



# **Comprehensive Annual Financial Report**

## **City of Milwaukee, Wisconsin**

for the Year Ended December 31, 2005

**W. Martin Morics  
Comptroller**



# **Comprehensive Annual Financial Report**

## **City of Milwaukee, Wisconsin**

for the Year Ended December 31, 2005

Office of the Comptroller

**W. Martin Morics**  
Comptroller

CITY OF MILWAUKEE  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Exhibit or Table Number</b>	<b>Page Number</b>
<b>INTRODUCTORY SECTION</b>		
Comptroller's Letter of Transmittal .....		5
Organization Chart .....		10
Names of Principal Officials .....		11
<b>FINANCIAL SECTION</b>		
Report of Independent Auditors .....		15
Management's Discussion and Analysis .....		17
<b>BASIC FINANCIAL STATEMENTS:</b>		
Government-wide Financial Statements:		
Statement of Net Assets .....	1	34
Statement of Activities .....	2	36
Fund Financial Statements:		
Balance Sheet - Governmental Funds .....	A-1	40
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	A-2	43
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	A-3	44
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	A-4	47
Statement of Net Assets - Enterprise Funds .....	B-1	48
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Enterprise Funds .....	B-2	51
Statement of Cash Flows - Enterprise Funds .....	B-3	52
Statement of Fiduciary Net Assets - Fiduciary Funds .....	C-1	54
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	C-2	55
Statement of Net Assets - Component Units - Enterprise Funds .....	D-1	56
Statement of Activities - Component Units - Enterprise Funds .....	D-2	58
NOTES TO THE FINANCIAL STATEMENTS .....		62
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		
Budgetary Comparison Schedule - General Fund .....	E-1	93

CITY OF MILWAUKEE  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Exhibit or Table Number	Page Number
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:</b>		
Combining Balance Sheet - Nonmajor Governmental Funds .....	F-1	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	F-2	99
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Grant and Aid Projects .....	F-3	100
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Community Development Block Grant .....	F-4	101
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Economic Development .....	F-5	102
Combining Statement of Net Assets - Nonmajor Enterprise Funds.....	G-1	104
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds .....	G-2	105
Combining Statement of Cash Flows - Nonmajor Enterprise Funds .....	G-3	106
Combining Schedule of Changes in Assets and Liabilities - Agency Funds .....	H-1	108
<b>MISCELLANEOUS FINANCIAL DATA:</b>		
Combined Schedule of Delinquent Taxes Receivable .....	I-1	112
Combined Schedule of Cash and Cash Equivalents and Investments -Reporting Entity .....	I-2	113
Debt Service Requirements to Maturity - General Obligation Bonds and Notes .....	I-3	114
Debt Service Requirements to Maturity - Water Revenue and Disclosure of Bond Coverage .....	I-4	122
Debt Service Requirements to Maturity - Sewer System Revenue and Disclosure of Bond Coverage .....	I-5	123
Schedule of Account Balances - Capital Projects by Purpose .....	I-6	124
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Capital Projects by Purpose..	I-7	126
General Fund - Schedule of Revenues - Budget and Actual .....	I-8	128
General Fund - Schedule of Expenditures - Budget and Actual .....	I-9	129
<b>STATISTICAL SECTION</b>		
Government-Wide Expenses by Function - Two Years .....	1	133
Government-Wide Revenues - Two Years .....	2	134
General Government Expenditures by Function - Last Ten Years .....	3	135
General Revenues by Source - Last Ten Years .....	4	136
Property Tax Levies and Collections - Last Ten Years .....	5	137
Assessed and Estimated Actual Value of Taxable Property - Last Ten Years .....	6	139
Property Tax Rates and Tax Levies - All Overlapping Governments - Last Ten Years .....	7	140
Special Assessment Collections - Last Ten Years .....	8	142
Ratio of Net General Long-Term Debt to Assessed Value and Equalized Value and Net Long-Term Debt Per Capita - Last Ten Years .....	9	143
Computation of Legal Debt Margin .....	10	144
Computation of Direct and Overlapping Debt .....	11	145
Ratio of Annual Debt Service Expenditures for General Long-Term Debt to General Expenditures - Last Ten Years .....	12	146
Demographic Statistics - Last Ten Years .....	13	147
Property Values, Construction and Bank Deposits - Last Ten Years .....	14	148
Principal Taxpayers .....	15	149
Schedule of Insurance in Force .....	16	150
Miscellaneous Statistical Data .....	17	152

**I  
N  
T  
R  
O  
D  
U  
C  
T  
O  
R  
Y  
  
S  
E  
C  
T  
I  
O  
N**

This page left blank intentionally.



Office of the Comptroller

July 28, 2006

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

Michael J. Daun  
Deputy Comptroller

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

Craig D. Kammholz  
Special Deputy Comptroller

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

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2005. 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 American (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

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

An independent firm of licensed certified public accountants, KPMG LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2005, 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, 2005, are fairly presented in conformity with GAAP.

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

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

## THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The City, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of



CITY OF MILWAUKEE  
**LETTER OF TRANSMITTAL**  
FOR THE YEAR ENDED DECEMBER 31, 2005

government. The Mayor, Comptroller, Treasurer, City Attorney and 15 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a general election for these positions in April 2004. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review and adoption by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, is responsible for establishing City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

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

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. After all requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function (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 95.8 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. Milwaukee is the largest city in the State, with a 2005 population of 592,765 which has been quite stable since 2001 (declining only .46%). Due to its large population, it is also the only City of the First Class within the State of Wisconsin. The city represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, the population in the four-county-retail-trade-area surrounding Milwaukee is 1,512,400 and represents 28 percent of the population of the State of Wisconsin. Over 74 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. For 2005, Milwaukee's median age was 30.6 years and had a per capita income of \$13,578. Effective buying income in the city is approximately \$8.0 billion, approximately 26 percent of the total effective buying income in the four-county-metro-Milwaukee-area. In Milwaukee, 27.8 percent of the city households earn between \$20,000 and \$35,000 per year; 19.8 percent earn between \$35,000 and \$50,000 per year and 20.8 percent earn over \$50,000 per year. The age distribution of the population of the city is 11 percent between 18 and 24 years old; 15.0 percent between 25 and 34 years old; 20.9 percent between 35 and 49 years old and 24.3 percent are 50 years or older. The unemployment rate averaged 7.1 percent during 2005, compared to the average rates of 4.7 percent for the State and 5.17 percent for the United States.

CITY OF MILWAUKEE  
**LETTER OF TRANSMITTAL**  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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 organization that represent businesses and employers to improve the business environment, either in a particular geographic area or a particular industry segment; and 4) management of projects that invest city resources to redevelop underutilized or vacant properties for eventual sale to private owners.

In addition to pursuing new business, the City takes an active role in guiding economic development to serve the community. The City manages a number of programs intended to assist in local business retention efforts, provide permit assistance to new businesses and seek out appropriate sites for these businesses. The City has recently established its 37<sup>th</sup> Business Improvement District and Tax Incremental District (TID) #63. Forty-four TID's remain active. In addition, the City manages several various Development Fund Projects to promote urban renewal throughout the city.

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

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

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report

## **ECONOMIC OUTLOOK**

State law requires the City to balance its annually budgeted expenditures with its anticipated revenue. Diversification and enhancement to revenues provides the City with the means to retain existing service levels. Property tax increases have been limited by State legislation and State aids have continued to decrease, both placing pressure on other revenue sources or service reductions. State restrictions on the type of charges for service that are available to municipalities further erode the City's ability to diversify its revenues. Decreasing grant revenue, such as the Federal Community Development Block Grant funding, combined with the State government imposed property tax levy limits will make it difficult to maintain city services at their current levels or to implement any new program initiatives. The Department of Administration is taking action to better identify and increase operating grant awards. In 2005, an "eCivis Grants Locator" (a complete grant research system designed specifically for local governments) was purchased and is now available for all City departments to use.

The City Budget Office has prepared the 2006 budget based upon a multi-year strategy aimed at achieving and maintaining fiscal balance through 2008. Future budgets will expand upon this multi-year perspective.

The 2006 capital improvements budget represents the initial year of a six-year capital improvement plan to be released mid-2006. The budget and plan identify the City's capital funding needs and provides funding sources to support these identified needs. In general, capital improvements include projects to reconstruct, rehabilitate, or otherwise restore an existing system or facility to full functionality. Also included are projects to construct and expand facilities to meet

CITY OF MILWAUKEE  
**LETTER OF TRANSMITTAL**  
FOR THE YEAR ENDED DECEMBER 31, 2005

increased demand or to enhance economic development through job creation, business formation and housing production. The 2006 capital improvement budget marks a major effort to fully fund new TID projects in the year they are approved. Problems with cost overruns on several larger capital improvement projects have also led to a need for stricter monitoring. To address the debt tax levy, the 2006-2011 Capital Improvements Plan anticipates reduced borrowing levels to a point where the amount of borrowing will equal the amount of debt retired.

The 2006 general City capital improvements budget totals \$164.9 million, an increase of \$70 million or 73.8 percent from the 2005 budget of \$94.9 million. The tax levy supported portion of the capital budget, which includes tax levy cash resources as well as tax levy supported general obligation debt, totals \$76.2 million. Tax levy cash resources will decrease \$1.5 million from \$10.1 million in 2005 to \$8.6 million in 2006. The City's long-term goal is to reduce tax levy supported borrowing authorizations to match tax levy debt retirements in order to limit future increases in the City's debt service tax levy. Control of new levy supported debt will be pursued through a combination of prioritizing capital programs and projects through the annual budget process and converting some currently levy supported projects to other revenue sources.

In recent years, the City's sources of funds for general City purposes has moved towards revenue diversification as a means to address future uncertain State aid funding levels. Charging user-based fees for some City services is shifting payment to those directly benefiting from the service and is helping to reduce the dependence on the property tax and State Aids. Such user-based fees also extend to properties previously exempt from property taxes. For example, garbage collection services are now billed to tax exempt properties. The Solid Waste Fee is a charge that recovers a portion of the cost of weekly garbage collection. Other costs for related solid waste services like recycling, brush collection, self-help stations and special collections are also partially recovered through the fee. At the level of \$75, the City recovers approximately 50 percent of its operations costs; this fee was increased to \$132 and now will recover nearly 87 percent of solid waste operating costs. In 2005, many other fees including several permits and licenses were also increased.

While the property tax rate for 2006 purposes is \$8.75 compared to \$9.19 per \$1,000 of assessed value in 2005, the 2006 property tax levy of approximately \$213.1 million increased \$10.1 million compared to \$203 million in 2005. The property tax revenue reported in the General Fund was \$135 million for 2005 compared to \$129 million for 2004. Property tax revenue funding as a portion of total General Fund expenditures has remained relatively constant at 23 percent for both 2005 and 2004.

Property tax and State aid revenues comprise approximately 77 percent of the General Fund revenues for 2005.

### **MAJOR CAPITAL PROJECTS**

The 2006 capital budget includes for various infrastructure and building projects. For 2006, the City capital improvements budget totals \$164.9 million, an increase of \$70 million from 2005. In addition to funding a total of \$65.5 million for various tax incremental district and development projects, two major one-time projects (listed below) totaling \$41.7 million have been included in the budget. An additional \$39 million was budgeted for TID's, mainly to accommodate total anticipated new TID project funding rather than funding only 2006 cash flow requirements.

Milwaukee's City Hall is an architecturally significant landmark building listed in the National Register of Historic Places. City engineering staff's observations determined that City Hall's tower, roof, and walls needed work to restore the buildings' watertight integrity. The City Hall Restoration program was introduced in 2002 with a total estimated cost of \$70 million for both contractor and city force work. The repair and restoration work to address the deterioration of key exterior elements such as brick, terra cotta, sandstone, windows, embedded structural steel, copper and slate roofing was awarded to J.P. Cullen & Sons, Inc. in 2005 for \$59 million. Construction staging and scaffolding erection has begun, with the project expected to go through 2007. The 2006 capital budget included \$17.7 million to address the expected 2006 cash flow requirements on the project.

A Menomonee Valley Facilities Relocation project provides for the construction of a consolidated facility for the Department of Public Works Infrastructure Operations and Water Works field operations. Located at the former Tower Automotive facility site, the facility, is now fully operational. The 2006 capital budget included \$24 million for the final construction costs, with Water Works and the Sewer Maintenance Fund making annual lease payments to the City of Milwaukee for the facility space they will occupy.

