	35,050	34,085	33,341	32,452	32,246	32,909	30,560	29,894
Miles of Sewers										
Storm	956	956	958	959	960	961	962	964	965	965
Sanitary	935	935	938	939	940	941	941	943	943	943
Combined	548	547	547	547	547	547	547	547	547	547
Parking										
Parking lots	48	46	45	45	45	45	45	44	45	45
Parking structures	4	4	5	5	5	5	5	5	5	5
Port										
Cargo terminals	6	6	6	6	6	6	6	7	7	7
Rental warehouses and buildings	5	5	5	5	5	5	5	10	10	10
Ferry terminal	1	1	1	1	1	1	1	1	1	1
Cranes and forklifts	11	10	10	10	10	10	10	11	11	11
Vessel berths	13	13	13	13	13	14	14	17	17	17

Sources: Various city departments

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

See accompanying independent auditors' report.