CITY OF MILWAUKEE  
**LETTER OF TRANSMITTAL**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**CASH MANAGEMENT POLICIES AND PRACTICES**

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities which maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and commercial paper (all of which are permissible under State Statutes). The average interest earnings rate for City funds invested by the City Treasurer was approximately 3.0 percent in 2005 as compared to 1.5 percent in 2004. The City continued to use the State of Wisconsin Local Government Investment Pool to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. In 2005 the average daily investable balance was \$239.3 million as compared to \$253.1 million in 2004, a 5.45 percent decrease. The investable balance generates interest earnings for the City, which is used to offset the property tax levy.

During 2004, the City continued its prudent use of financing techniques and investment instruments to maximize its investment return while meeting on-going cash flow needs. The City's use of cash flow borrowing in anticipation of State Shared and State Equalization Aid Revenues totaled \$238 million in 2005, compared to \$238 million in 2004. The financing was accomplished through two separate offerings -- \$56 million in March 2005 for City purposes and \$182 million in September 2005 for school purposes. The timing of these offerings provided the City with an opportunity to earn additional interest on investments and still comply with the requirements of the Tax Reform Act of 1986. The second borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending the receipt of State Equalization Aids.

**RISK MANAGEMENT**

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

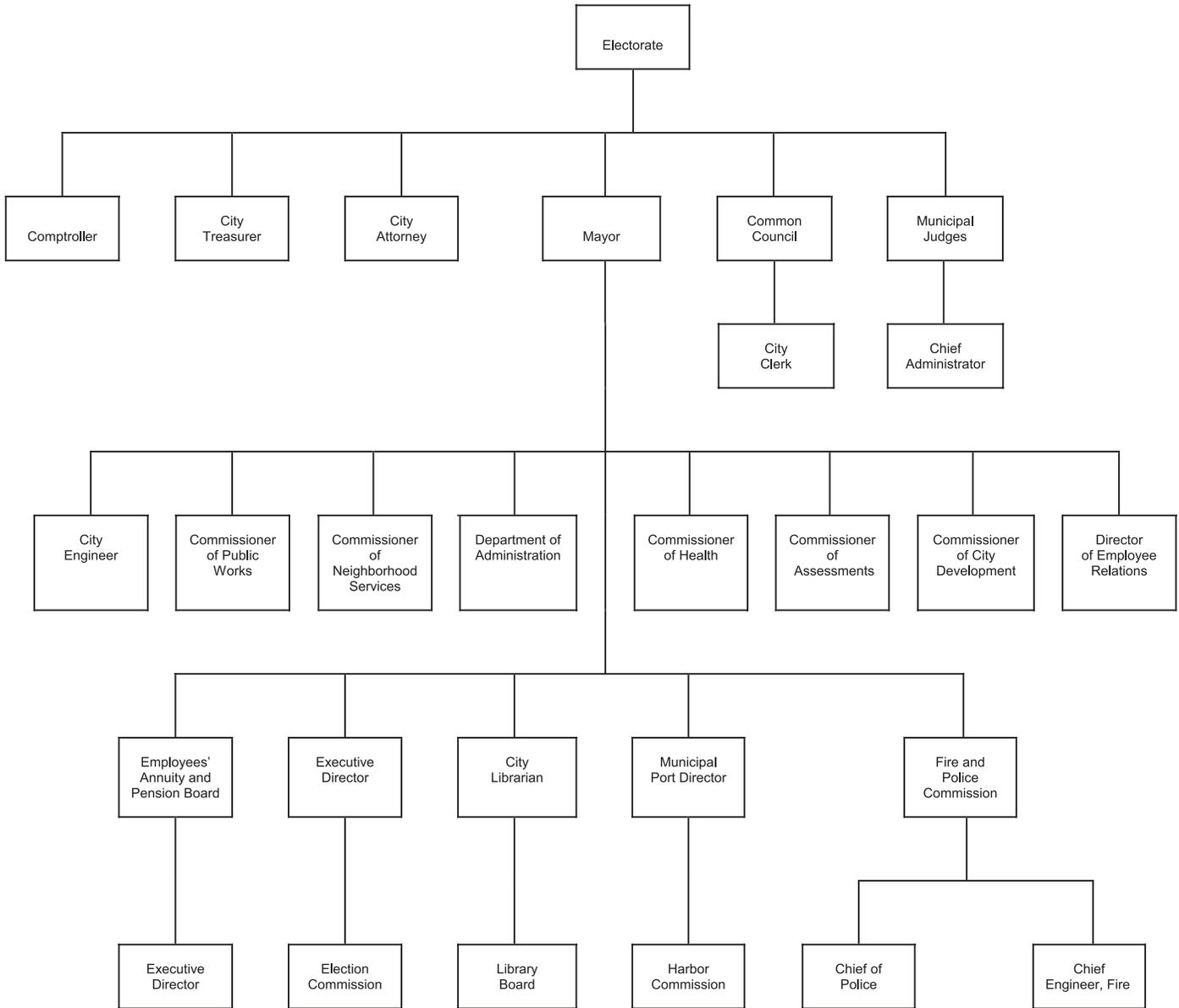
**ACKNOWLEDGEMENTS**

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 has made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this Comprehensive Annual Financial Report. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Very truly yours,

  
W. MARTIN MORICS  
Comptroller

City of Milwaukee  
**ORGANIZATION CHART**  
 DECEMBER 31, 2005



CITY OF MILWAUKEE  
 NAMES OF PRINCIPAL OFFICIALS  
 DECEMBER 31, 2005

**ELECTED**

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

**COMMON COUNCIL**

President .....	Willie L. Hines, Jr.
-----------------	----------------------

**Aldermanic District**

**Alderman**

First .....	Ashanti T. Hamilton
Second .....	Joseph L. Davis, Sr.
Third .....	Michael S. D'Amato
Fourth .....	Robert J. Bauman
Fifth .....	James A. Bohl, Jr.
Sixth .....	Michael I. McGee, Jr.
Seventh .....	Willie C. Wade
Eighth .....	Robert G. Donovan
Ninth .....	Robert W. Puente
Tenth .....	Michael J. Murphy
Eleventh .....	Joseph A. Dudzik
Twelfth .....	James N. Witkowiak
Thirteenth .....	Terry L. Witkowski
Fourteenth .....	T. Anthony Zielinski
Fifteenth .....	Willie L. Hines, Jr.

**FINANCE RELATED (Non-Elected)**

Administration Director .....	Sharon D. Robinson
Budget & Management Director .....	Mark P. Nicolini
City Purchasing Director .....	Cheryl L. Oliva
Commissioner of Assessments .....	Mary P. Reavey
Chief Information Officer .....	Randolf A. Gschwind

This page left blank intentionally.



This page left blank intentionally.



777 East Wisconsin Avenue  
Milwaukee, WI 53202

## Independent Auditors' Report

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

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 (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information on pages 17 to 31; and Exhibit E-1, respectively, are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2006, on our consideration of the City'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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

KPMG LLP

Milwaukee, Wisconsin  
July 28, 2006, except for the financial statements and related  
note disclosures for the discretely presented component  
units as to which the date is November 3, 2006

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2005. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included. Dollars are reported in thousands.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2005 by \$1,038 million (net assets); \$405 million in governmental activities and \$633 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$197 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred.
- The city's net assets of \$1,038 million compared to the previous year of \$1,022, increased by 1.6%.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$1,054 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$117 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted (\$133) million.
- The City's governmental funds reported total ending fund balance of \$229.0 million this year. Compared to the prior year ending fund balance of \$205.5 million, an increase of \$23.5 million resulted by year end 2005; an 11% increase.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$85 million or 14.8% of total General Fund expenditures including transfers and 14.9% of total General fund revenues including transfers.
- Total liabilities of the city increased by \$35 million to \$1,410 million during the fiscal year.
- General obligation bonds and notes payable increased by \$37 million during the current fiscal year from \$673 million to \$710 million. The key factors in this increase were the issuance of over \$156 million in general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools. Other factors contributing to this increase were scheduled retirement of general debt of \$119 million.
- For governmental activities, program revenue (consisting of charges for services, and of operating grants and contributions) supported 19.6% of the total expenses for 2005. Property taxes and other taxes represented 29.2% of the primary government's governmental activities' expenses and state aids for the General Fund equaled 35.4%. Miscellaneous revenues and transfers supported 12.6% of the expenses. As a result of 2005 activity, 3.2% of the expenses are not funded with current year revenues and transfers.
- For business-type activities, program revenue (consisting of charges for services, and of capital grants and contributions) supported 127.35% of the expenses for 2005; and, in total exceeded the expenses by \$38,697. Miscellaneous revenue and transfers out of (\$33,631) were 23.77% of the total expenses for the year.
- During the year, the City had governmental expenses of \$619.0 million more than its program revenues; general revenues and transfers of \$628.5 million resulted in a decrease of net assets of \$9.5 million. This does not include \$16.6 million budgeted use of prior year surplus used to finance the General Fund expenditures for 2005. Business-type activities generated \$6.5 million of program revenues, general revenues and transfers greater than its expense at year end; and, had an increase of net assets of 1% over 2004.
- The general fund reported a positive fund balance for the year of \$85 million. Compared to \$87 million in 2004; the 2005 year end balance decreased 2.3%. This decrease is primarily a result of the aggregate of total actual revenues and transfers in were \$2 million less than aggregate of total expenditures and transfer out during 2005.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

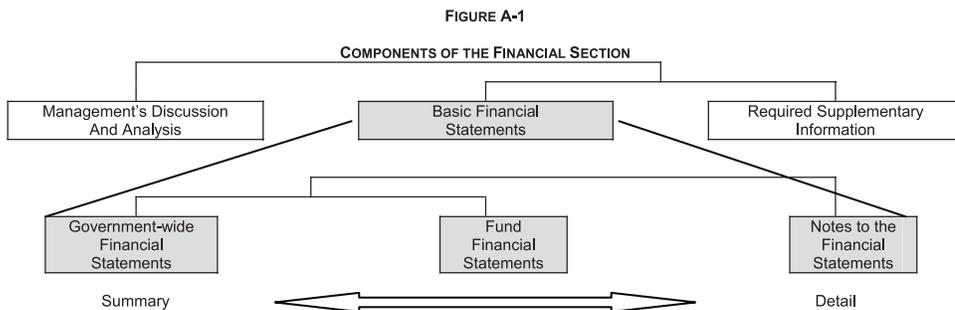
- The operating expenditures of the General Fund were \$9.9 million less than budgeted. This favorable variance is a result of savings from general government departments of \$8.5 million; public safety departments of \$8 million and public works, health, culture and recreation and conservation and development departments, in the aggregate, of \$0.6 million. Several major savings over the final budget for the year contributed to approximately 85% of this total savings, or \$8.4 million. A total of \$4 million in departments was saved in salary accounts due to normal vacancies and funding for union contracts settled in 2005 which resulted in expenditures less than budgeted.. The Employees' Retirement System Administration Department saved \$2.0 million in annual professional fees and other operating costs and \$1.1 million on the special departmental project of Data Remediation which was completed in 2005. The Comptroller and Administration departments saved a combined savings of \$.3 million in other operating costs for 2005. Special Purpose non-departmental appropriations assigned to the Department of Neighborhood Services saved \$.2 million on razing and vacant building protections costs by year end. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$4.4 million for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



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

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

**Government-wide Financial Statements**

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

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position.

- Over time, increases or decreases in the City's net assets are one indicator 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 roads are 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.
- *Component units*—The City includes four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

**Fund Financial Statements**

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the city as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

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

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

#### **Notes to the Financial Statements**

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

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

#### **Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data**

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

#### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

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

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

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

	Governmental Activities		Business-type		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Current and other assets .....	\$ 778,176	\$ 791,833	\$ 116,482	\$ 101,621	\$ 894,658	\$ 893,454
Capital assets .....	841,723	873,744	660,664	680,939	1,502,387	1,554,683
Total assets .....	1,619,899	1,665,577	777,146	782,560	2,397,045	2,448,137
Long-term liabilities outstanding .....	702,463	749,904	132,838	121,663	835,301	871,567
Other liabilities .....	521,653	510,360	17,895	27,958	539,548	538,318
Total liabilities .....	1,224,116	1,260,264	150,733	149,621	1,374,849	1,409,885
Net assets:						
Invested in Capital assets, net of related debt .....	444,873	492,841	529,213	560,899	974,086	1,053,740
Restricted .....	110,417	109,149	8,123	8,383	118,540	117,532
Unrestricted .....	(159,507)	(196,677)	89,077	63,657	(70,430)	(133,020)
Total net assets .....	\$ 395,783	\$ 405,313	\$ 626,413	\$ 632,939	\$ 1,022,196	\$ 1,038,252

Net assets of the city's governmental activities increased 2.4% to \$405.3 million for 2005. These net assets are restricted as to use of \$109.1 or are invested in capital assets of \$492.8 (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net assets deficit (\$196.7) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims and to pay for unused employee vacation and sick days. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 1% to \$632.9 million in 2005. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term liabilities for governmental activities increased 6.8% from 2004 due primarily by the issuance of long-term debt. For business-type activities, long-term liabilities decreased 8.4% from 2004 due to the retirement of existing general obligation and revenue bond debt.

Total assets, including capital assets increased \$51.1 million or 2.13% from 2004. Capital assets of the primary government increased overall only 3.48% from the previous year. For 2005, business-type activities, the Water Works and the Sewer Maintenance Funds have 91% of the city's total net capital assets. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (54%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (37%) includes all the various sewer mains and connections.

**Changes in net assets.** The City's total revenues totaled \$731.7 million in the governmental activities. Of revenues, 31% comes from property and other taxes and 49% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services represents only 9% of the total, with the remaining 11% from licenses, permits, finds and forfeits and miscellaneous other sources.

The City's expenses cover a range of services, with about 34% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its revenues for governmental activities by a 5.3% margin while business-type activities had 22.1% more revenues than expenses. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

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

**Table 2**  
**Changes in of Net Assets**  
*(Thousands of Dollars)*

	<u>Governmental Activities</u>		<u>Business-type</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services .....	\$ 60,825	\$ 63,410	\$ 177,639	\$ 178,331	\$ 238,464	\$ 241,741
Operating grants and contributions .....	82,664	87,718	-	-	82,664	87,718
Capital grants and contributions .....	-	-	2,236	1,850	2,236	1,850
General revenues:						
Property taxes and other taxes .....	217,762	224,918	-	-	217,762	224,918
State aids for General Fund .....	273,865	272,875	-	-	273,865	272,875
Miscellaneous .....	56,321	82,796	797	1,460	57,118	84,256
Total revenues .....	<u>691,437</u>	<u>731,717</u>	<u>180,672</u>	<u>181,641</u>	<u>872,109</u>	<u>913,358</u>
Expenses						
General government .....	177,761	180,975	-	-	177,761	180,975
Public safety .....	241,027	263,852	-	-	241,027	263,852
Public Works .....	150,591	155,048	-	-	150,591	155,048
Health .....	27,251	27,036	-	-	27,251	27,036
Culture and recreation .....	29,014	19,931	-	-	29,014	19,931
Conservation and development .....	57,967	57,245	-	-	57,967	57,245
Capital contribution to						
Milwaukee Public Schools .....	15,686	18,002	-	-	15,686	18,002
Contributions .....	20,582	25,465	-	-	20,582	25,465
Interest on long-term debt .....	24,159	22,589	-	-	24,159	22,589
Water .....	-	-	54,030	58,230	54,030	58,230
Sewer Maintenance .....	-	-	24,361	26,096	24,361	26,096
Parking .....	-	-	22,283	22,369	22,283	22,369
Port of Milwaukee .....	-	-	2,981	3,252	2,981	3,252
Metropolitan Sewerage District User Charges.	-	-	31,233	31,537	31,233	31,537
Total expenses .....	<u>744,038</u>	<u>770,143</u>	<u>134,888</u>	<u>141,484</u>	<u>878,926</u>	<u>911,627</u>
Increase in net assets before transfers .....	(52,601)	(38,426)	45,784	40,157	(6,817)	1,731
Special item - receipt of loans receivable .....	-	14,325	-	-	-	14,325
Transfers .....	22,622	33,631	(22,622)	(33,631)	-	-
Increase in net assets .....	(29,979)	9,530	23,162	6,526	(6,817)	16,056
Net assets – Beginning .....	<u>425,762</u>	<u>395,783</u>	<u>603,251</u>	<u>626,413</u>	<u>1,029,013</u>	<u>1,022,196</u>
Net assets – Ending .....	<u>\$ 395,783</u>	<u>\$ 405,313</u>	<u>\$ 626,413</u>	<u>\$ 632,939</u>	<u>\$ 1,022,196</u>	<u>\$ 1,038,252</u>

**Governmental Activities**

Revenues for the city's governmental activities were \$731.7 million, while total expenses were \$770.1 million for 2005. All revenues, excluding transfers, are only supporting 94.8% of the total expenses; or 99.3% with transfers; leaving the remaining .7% funded with available fund balances. Comparable data for 2004 indicates 92.4% of all revenues, excluding transfers supported 2004's expenses 96% with transfers.

Property taxes represent 30.7% of the total revenues for 2005 compared to 31.5% for 2004; a .8% decrease. The slight decrease in revenues is primarily due to a decrease in collections. State aids for the General Fund of \$272.9 million decreased from 2004 by \$1.0 million or .37%. The combined property taxes and state aids comprised approximately 68% of the total revenues for governmental funds in 2005 compared to 71% in 2004. Charges for services equaled 8.7% of the total revenues in 2005 compared to 8.8% in 2004.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Governmental activities had expenses increase 3.5% in 2005 to \$770.1 million from \$744 million in 2004. Expenses for general government, which comprise 23.5% of the total expenses, increased 1.8% in 2005. An increase in health care costs is the main reason for this increase. Public safety expenses represent the largest category of governmental activities or 34.3% of the total expenses for 2005 which is an increase from 32.4% in 2004. Public safety expenses increased due to the wage settlements for Fire and Police Departments with significant retroactive pay paid during 2005; and, for Police overtime that occurred during 2005.

**Chart 1**  
**2005 Expenses and Program Revenues - Governmental Activities**

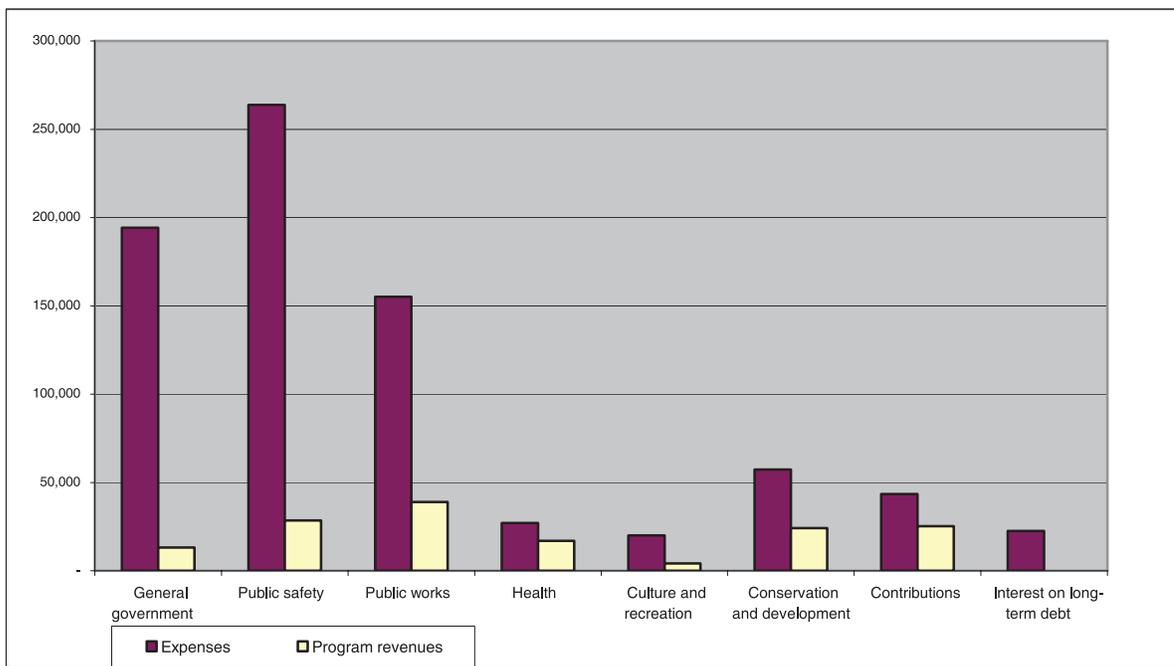


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee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

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**Table 3**  
**Governmental Activities**  
*(Thousand of Dollars)*

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2004	2005	2004	2005
General government .....	\$ 177,761	\$ 180,975	\$ 165,130	\$ 167,840
Public safety .....	241,027	263,852	218,146	235,397
Public works .....	150,591	155,048	113,801	116,145
Health .....	27,251	27,036	9,715	10,029
Culture and recreation .....	29,014	19,931	24,692	15,705
Conservation and development .....	57,967	57,245	30,874	33,030
Contributions .....	36,268	43,467	14,032	18,280
Interest on long-term debt .....	24,159	22,589	24,159	22,589
Total Governmental Activities .....	<u>\$ 744,038</u>	<u>\$ 770,143</u>	<u>\$ 600,549</u>	<u>\$ 619,015</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue increased in 2005 to \$619.0 million from \$600.5 million in 2004 or 3%. For 2005, Public Safety's net cost of services represents the largest category of total expenses at 38%, a increase from 36.3% compared to 2004. General Government's net costs of services decreased its share of total expenses from 27.5% in 2004 to 27.1% in 2005. The total costs of services increased overall by 3.5%, with the net cost of services also increasing 3.1%. This indicates that the program revenue for the purposes are increasing in portion to the total cost pf governmental services.

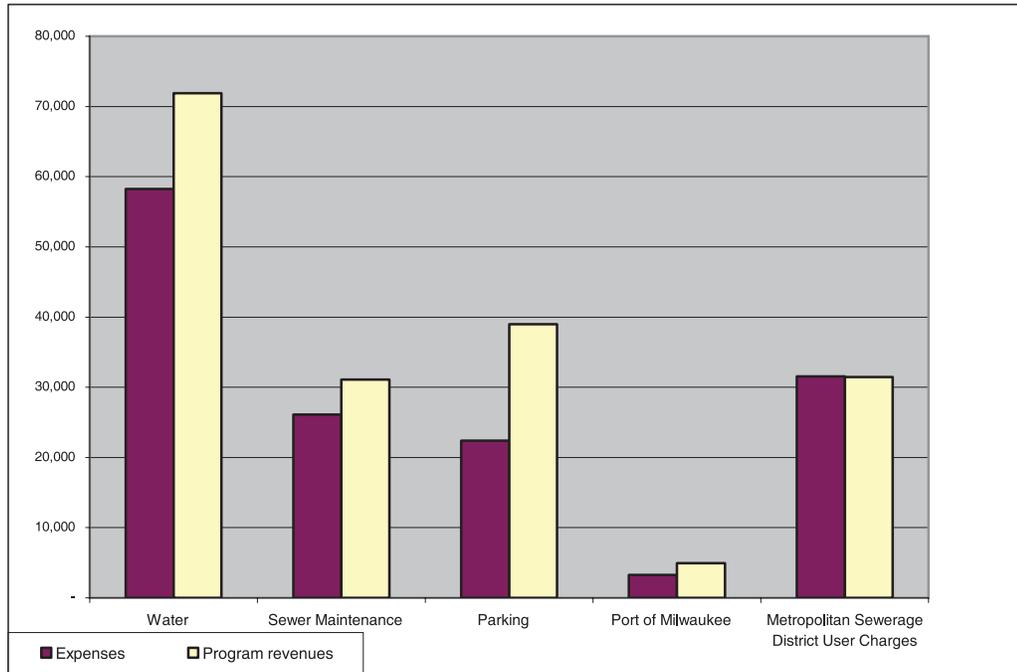
**Business-type Activities**

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$56.3 million and operating income of \$15.2 million. The Sewer maintenance had operating income of \$11.9 million after generating expenses of \$19.2 million. The City parking facilities operating expenses during 2005 were \$21.6 million with net operating income of \$16.7 million.

Total revenues on Table 2 shows an increase of \$.9 million in 2005 compared to 2004, or .5%. Total expenses and transfers of all enterprise funds of the City increased \$17.6 million, from \$157.5 million in 2004 to \$175.1 million in 2005. This resulted in a change in net assets activity for the year 2005 of a decrease of \$16.6 million compared to 2004. The year-end Total Net Assets however, increased by \$6.5 million or 1.04% This increase in revenue can be attributed to the increase the rates earned on investments; rate increase in the sewer user rates and increase in water sales revenues to its customers.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**Chart 2**  
**2005 Expenses and Program Revenues - Business-type Activities**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed the year, its governmental funds (as presented in the balance sheet on Exhibits A-1) reported a combined fund balance of \$229.0 million, an increase of \$23.5 million or 11% over last year. A major contributor for this increase is due to a one-time recording of the a Special Item in the Special Revenue Funds-Grant and Aid Projects Fund and the Community Development Block Fund for the transfer of a total of \$14.3 million of Component Unit Neighborhood Improvement Development Corporation's loans receivable to the City. In addition, the expenditures for various capital projects (such as streets, tax incremental districts in advance of the issuance of debt resulted in a net fund deficit of \$12.3 million in 2004; with the receipt of bond proceeds in 2005, the total capital projects fund balance at year end 2005 is a deficit of \$838. Total debt issued for capital projects totaled \$72.3 million in 2004 compared to \$112.9 million in 2005. At year end, the capital projects with a fund deficit were Tax Incremental Districts \$9.2 million, Bridges \$3.8 million, Fire \$1.1million, and Sewers, Library and Streets \$.7 million. The fund balance deficit of \$15.1 million for special assessment capital projects remained constant compared to \$13.1 million in 2004. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years. Other capital project such public buildings, police, urban renewal, playgrounds and special projects netted a positive fund balance at year end of \$28.9 million.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

The total reserves of the General Fund decreased 2.3% to \$85 million from \$87 million in 2004. Of this amount, \$16.3 will finance the 2006 budget, with \$46.8 available for 2007 and subsequent years' budgets.

Revenues for governmental functions overall totaled \$731.3 million in the fiscal year ended December 31, 2005, which represents an increase of approximately 5.9% from the fiscal year ended December 31, 2004. Expenditures for governmental funds totaled \$893.8 million, an increase of 8.8%. In the aggregate, expenditures exceeded revenues by \$163 million, or approximately 22%. Other financing sources closed the gap, leaving the total net change in fund balances with an increase of \$23.5 million for the year. In comparison for the year 2004, the total net change in fund balances resulted in a decrease of \$8.7 million. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds and a one-time special item of \$14.3 million for the receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

*Major Governmental Funds*

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$2 million or 2.3%. Key factor contributing to this decrease is revenues and other financing sources totaled approximately \$572 million and expenditures and other financing uses totaled approximately \$574 million - detailed in Table 4 below. While revenues and other financing sources increased by 3.96% over 2004, and expenditures and other financing uses increased 3.74% over 2004, the net result ended with expenditures exceeding revenues.

The following table 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:	2004	2005	% Change	Expenditures:	2004	2005	% Change
Property taxes .....	\$ 129,120	\$ 135,610	5.03%	General Government.....	\$ 200,124	\$ 206,055	2.96%
Other taxes .....	3,563	3,709	4.10%	Public Safety.....	231,371	248,366	7.35%
Licenses and permits .....	11,530	13,374	15.99%	Public Works.....	89,562	89,180	-0.43%
Intergovernmental .....	273,865	272,875	-0.36%	Health.....	10,724	10,656	-0.63%
Charges for services .....	60,825	63,410	4.25%	Culture and recreation .....	17,822	16,744	-6.05%
				Conservation and development .....	3,495	2,767	-20.83%
Fines and forfeits .....	5,647	5,893	4.36%				
Contributions received .....	22,236	25,187	13.27%	Total Expenditures ....	553,098	573,768	3.74%
Other .....	8,108	12,179	50.21%				
Total Revenues .....	514,894	532,237	3.37%	Other Financing Uses			
Other Financing Sources				Transfers out .....	10	3	-70.00%
Debt proceeds .....	2,000	-	-100.00%	Total Expenditures and other Financing Uses .....	\$ 553,108	\$ 573,771	3.74%
Transfers in .....	33,269	39,725	19.41%				
Total Revenues and Other Financing Sources .	550,163	571,962	3.96%				
Excess of Revenues over Expenditures .....	(38,204)	(41,531)	8.71%				
Net Change in over Expenditures .....	\$ (2,945)	\$ (1,809)	-38.57%				

The General Obligation Debt Service Fund increased its fund balance from \$43.8 million to \$44.2 million, less than 1%. The Public Debt Amortization Fund showed a slight decrease of 1.5% from \$74.8 million to \$73.7 million at year-end for its fund balance. Other Revenues, consisting of interest on investments, increased significantly from 3.6 million in 2004 to \$5.3 million

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

in 2005 primarily to increase in interest rates on investments. In addition, internal transfers to fund various routine on-going capital projects during 2005 increased to \$8.6 million compared to \$7.2 million in 2004.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction, repair of major capital facilities other than those financed by proprietary funds. At year end, 2005 showed a deficit fund balance of \$.8 million (an increase in the fund balance of \$11.4 million less the accumulated deficit of \$12.3 million in 2004). In 2005, total debt proceeds amounted to \$112.9 million as compared to \$72.3 million in 2004, a 56.2% increase. Total revenues increased 46.1% from \$25.6 million to \$37.4 million; expenditures also increased from \$104.8 million to \$139.0 million or 32.6%. Due to the issuance of bonds and notes during 2005 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures in total, but insufficient to eliminate the deficit in fund balance at year end 2005. The capital projects with a fund deficit were Tax Incremental Districts \$9.2 million, Bridges \$3.8 million, Fire \$1.1 million, and the remaining \$.7 from Sewers, Library and Streets. The fund balance deficit of \$15.1 million for special assessment capital projects remained constant compared to \$13.1 million in 2004. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years. Other capital project such public buildings, police, urban renewal, playgrounds and special projects netted a positive fund balance at year end of \$28.9 million.

### **Proprietary Funds**

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$63.6 million. This was a decrease from \$89 million at December 31, 2004 or 28.5%. This decrease consists of, \$3.0 million in the Water Works, \$20.5 million in the Sewer Maintenance, \$1.2 million in the Parking and \$.7 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds increased .3% from 2004 - \$176.7 million to \$177.2 million in 2005; total operating expenses increased to \$131.7 in 2005 from \$124.4 in 2004 or 5.9%. The Water Works is the largest enterprise activity for the City, comprising approximately 40% of the total operating revenues. The Sewer Maintenance Fund comprises almost 18% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2005 both revenues and water consumption have gone up from the previous year. Specifically, the Water works revenues increased by \$.450 million and gallons sold increased by 1.1 billion gallons. This increase is mainly due to the hot and dry summer that Milwaukee experienced in 2005. Water works non-operating revenues for 2005, which is mainly composed of interest income, increased by 54% or \$.5 million from 2004. This increase is due to a favorable interest rate on investments in 2005.

The Water Works had total operating and non-operating expenses of \$56.3 for 2005 compared to \$54.0 for 2004. Excluding depreciation expense, operating expenses increased by \$4.3 million or 10.7% in 2005. A major portion of this increase is in the water treatment expenses with a total increase of \$2.3 million between the two categories. Two major repair projects were undertaken in 2005. The Howard East Clearwell Roof Repair Project cost \$1.1 million and the Riverside Lead Abatement Project cost \$.7 million. There were no major projects of similar magnitude in 2004. Rising cost of chemicals and energy also contributed to the increase in operating expenses. The non-operating expenses of the Water Works decreased by \$.374 due to the declining principal balances on outstanding debt.

The total operating expenses of all the enterprises funds, except Water Works, remained consistent with 2004 and increased approximately 5.8%

### **General Fund Budgetary Highlights**

Over the course of the year, the City Council adopted three resolutions which increased the appropriations of the general fund due to greater than anticipated revenues. These increased budgets permitted departments to spend additional appropriations due to the increase in revenues related to the purpose being expended. \$206,500 was received from third party workers' compensation claims as insurance settlements during 2005. In addition, \$10,000 was received over the amounts anticipated in the budget relating to the Common Council's approval for the receipt and expenditure of funds for contributions relating to the Cans for Cash Challenge to fund recycling education and outreach efforts targeting Milwaukee schools and residents; such donations are accounted for as Other Financing sources and uses in the General Fund. Also, \$1,049,359 was received in fringe benefit offset funds to fund the 2005 health care obligations.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2004 less the encumbrances carried over to 2006. The Final budget includes the original budget as defined plus appropriations authorized for carry over from 2004 by Common Council less those appropriations authorized for carryover to 2006. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section, Exhibit E-1, the General Fund original budget for expenditures was \$541.1 million with the final budget at \$558.2 million. This is an increase over the fiscal year 2004 with original budget at \$525.8 million and final budget at \$536.8 million. The resulted increase was 2.9% and 4% for the original and final budgets, respectively.

The original budget relating to estimated revenues of the General Fund was \$495,168 with the Final budget increased by \$217 to \$495,385 per the authorized resolution detailed above. The 2005 original and final budgets as depicted in Exhibit E-1 show a 2 percent net change from the previous year or 2.04% increase from the original 2004 budget, and a 1.99% increase over the final 2004 budget of \$485,261 and \$485,700, respectively.

For the fiscal year ended December 31, 2005, the General Fund had a positive variance of \$11.7 million in revenues over estimated revenues. All actual revenue categories increased compared to 2004 from 4.10% in Other Taxes to 15.99% in Licenses and Permits, except for Intergovernmental Revenues (State Shared Revenue). These revenues decreased slightly (.36%) from 2004 of \$273,865 to 2005 of \$272,875 or a \$990,000 decrease. An overall revenue increase of \$14.4 million over 2004's total revenue of \$492,658 calculates to a total for 2005 total revenue of \$507,050, or a 2.92% increase. While the categories indicate various individual fluctuations, two of the noteworthy changes over 2004 actual revenue include \$6.5 million increase in Property Taxes due to a reassessment of property values. The Other category increased \$4.1 million from 2004; interest income on investments is included in this category. The average interest rate of return on the pooled investments with the State's Local Government Pooled Investment Fund was 3.04857% compared to 1.5089% in 2004.

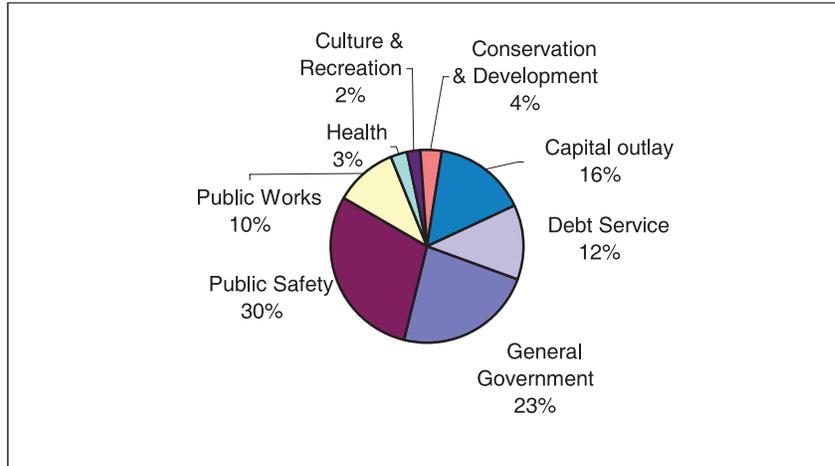
A favorable variance of \$9.9 million in unexpended budget resulted by year end 2005. The general government contributed \$8.5 million; public safety added \$.8 million and public works, health culture and recreation and conservation and development, in the aggregate, added \$.6 million. Several major savings over the final budget for the year contributed to approximately 85% of this total savings, or \$8.4 million. A total of \$.4 million in departments was saved in salary accounts due to normal vacancies and funding for union contracts settled in 2005 which resulted in expenditures less than budgeted.. The Employees' Retirement System Administration Department saved \$2.0 in annual professional fees and other operating costs and \$1.1 million on the special departmental project of Data Remediation which was completed in 2005. The Comptroller and Administration departments saved a combined savings of \$.3 million in other operating costs for 2005. Special Purpose non-departmental appropriations assigned to the Department of Neighborhood Services saved \$.2 million on razing and vacant building protections costs by year end. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$4.4 million for the year.

Overall the total 2005 expenditures increased \$15.8 million compared to 2004. This increase can be attributed primarily to salaries in the Public Safety category. Salaries increased \$7.6 million in Fire Department and \$8.1 million in Police, primarily due to wage settlements. Significant retro payments relating to the 2004 thru April 2005 for Police and 2004 thru September 2005 coupled with the installation of the new rates of pay to the year 2005 contributed greatly to this increase.

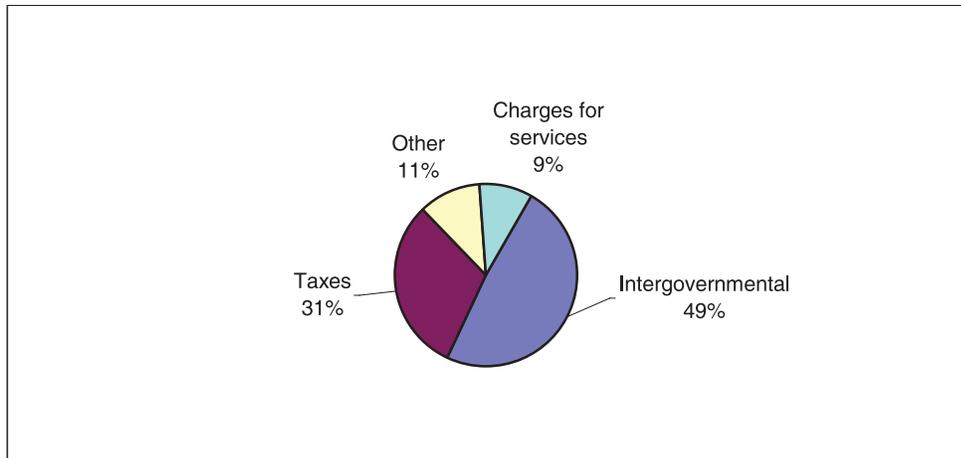
The City's General Fund's beginning fund balance of \$87.0 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$16.6 million. For budgetary purposes, this withdrawal is reflected as other financing sources, whereas for accounting purposes it is reflected as part of the fund balance.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**Chart 3**  
**2005 City Spending by Function - Governmental Funds**



**Chart 4**  
**2005 Revenues by Source - Governmental Funds**



**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for governmental and business-type activities as of December 31, 2005, total \$1,554.7 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$52.3 million or 3.5%. Governmental activities' capital assets increased \$32 million. Business-type activities' capital assets increased \$20.3 million or 3.1% at the end of 2005. A schedule comparing the assets by type for 2004 and 2005 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$57 million and deletions were \$25 million for 2005 for governmental activities. The sewer maintenance fund had a net change in capital assets that resulted in an increase of \$15.9

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

million. Of the sewer maintenance fund's net assets at year end, 86.3% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 61.35% of its total net assets and 32.3% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 2%.

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

	Governmental Activities		Business-type		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Capital assets not being depreciated:						
Land .....	\$ 163,552	\$ 163,482	\$ 18,388	\$ 18,012	\$ 181,940	\$ 181,494
Construction in progress .....	59,902	64,594	45,909	46,176	105,811	110,770
Capital assets being depreciated:.....						
Buildings .....	140,186	160,313	84,395	84,355	224,581	244,668
Infrastructure .....	1,263,394	1,298,714	576,906	606,460	1,840,300	1,905,174
Improvements other than buildings .....	8,733	9,082	24,457	25,067	33,190	34,149
Machinery and equipment .....	121,327	122,716	203,243	206,736	324,570	329,452
Furniture and furnishings .....	-	-	70	70	70	70
Nonutility property .....	-	-	540	3,019	540	3,019
Accumulated depreciation .....	(915,371)	(945,157)	(293,244)	(308,956)	(1,208,615)	(1,254,113)
<b>Total .....</b>	<b>\$ 841,723</b>	<b>\$ 873,744</b>	<b>\$ 660,664</b>	<b>\$ 680,939</b>	<b>\$ 1,502,387</b>	<b>\$ 1,554,683</b>

**Debt**

At year-end, the City had \$710.4 million in general obligation bonds and notes, \$0.2 million in capital lease payable, and \$71.5 million in revenue bonds outstanding as itemized in Table 6.

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

	Governmental Activities		Business-type		Total Primary Government	
	2004	2005	2004	2005	2004	2005
General obligation bonds (backed by the City) .....	\$ 618,988	\$ 664,285	\$ 53,943	\$ 46,125	\$ 672,931	\$ 710,410
Capital lease payable .....	349	174	-	-	349	174
Revenue bonds (backed by specific fee revenues) .....	-	-	74,690	71,476	74,690	71,476
<b>Total .....</b>	<b>\$ 619,337</b>	<b>\$ 664,459</b>	<b>\$ 128,633</b>	<b>\$ 117,601</b>	<b>\$ 747,970</b>	<b>\$ 782,060</b>

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$126,828 million, of which \$1.3 million related to the Port and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's March 2005 and also on the November 2005 general obligation bonds issues.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

The city's general obligation debt per capita, excluding enterprise fund debt, was \$1,029.78 at the end of 2005, a 8.02% increase from the prior year. As of December 31, 2005, the City's outstanding net general obligation debt was 2.32% of the City's equalized property value. The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 51% of this limit. For the 15th year, the City issued general obligation notes to purchase a portion of General Fund delinquent taxes in the amount of approximately \$14 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Total property taxes levied for all funds of the City in 2004 for 2005 purposes decreased \$.44 cents per thousand dollars of assessed valuation to a rate of \$8.75. There were no new fees for services.

- The Solid Waste Fee will increase \$57 per year. The fee increased from an annual charge of \$75 to \$132. The change generates \$10.6 million in additional revenues for 2006. The last time the Solid Waste Fee increased was in 2002 when it went from \$44 per year to \$75. At the \$75 fee, the generated \$14 million in revenue, so combined with the increase in the fee the city will receive \$24.6 million in 2006. At the level of \$75 the city recovered approximately 50% of its operating costs. The increased fee will recover nearly 875 of solid waste operating costs..
- The Snow and Ice Control Fee will remain at its current rate of \$0.2736 per foot of property frontage, and generate \$2.4 million.
- Leaf pick-up and street-sweeping costs are recovered through the City's sewer maintenance fee. These will be in the form of a \$4.6 million transfer from the Sewer Fund to the General Fund in 2006.

The 2006 adopted City Budget is about \$1.2 billion with the budget for the General Fund at \$602.8 million. The General Fund budgets increased more than 3.8% over the 2005 budget of \$580.5 million. There is no question that escalating health care costs aggravate our fiscal condition. In 2006, the City will pay \$103.3 million for health insurance and related costs compared to \$94.7 million budgeted for 2005, an increase of 9.1%. Another major increase involves the cost of salaries of all General Fund Departments due primarily to union contract settlements. The 2006 Budget of \$322.1 compared to \$306.9 in 2005 results in an \$15.2 million increase or a 4.9% increase. Estimated Full-time Equivalents (FTE) for all General Fund Departments have a budgeted increase of 106.5 with the Fire and Police Departments having a combined increase of 138.8 FTE's.

The property tax levy will provide \$98.8 million revenue for the general city purposes budget in 2006. This represents an increase of \$5.0 million from 2005 or 5%. The total city tax levy increased from \$203 million for 2005 to \$213 million for 2006 or a \$10 million increase. The resulting property tax rate of \$8.76 is a 43 cent decrease from the 2005 rate of \$9.19 per \$1,000 of assessed valuation. The 2006 budget includes \$73.6 million in revenue from charges for services, an increase of \$13.5 million. This category of funding encompasses revenue received for services provided by City operating departments. A rate fee change in the solid waste fee from an annual charge of \$75 to \$132 will generate an additional \$10.6 million for the general city purposes. This specific fee increase is 79% of the total increase over 2005's budget

The City's population is beginning to show a minor but continual decline since 2001. The following table depicts this change over the last five years and represents a .46% decrease from 2001 to 2005:

2001	595,508
2002	595,958
2003	595,245
2004	593,920
2005	592,765

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

This page left blank intentionally.

**BASIC  
FINANCIAL  
STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
 December 31, 2005  
 (Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents .....	\$ 267,200	\$ 58,804	\$ 326,004	\$ 87,939
Investments .....	45,885	-	45,885	3,320
Receivables (net):				
Taxes .....	167,873	45	167,918	-
Accounts .....	19,694	24,982	44,676	2,318
Unbilled accounts .....	478	14,162	14,640	-
Special assessments .....	17,500	-	17,500	-
Notes and loans .....	51,218	-	51,218	65,813
Accrued interest .....	1,927	142	2,069	1,486
Due from component units .....	15,129	-	15,129	-
Due from primary government .....	-	-	-	3,486
Due from other governmental agencies .....	196,477	-	196,477	6,901
Inventory of materials and supplies .....	5,343	2,526	7,869	-
Inventory of property for resale .....	26	-	26	15,075
Prepaid items .....	334	11	345	1,531
Deferred charges .....	2,749	594	3,343	962
Other assets .....	-	355	355	1,342
<b>Total non-capital assets .....</b>	<b><u>791,833</u></b>	<b><u>101,621</u></b>	<b><u>893,454</u></b>	<b><u>190,173</u></b>
Capital assets:				
Capital assets not being depreciated:				
Land .....	163,482	18,012	181,494	55,713
Construction in progress .....	64,594	46,176	110,770	72,968
Capital assets being depreciated:				
Buildings .....	160,313	84,355	244,668	337,227
Infrastructure .....	1,298,714	606,460	1,905,174	-
Improvements other than buildings .....	9,082	25,067	34,149	259
Machinery and equipment .....	122,716	206,736	329,452	3,909
Furniture and furnishings .....	-	70	70	-
Nonutility property .....	-	3,019	3,019	-
Accumulated depreciation .....	<u>(945,157)</u>	<u>(308,956)</u>	<u>(1,254,113)</u>	<u>(198,141)</u>
<b>Total Capital Assets .....</b>	<b><u>873,744</u></b>	<b><u>680,939</u></b>	<b><u>1,554,683</u></b>	<b><u>271,935</u></b>
<b>Total Assets .....</b>	<b><u>1,665,577</u></b>	<b><u>782,560</u></b>	<b><u>2,448,137</u></b>	<b><u>462,108</u></b>

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
 December 31, 2005  
 (Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable .....	\$ 38,276	\$ 12,105	\$ 50,381	\$ 19,311
Accrued expenses .....	24,061	2,074	26,135	7,969
Accrued interest payable .....	9,047	882	9,929	-
Internal balances .....	(10,973)	10,973	-	-
Due to component units .....	3,486	-	3,486	-
Due to other governmental agencies .....	4,421	1,804	6,225	3,263
Deferred revenue .....	260,042	120	260,162	1,910
Revenue anticipation notes payable .....	182,000	-	182,000	-
Other payables .....	-	-	-	-
Other liabilities .....	-	-	-	6,189
Due to primary government:				
Due within one year .....	-	-	-	843
Due in more than one year .....	-	-	-	14,286
Long-term obligations:				
Due within one year .....	83,399	11,606	95,005	1,365
Due in more than one year .....	<u>666,505</u>	<u>110,057</u>	<u>776,562</u>	<u>120,571</u>
<b>Total Liabilities .....</b>	<u>1,260,264</u>	<u>149,621</u>	<u>1,409,885</u>	<u>175,707</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt .....	492,841	560,899	1,053,740	191,720
Restricted for:				
Debt Service .....	108,852	8,383	117,235	-
Other purposes .....	297	-	297	37,215
Unrestricted .....	<u>(196,677)</u>	<u>63,657</u>	<u>(133,020)</u>	<u>57,466</u>
<b>Total Net Assets .....</b>	<u>\$ 405,313</u>	<u>\$ 632,939</u>	<u>\$ 1,038,252</u>	<u>\$ 286,401</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, 2005  
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>				
Governmental Activities:				
General government .....	\$ 180,975	\$ 11,049	\$ 2,086	\$ -
Public safety .....	263,852	13,888	14,567	-
Public works .....	155,048	35,382	3,521	-
Health .....	27,036	693	16,314	-
Culture and recreation .....	19,931	1,808	2,418	-
Conservation and development .....	57,245	590	23,625	-
Capital contribution to Milwaukee Public				
Schools .....	18,002	-	-	-
Contributions .....	25,465	-	25,187	-
Interest on long-term debt .....	22,589	-	-	-
Total Governmental Activities .....	770,143	63,410	87,718	-
Business-type Activities:				
Water .....	58,230	71,903	-	1,850
Sewer Maintenance .....	26,096	31,072	-	-
Parking .....	22,369	38,961	-	-
Port of Milwaukee .....	3,252	4,959	-	-
Metropolitan Sewerage District				
User Charges .....	31,537	31,436	-	-
Total Business-type Activities .....	141,484	178,331	-	1,850
Total Primary Government .....	\$ 911,627	\$ 241,741	\$ 87,718	\$ 1,850
<b>Component units:</b>				
Housing Authority .....	\$ 83,840	\$ 17,839	\$ 44,296	\$ 17,784
Redevelopment Authority .....	6,353	2,354	3,315	-
Milwaukee Economic Development Authority	3,979	2,323	250	-
Neighborhood Improvement Development Corporation .....	1,747	441	916	-
Total Component Units .....	\$ 95,919	\$ 22,957	\$ 48,777	\$ 17,784

General revenues:

Property taxes and other taxes .....
State aids for General Fund .....
Grants and contributions not restricted to specific programs .....
Miscellaneous .....
Special item - receipt of loans receivable .....
Special item - transfer of loan portfolio to other government .....
Transfers .....
Total General Revenues and Transfers .....

Change in Net Assets .....

Net Assets - Beginning, as Restated .....

**Net Assets - Ending** .....

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

<b>Net (Expenses) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (167,840)		\$ (167,840)	
(235,397)		(235,397)	
(116,145)		(116,145)	
(10,029)		(10,029)	
(15,705)		(15,705)	
(33,030)		(33,030)	
(18,002)		(18,002)	
(278)		(278)	
<u>(22,589)</u>		<u>(22,589)</u>	
<u>(619,015)</u>		<u>(619,015)</u>	
-	\$ 15,523	15,523	
-	4,976	4,976	
-	16,592	16,592	
-	1,707	1,707	
-			
-	(101)	(101)	
-	<u>38,697</u>	<u>38,697</u>	
<u>(619,015)</u>	<u>38,697</u>	<u>(580,318)</u>	
			\$ (3,921)
			(684)
			(1,406)
			<u>(390)</u>
			<u>(6,401)</u>
224,918	-	224,918	-
272,875	-	272,875	-
-	-	-	-
82,796	1,460	84,256	3,516
14,325	-	14,325	-
-	-	-	(12,672)
<u>33,631</u>	<u>(33,631)</u>	<u>-</u>	<u>-</u>
<u>628,545</u>	<u>(32,171)</u>	<u>596,374</u>	<u>(9,156)</u>
9,530	6,526	16,056	(15,557)
<u>395,783</u>	<u>626,413</u>	<u>1,022,196</u>	<u>301,958</u>
<b><u>\$ 405,313</u></b>	<b><u>\$ 632,939</u></b>	<b><u>\$ 1,038,252</u></b>	<b><u>\$ 286,401</u></b>

This page left blank intentionally.

**FUND  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit A-1

	General
<b>ASSETS</b>	
Assets:	
Cash and cash equivalents .....	\$ 103,583
Investments .....	297
Receivables (net):	
Taxes .....	106,403
Accounts .....	14,936
Unbilled accounts .....	478
Special assessments .....	-
Notes and loans .....	214
Accrued interest .....	1,546
Due from other funds .....	35,727
Due from component units .....	810
Due from other governmental agencies .....	1,002
Advances to other funds .....	14,673
Inventory of materials and supplies .....	5,069
Inventory of property for resale .....	26
Prepaid items .....	334
<b>Total Assets</b> .....	<b><u>\$ 285,098</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable .....	\$ 24,031
Accrued expenses .....	23,876
Due to other funds .....	509
Due to component units .....	2
Due to other governmental agencies .....	-
Deferred revenue .....	151,453
Revenue anticipation notes payable .....	-
Advances from other funds .....	-
<b>Total Liabilities</b> .....	<b><u>199,871</u></b>
Fund Balances:	
Reserved for debt service .....	-
Reserved for delinquent taxes receivable .....	-
Reserved for economic development .....	-
Reserved for encumbrances, prepaids, and carryovers .....	16,382
Reserved for inventory .....	5,095
Reserved for mortgage trust .....	297
Reserved for environmental remediation .....	303
Reserved for tax stabilization - 2006 .....	16,328
Reserved for tax stabilization - 2007 and subsequent years' budgets and advances to other funds .....	46,822
Unreserved:	
Undesignated .....	-
Special assessment (deficit) .....	-
<b>Total Fund Balances</b> .....	<b><u>85,227</u></b>
<b>Total Liabilities and Fund Balances</b> .....	<b><u>\$ 285,098</u></b>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 84,699	\$ 28,001	\$ 37,598	\$ 13,319	\$ 267,200
-	45,588	-	-	45,885
46,264	-	7,076	8,130	167,873
-	-	3,151	1,607	19,694
-	-	-	-	478
-	-	17,500	-	17,500
36,679	-	-	14,325	51,218
278	103	-	-	1,927
-	-	-	-	35,727
14,286	-	-	33	15,129
182,000	-	1,403	12,072	196,477
-	-	-	-	14,673
-	-	274	-	5,343
-	-	-	-	26
-	-	-	-	334
<u>\$ 364,206</u>	<u>\$ 73,692</u>	<u>\$ 67,002</u>	<u>\$ 49,486</u>	<u>\$ 839,484</u>
\$ -	\$ -	\$ 9,606	\$ 4,639	\$ 38,276
-	-	185	-	24,061
9,176	-	8,351	6,718	24,754
-	-	2,554	930	3,486
-	-	3,013	1,408	4,421
128,823	-	29,458	9,008	318,742
182,000	-	-	-	182,000
-	-	14,673	-	14,673
<u>319,999</u>	<u>-</u>	<u>67,840</u>	<u>22,703</u>	<u>610,413</u>
44,207	73,692	-	9,661	127,560
-	-	-	6,624	6,624
-	-	-	1	1
-	-	13,981	-	30,363
-	-	274	-	5,369
-	-	-	-	297
-	-	-	-	303
-	-	-	-	16,328
-	-	-	-	46,822
-	-	-	10,497	10,497
-	-	(15,093)	-	(15,093)
44,207	73,692	(838)	26,783	229,071
<u>\$ 364,206</u>	<u>\$ 73,692</u>	<u>\$ 67,002</u>	<u>\$ 49,486</u>	<u>\$ 839,484</u>

This page left blank intentionally.

CITY OF MILWAUKEE  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS**  
 DECEMBER 31, 2005  
*(Thousands of Dollars)*

Exhibit A-2

Fund balances - total governmental funds \$ 229,071

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

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

Land	\$ 163,482	
Buildings, net of \$64,104 accumulated depreciation	96,209	
Infrastructure, net of \$796,783 accumulated depreciation	501,931	
Improvements Other than buildings, net of \$6,895 accumulated depreciation	2,187	
Machinery and equipment, net of \$77,375 accumulated depreciation	45,341	
Construction in progress	<u>64,594</u>	
		873,744

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 2,749

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

Taxes to be collected after year end	5,639	
Special assessments to be collected after year end	16,382	
Notes and loans receivable to repay long-term bonds and notes	<u>36,679</u>	
		58,700

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

Accrued interest payable	(9,047)	
Bonds and Notes Payable	(664,285)	
Deferred amount on refunding	9,049	
Unamortized premiums	(30,328)	
Compensated absences	(38,501)	
Claims and judgments	(25,665)	
Capital lease payable	<u>(174)</u>	
		<u>(758,951)</u>

Total net assets of governmental activities (Exhibit 1) **\$ 405,313**

*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, 2005  
 (Thousands of Dollars)

Exhibit A-3

	<b>General</b>
<b>Revenues:</b>	
Property taxes .....	\$ 135,610
Other taxes .....	3,709
Special assessments .....	-
Licenses and permits .....	13,374
Intergovernmental .....	272,875
Charges for services .....	63,410
Fines and forfeits .....	5,893
Contributions received .....	25,187
Other .....	12,179
Total Revenues .....	<u>532,237</u>
<b>Expenditures:</b>	
Current:	
General government .....	206,055
Public safety .....	248,366
Public works .....	89,180
Health .....	10,656
Culture and recreation .....	16,744
Conservation and development .....	2,767
Capital outlay .....	-
Debt Service:	
Principal retirement .....	-
Interest .....	-
Bond issuance costs .....	-
Total Expenditures .....	<u>573,768</u>
Excess (deficiency) of Revenues over Expenditures .....	<u>(41,531)</u>
<b>Other Financing Sources (Uses):</b>	
General obligation bonds and notes issued .....	-
Refunding bonds issued .....	-
Payment to refunded bond escrow agent .....	-
Issuance premium .....	-
Transfers in .....	39,725
Transfers out .....	(3)
Total Other Financing Sources and Uses .....	<u>39,722</u>
<b>Special Item:</b>	
Receipt of loans receivable .....	-
Net Change in Fund Balances .....	(1,809)
Fund Balances - Beginning .....	<u>87,036</u>
<b>Fund Balances - Ending .....</b>	<b><u>\$ 85,227</u></b>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 52,942	\$ -	\$ 12,946	\$ 3,707	\$ 205,205
14,695	2,057	-	-	20,461
-	-	4,651	-	4,651
-	-	-	-	13,374
1,066	-	18,243	63,222	355,406
5,352	-	-	-	68,762
-	-	-	-	5,893
-	-	-	-	25,187
5,214	5,297	1,535	8,108	32,333
<u>79,269</u>	<u>7,354</u>	<u>37,375</u>	<u>75,037</u>	<u>731,272</u>
-	4	-	3,387	209,446
-	-	-	14,568	262,934
-	-	-	3,521	92,701
-	-	-	16,314	26,970
-	-	-	2,418	19,162
-	-	-	29,312	32,079
-	-	138,839	-	138,839
81,206	-	-	-	81,206
29,593	-	-	-	29,593
750	-	137	-	887
<u>111,549</u>	<u>4</u>	<u>138,976</u>	<u>69,520</u>	<u>893,817</u>
(32,280)	7,350	(101,601)	5,517	(162,545)
-	-	112,873	13,955	126,828
28,112	-	-	-	28,112
(30,492)	-	-	-	(30,492)
12,209	-	1,483	-	13,692
31,915	59	-	-	71,699
(9,064)	(8,551)	(1,315)	(19,135)	(38,068)
<u>32,680</u>	<u>(8,492)</u>	<u>113,041</u>	<u>(5,180)</u>	<u>171,771</u>
-	-	-	14,325	14,325
400	(1,142)	11,440	14,662	23,551
<u>43,807</u>	<u>74,834</u>	<u>(12,278)</u>	<u>12,121</u>	<u>205,520</u>
<u>\$ 44,207</u>	<u>\$ 73,692</u>	<u>\$ (838)</u>	<u>\$ 26,783</u>	<u>\$ 229,071</u>

This page left blank intentionally.

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, 2005  
*(Thousands of Dollars)*

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ 23,551

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 (\$75,419) exceeded depreciation expense (\$42,679) in the current period less loss on disposals (\$719) 32,021

Notes and loans receivable to repay long-term bonds and notes (2)

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

Taxes accrued in prior years	\$ (748)	
Special assessments deferred revenue beginning of the year \$14,470 less deferred at end of the year \$16,382	<u>1,912</u>	1,164

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

Debt issued:		
Bonds and notes issued	(126,828)	
Refunding bonds issued	(28,112)	
Issuance premiums	(13,692)	
Repayments:		
Payment of refunding bonds	30,492	
Principal retirement	81,206	
Bond issuance costs	1,320	
Capital lease current payment	175	
Amortization:		
Issuance costs	(542)	
Premiums	8,923	
Deferred amount on refunding	<u>(1,378)</u>	(48,436)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal 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	3,271	
Claims and judgments	(1,498)	
Accrued interest on bonds and notes	<u>(541)</u>	1,232

Changes in net assets of governmental activities (Exhibit 2) \$ 9,530

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

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents .....	\$ 28,420	\$ -	\$ 22,001	\$ -	\$ 50,421
Restricted cash and cash equivalents .....	621	-	-	-	621
Investments .....	-	-	-	-	-
Receivables (net):					
Taxes .....	-	-	-	45	45
Accounts .....	10,571	7,163	-	7,248	24,982
Unbilled accounts .....	9,471	2,754	-	1,937	14,162
Accrued interest .....	135	7	-	-	142
Due from other funds .....	6,559	801	-	2,096	9,456
Inventory of materials and supplies .....	2,526	-	-	-	2,526
Prepaid items .....	11	-	-	-	11
Deferred charges .....	-	594	-	-	594
Other assets .....	355	-	-	-	355
Total Current Assets .....	<u>58,669</u>	<u>11,319</u>	<u>22,001</u>	<u>11,326</u>	<u>103,315</u>
Noncurrent assets:					
Restricted cash and cash equivalents .....	-	7,762	-	-	7,762
Capital assets:					
Capital assets not being depreciated:					
Land .....	1,542	-	8,562	7,908	18,012
Construction in progress .....	11,525	32,354	2,297	-	46,176
Capital assets being depreciated:					
Buildings .....	22,852	-	49,087	12,416	84,355
Infrastructure .....	295,104	311,356	-	-	606,460
Improvements other than buildings .....	-	-	5,498	19,569	25,067
Machinery and equipment .....	197,870	3,247	1,011	4,608	206,736
Furniture and furnishings .....	-	22	-	48	70
Nonutility property .....	3,019	-	-	-	3,019
Accumulated depreciation .....	<u>(166,389)</u>	<u>(94,246)</u>	<u>(25,500)</u>	<u>(22,821)</u>	<u>(308,956)</u>
Total Noncurrent Assets .....	<u>365,523</u>	<u>260,495</u>	<u>40,955</u>	<u>21,728</u>	<u>688,701</u>
<b>Total Assets .....</b>	<b><u>424,192</u></b>	<b><u>271,814</u></b>	<b><u>62,956</u></b>	<b><u>33,054</u></b>	<b><u>792,016</u></b>

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable .....	\$ 3,639	\$ 972	\$ 1,052	\$ 6,442	\$ 12,105
Accrued expenses .....	933	620	404	117	2,074
Accrued interest payable .....	410	-	187	59	656
Compensated absences .....	1,031	-	-	-	1,031
Due to other funds .....	4,169	8,416	-	7,844	20,429
Due to other governmental agencies .....	803	1,001	-	-	1,804
Deferred revenue .....	-	-	45	75	120
General obligation debt payable - current .....	4,692	-	2,080	477	7,249
Revenue bonds payable - current .....	846	-	-	-	846
<b>Total Current Liabilities .....</b>	<b>16,523</b>	<b>11,009</b>	<b>3,768</b>	<b>15,014</b>	<b>46,314</b>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable .....	-	2,480	-	-	2,480
Accrued interest payable .....	-	226	-	-	226
<b>Total Current Liabilities Payable from Restricted Assets .....</b>	<b>-</b>	<b>2,706</b>	<b>-</b>	<b>-</b>	<b>2,706</b>
Noncurrent Liabilities:					
General obligation debt .....	23,706	-	11,974	3,770	39,450
Revenue bonds payable .....	12,075	58,532	-	-	70,607
<b>Total Noncurrent Liabilities .....</b>	<b>35,781</b>	<b>58,532</b>	<b>11,974</b>	<b>3,770</b>	<b>110,057</b>
<b>Total Liabilities .....</b>	<b>52,304</b>	<b>72,247</b>	<b>15,742</b>	<b>18,784</b>	<b>159,077</b>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt .....	324,203	191,721	27,494	17,481	560,899
Restricted for Debt Service .....	621	7,762	-	-	8,383
Unrestricted .....	47,064	84	19,720	(3,211)	63,657
<b>Total Net Assets .....</b>	<b>\$ 371,888</b>	<b>\$ 199,567</b>	<b>\$ 47,214</b>	<b>\$ 14,270</b>	<b>\$ 632,939</b>

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

This page left blank intentionally.

CITY OF MILWAUKEE  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>Operating Revenues:</b>					
Charges for Services:					
Water sales .....	\$ 59,133	\$ -	\$ -	\$ -	\$ 59,133
Statutory sewer user fee .....	-	-	-	29,868	29,868
Sewer maintenance fee .....	-	31,067	-	-	31,067
Rent .....	-	-	6,742	4,888	11,630
Fire protection service .....	5,910	-	-	-	5,910
Parking meters .....	-	-	4,198	-	4,198
Parking permits .....	-	-	2,527	-	2,527
Vehicle towing .....	-	-	4,953	-	4,953
Parking forfeitures .....	-	-	19,833	-	19,833
Other .....	6,476	5	-	1,638	8,119
<b>Total Operating Revenues .....</b>	<b>71,519</b>	<b>31,072</b>	<b>38,253</b>	<b>36,394</b>	<b>177,238</b>
<b>Operating Expenses:</b>					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	27,177	27,177
Employee services .....	-	7,497	6,494	1,437	15,428
Administrative and general .....	4,953	-	-	31	4,984
Depreciation .....	12,000	4,198	2,216	910	19,324
Transmission and distribution .....	17,594	-	-	2,789	20,383
Services, supplies and materials .....	-	7,525	12,865	817	21,207
Water treatment .....	12,303	-	-	-	12,303
Water pumping .....	7,169	-	-	-	7,169
Billing and collection .....	2,266	-	-	1,416	3,682
<b>Total Operating Expenses .....</b>	<b>56,285</b>	<b>19,220</b>	<b>21,575</b>	<b>34,577</b>	<b>131,657</b>
<b>Operating Income (Loss) .....</b>	<b>15,234</b>	<b>11,852</b>	<b>16,678</b>	<b>1,817</b>	<b>45,581</b>
<b>Nonoperating Revenues (Expenses):</b>					
Investment income .....	1,142	318	-	-	1,460
Interest expense .....	(1,945)	(2,562)	(794)	(212)	(5,513)
Gain (loss) on disposal of fixed assets .....	-	-	555	1	556
Other .....	384	(4,314)	153	-	(3,777)
<b>Total Nonoperating Revenues (Expenses) .....</b>	<b>(419)</b>	<b>(6,558)</b>	<b>(86)</b>	<b>(211)</b>	<b>(7,274)</b>
<b>Income (Loss) before Contributions and Transfers..</b>	<b>14,815</b>	<b>5,294</b>	<b>16,592</b>	<b>1,606</b>	<b>38,307</b>
Capital contributions .....	1,850	-	-	-	1,850
Transfers in .....	-	-	-	729	729
Transfers out .....	(7,668)	(7,000)	(16,782)	(2,910)	(34,360)
<b>Change in Net Assets .....</b>	<b>8,997</b>	<b>(1,706)</b>	<b>(190)</b>	<b>(575)</b>	<b>6,526</b>
<b>Total Net Assets - Beginning .....</b>	<b>362,891</b>	<b>201,273</b>	<b>47,404</b>	<b>14,845</b>	<b>626,413</b>
<b>Total Net Assets - Ending .....</b>	<b>\$ 371,888</b>	<b>\$ 199,567</b>	<b>\$ 47,214</b>	<b>\$ 14,270</b>	<b>\$ 632,939</b>

*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, 2005  
 (Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users .....	\$ 71,419	\$ 30,730	\$ 38,186	\$ 35,923	\$ 176,258
Cash receipts from other funds .....	2,442	-	-	-	2,442
Other operating cash receipts .....	-	5	-	-	5
Payments to suppliers .....	(20,323)	(9,351)	(13,919)	(31,595)	(75,188)
Payments to employees .....	(21,864)	(7,418)	(6,449)	(1,416)	(37,147)
Payments from other funds .....	-	8,416	-	(276)	8,140
Payments to other funds .....	(3,723)	-	-	764	(2,959)
<b>Net Cash Provided by Operating Activities.....</b>	<b><u>27,951</u></b>	<b><u>22,382</u></b>	<b><u>17,818</u></b>	<b><u>3,400</u></b>	<b><u>71,551</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Miscellaneous nonoperating revenue .....	384	-	-	-	384
Other nonoperating expenses .....	-	(11,314)	-	-	(11,314)
Transfers from other funds .....	-	-	-	222	222
Transfers to other funds .....	(7,668)	-	(16,782)	(2,910)	(27,360)
<b>Net Cash Used for Noncapital Financing Activities .....</b>	<b><u>(7,284)</u></b>	<b><u>(11,314)</u></b>	<b><u>(16,782)</u></b>	<b><u>(2,688)</u></b>	<b><u>(38,068)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital contributions .....	-	-	-	537	537
Proceeds from sale of bonds and notes .....	-	-	1,110	200	1,310
Acquisition of property, plant and equipment .....	(15,258)	(19,089)	(760)	(725)	(35,832)
Retirement of bonds, notes and revenue bonds .....	(5,676)	(2,390)	(3,767)	(506)	(12,339)
Interest paid .....	(1,964)	(2,762)	(796)	(219)	(5,741)
Other .....	-	-	1,086	-	1,086
<b>Net Cash Used for Capital and Related Financing Activities .....</b>	<b><u>(22,898)</u></b>	<b><u>(24,241)</u></b>	<b><u>(3,127)</u></b>	<b><u>(713)</u></b>	<b><u>(50,979)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income .....	1,076	325	-	-	1,401
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>(1,155)</b>	<b>(12,848)</b>	<b>(2,091)</b>	<b>(1)</b>	<b>(16,095)</b>
Cash and Cash Equivalents - Beginning .....	30,196	20,610	24,092	1	74,899
<b>Cash and Cash Equivalents - Ending .....</b>	<b><u>\$ 29,041</u></b>	<b><u>\$ 7,762</u></b>	<b><u>\$ 22,001</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 58,804</u></b>

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash .....	\$ 28,420	\$ -	\$ 22,001	\$ -	\$ 50,421
Restricted Cash .....	<u>621</u>	<u>7,762</u>	<u>-</u>	<u>-</u>	<u>8,383</u>
	<u>\$ 29,041</u>	<u>\$ 7,762</u>	<u>\$ 22,001</u>	<u>\$ -</u>	<u>\$ 58,804</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>					
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss) .....	\$ 15,234	\$ 11,852	\$ 16,678	\$ 1,817	\$ 45,581
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation .....	12,000	4,198	2,216	910	19,324
Changes in assets and liabilities:					
Receivables .....	(307)	(518)	-	(424)	(1,249)
Due from other funds .....	2,442	181	-	(1,259)	1,364
Inventories .....	71	-	-	-	71
Prepaid items .....	2	-	-	-	2
Other assets .....	(19)	-	-	-	(19)
Accounts payable .....	(1,481)	(1,826)	(1,054)	635	(3,726)
Accrued liabilities .....	9	79	45	21	154
Due to other governmental agencies .....	-	-	-	-	-
Due to other funds .....	-	8,416	-	1,748	10,164
Deferred revenue .....	<u>-</u>	<u>-</u>	<u>(67)</u>	<u>(48)</u>	<u>(115)</u>
<b>Net Cash Provided by Operating Activities .....</b>	<b><u>\$ 27,951</u></b>	<b><u>\$ 22,382</u></b>	<b><u>\$ 17,818</u></b>	<b><u>\$ 3,400</u></b>	<b><u>\$ 71,551</u></b>

**Non-cash Activities:**

During the year, the city disposed of parking assets of \$377 thousand net book value.

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$1.850 million.

During the year, the Sewer Maintenance Fund donated or disposed of fixed assets with a net value of \$155 thousand.

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

CITY OF MILWAUKEE  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents .....	\$ 200	\$ 2,451	\$ 270,107
Investments .....	<u>-</u>	<u>3,840</u>	<u>-</u>
Total Assets .....	<u>200</u>	<u>6,291</u>	<u>\$ 270,107</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable .....	33	3	1,917
Due to other governmental agencies .....	<u>-</u>	<u>-</u>	<u>268,190</u>
Total Liabilities .....	<u>33</u>	<u>3</u>	<u>\$ 270,107</u>
Net Assets			
Employees' pension benefits and other purposes .....	<u>\$ 167</u>	<u>\$ 6,288</u>	

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

CITY OF MILWAUKEE  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
*(Thousands of Dollars)*

Exhibit C-2

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Private- Purpose Trusts</b>
<b>Additions</b>		
Contributions:		
Plan members .....	\$ 979	\$ -
Private donations .....	<u>-</u>	<u>946</u>
<b>Total Contributions .....</b>	<u>979</u>	<u>946</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest .....	<u>-</u>	<u>93</u>
<b>Total Additions .....</b>	<u>979</u>	<u>1,039</u>
<b>Deductions</b>		
Benefits .....	946	-
Fees remitted from Trust .....	-	1,092
Other .....	<u>-</u>	<u>830</u>
<b>Total Deductions .....</b>	<u>946</u>	<u>1,922</u>
<b>Change in Net Assets .....</b>	33	(883)
Net Assets - Beginning, as Restated .....	<u>134</u>	<u>7,171</u>
Net Assets - Ending .....	<u><b>\$ 167</b></u>	<u><b>\$ 6,288</b></u>

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents .....	\$ 25,831	\$ 49,381	\$ 10,822	\$ 1,905	\$ 87,939
Investments .....	2,028	-	992	300	3,320
Receivables (net):					
Accounts .....	1,260	858	2	198	2,318
Notes and loans .....	12,061	14,502	38,619	631	65,813
Accrued interest .....	1,127	31	239	89	1,486
Due from primary government .....	829	2,517	-	140	3,486
Due from other governmental agencies .....	4,193	1,699	200	809	6,901
Inventory of property for resale .....	983	11,191	1,467	1,434	15,075
Prepaid items .....	1,498	33	-	-	1,531
Deferred charges .....	-	962	-	-	962
Other assets .....	834	-	506	2	1,342
<b>Total Noncapital Assets .....</b>	<b>50,644</b>	<b>81,174</b>	<b>52,847</b>	<b>5,508</b>	<b>190,173</b>
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements .....	46,606	9,107	-	-	55,713
Construction in progress .....	33,655	39,313	-	-	72,968
Capital assets being depreciated:					
Buildings .....	319,576	17,651	-	-	337,227
Improvements other than buildings .....	259	-	-	-	259
Machinery and equipment .....	3,792	-	113	4	3,909
Accumulated depreciation .....	(197,105)	(951)	(81)	(4)	(198,141)
<b>Total Capital Assets, Net of Depreciation</b>	<b>206,783</b>	<b>65,120</b>	<b>32</b>	<b>-</b>	<b>271,935</b>
<b>Total Assets .....</b>	<b>257,427</b>	<b>146,294</b>	<b>52,879</b>	<b>5,508</b>	<b>462,108</b>

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable .....	\$ 8,415	\$ 10,296	\$ 309	\$ 291	\$ 19,311
Accrued expenses .....	3,545	4,424	-	-	7,969
Due to other governmental agencies .....	-	2,773	490	-	3,263
Deferred revenue .....	3	1,822	-	85	1,910
Other liabilities .....	<u>1,469</u>	<u>2,853</u>	<u>547</u>	<u>1,320</u>	<u>6,189</u>
Total Current Liabilities .....	<u>13,432</u>	<u>22,168</u>	<u>1,346</u>	<u>1,696</u>	<u>38,642</u>
Due to primary government:					
Due within one year .....	718	21	10	94	843
Due in more than one year .....	<u>-</u>	<u>11,685</u>	<u>2,601</u>	<u>-</u>	<u>14,286</u>
Total Due to Primary Government .....	<u>718</u>	<u>11,706</u>	<u>2,611</u>	<u>94</u>	<u>15,129</u>
Long-term obligations:					
Due within one year .....	795	570	-	-	1,365
Due in more than one year .....	<u>27,990</u>	<u>92,581</u>	<u>-</u>	<u>-</u>	<u>120,571</u>
Total Noncurrent Liabilities .....	<u>28,785</u>	<u>93,151</u>	<u>-</u>	<u>-</u>	<u>121,936</u>
Total Liabilities .....	<u>42,935</u>	<u>127,025</u>	<u>3,957</u>	<u>1,790</u>	<u>175,707</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt ...	182,306	9,382	32	-	191,720
Restricted .....	27,968	1,527	6,930	790	37,215
Unrestricted .....	<u>4,218</u>	<u>8,360</u>	<u>41,960</u>	<u>2,928</u>	<u>57,466</u>
<b>Total Net Assets .....</b>	<b><u>\$ 214,492</u></b>	<b><u>\$ 19,269</u></b>	<b><u>\$ 48,922</u></b>	<b><u>\$ 3,718</u></b>	<b><u>\$ 286,401</u></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, 2005  
*(Thousands of Dollars)*

Exhibit D-2

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Housing Authority</b>				
Low income housing .....	\$ 83,840	\$ 17,839	\$ 44,296	\$ 17,784
<b>Redevelopment Authority</b>				
Prevention and elimination of blight .....	6,353	2,354	3,315	-
<b>Milwaukee Economic Development Corporation</b>				
Increase employment & expansion of business .....	3,979	2,323	250	-
<b>Neighborhood Improvement Development Corp.</b>				
Housing improvements .....	1,747	441	916	-
Total Component Units .....	\$ 95,919	\$ 22,957	\$ 48,777	\$ 17,784

General revenues:

Miscellaneous .....	
Special item - transfer of loan portfolio to other government .....	
Total General Revenues and Special Item .....	
Change in Net Assets .....	
Net Assets - Beginning, as Restated.....	
Net Assets - Ending .....	

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Housing Authority</b>	<b>Redevelopment Authority</b>	<b>Milwaukee Economic Development Corporation</b>	<b>Neighborhood Improvement Development Corporation</b>	<b>Total</b>
\$ (3,921)	\$ -	\$ -	\$ -	\$ (3,921)
-	(684)	-	-	(684)
-	-	(1,406)	-	(1,406)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(390)</u>	<u>(390)</u>
<u>(3,921)</u>	<u>(684)</u>	<u>(1,406)</u>	<u>(390)</u>	<u>(6,401)</u>
1,179	1,531	761	45	3,516
<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,672)</u>	<u>(12,672)</u>
<u>1,179</u>	<u>1,531</u>	<u>761</u>	<u>(12,627)</u>	<u>(9,156)</u>
(2,742)	847	(645)	(13,017)	(15,557)
<u>217,234</u>	<u>18,422</u>	<u>49,567</u>	<u>16,735</u>	<u>301,958</u>
<b><u>\$214,492</u></b>	<b><u>\$ 19,269</u></b>	<b><u>\$ 48,922</u></b>	<b><u>\$ 3,718</u></b>	<b><u>\$286,401</u></b>

This page left blank intentionally.

**NOTES  
TO THE  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**Discretely Presented Component Units**

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

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

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

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

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

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**B. Basis of Presentation**

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

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

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 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

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. As of 2005 the Deferred Compensation plan is no longer reported. The City reevaluated its responsibility and has determined that the fiduciary accountability and trustee responsibilities are with the trustee, financial advisor, and third-party administrator.

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

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

**C. Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2005 that will be collected in 2006 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

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

**D. Cash and Cash Equivalents**

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**E. Investments**

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

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

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled – Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security which matures or which 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 revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**G. Accounts Receivable**

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2005 is \$2,679,000.

**H. Unbilled Services**

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

**I. Special Assessments**

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

**J. Notes and Loan Receivables**

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is \$11,533,000 as of December 31, 2005.

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

**K. Inventories**

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

**L. Prepaid Items**

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

**M. Capital Assets**

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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

**N. Pension Contributions**

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

**O. Compensated Absences**

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

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

**P. Claims and Judgments**

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

**Q. Bond Premiums, Discounts, and Issuance Costs**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

**R. Advance Refundings of Debt**

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

**S. Fund Balances**

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

**T. Net Assets**

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

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

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

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

**U. Interfund Transactions**

The City has the following types of interfund transactions:

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

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

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

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

**V. Use of Estimates**

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**W. New Accounting Pronouncements**

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3* during the year ended December 31, 2005. This statement revised the deposit and investment risks disclosed in the notes to the financial statements.

The City implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* during the year ended December 31, 2005. This statement establishes accounting and financial reporting standards for impairment of capital assets. No changes were made to the reported value of capital assets based on the City's implementation of this pronouncement.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will establish uniform financial reporting standards for other post employment benefits. The City will implement Statement No. 45 beginning with the year ending December 31, 2007.

In December, 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This statement establishes and modifies accounting requirements for net assets restricted by legislation. The City will implement Statement No. 46 beginning with the year ending December 31, 2006.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**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, 2005, the City's deposits and investments are as follows:

	Fair Value	Investment Maturities (in Years)			More Than 10	Credit Rating
		Less than 1	1-5	6-10		
<b>Governmental and Business-type activities:</b>						
<i>Investment type</i>						
Pooled Deposits and Investments .....	\$ 217,883	\$ 182,382	\$ 35,501	\$ -	\$ -	see below
Segregated Deposits and Investments						
Interest Checking .....	23,308	23,308	-	-	-	not rated
Wisconsin Local Government						
Investment Pool .....	77,348	77,348	-	-	-	not rated
U.S. Treasuries .....	20,246	9,480	9,491	877	398	AAA
Treasuries (Fiscal Agent) .....	2,606	2,606	-	-	-	AAA
Municipal Bonds and Notes .....	25,342	600	3,645	7,341	13,756	AA
U.S. Agency Securities						
Federal National Mortgage Association	5,156	5,156	-	-	-	AAA
	<u>\$ 371,889</u>	<u>\$ 300,880</u>	<u>\$ 48,637</u>	<u>\$ 8,218</u>	<u>\$ 14,154</u>	
<b>Fiduciary activities:</b>						
<i>Investment type</i>						
Investments in the Pool .....	\$ 272,266	\$ 272,266	\$ -	\$ -	\$ -	see below
Other Deposits .....	313	313	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government						
Investment Pool .....	179	179	-	-	-	not rated
U.S. Treasuries .....	3,840	490	1,558	1,522	270	AAA
	<u>\$ 276,598</u>	<u>\$ 273,248</u>	<u>\$ 1,558</u>	<u>\$ 1,522</u>	<u>\$ 270</u>	

**Pooled Deposits and Investments**

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

As of December 31, 2005, the City had the following investments and maturities in the Pool:

	<b>Investment Maturities (in Years)</b>					<b>Credit Rating</b>
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>	
<i>(Thousands of Dollars)</i>						
<b>Pooled Deposits and Investments</b>						
Bank Demand Deposits .....	\$ 39,042	\$ 39,042	\$ -	\$ -	\$ -	not rated
Other Deposits .....	548	548	-	-	-	not rated
<b>Deposits and Investments</b>						
Interest Checking .....	350,086	350,086	-	-	-	not rated
Wisconsin Local Government						
Investment Pool .....	33,991	33,991	-	-	-	not rated
Government Money Market .....	103	103	-	-	-	AAA
Certificates of Deposits .....	17,000	17,000	-	-	-	not rated
U.S. Agency Securities						
Federal Farm Credit Bank .....	982	-	982	-	-	AAA
Federal Home Loan Bank .....	36,568	9,922	26,646	-	-	AAA
Freddie Mac .....	7,894	3,956	3,938	-	-	AAA
Federal National Mortgage Association	3,935	-	3,935	-	-	AAA
	<u>\$ 490,149</u>	<u>\$ 454,648</u>	<u>\$ 35,501</u>	<u>\$ -</u>	<u>\$ -</u>	

**Custodial Credit Risk – Deposits**

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$500,000. As of December 31, 2005, the City's bank balances of \$253,000 were subject to custodial credit risk as they were neither insured nor collateralized.

**Interest Rate Risk**

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

**Credit risk**

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

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer or depository. Per Common Council the City Treasurer shall use as criteria for investment in certificates of time deposit (including interest checking) a sum not to exceed the total of equity capital or net worth of each financial institution designated as a depository under the Socially Responsible Investment Program. The following investments represent more than 5% of the City's (primary government) total investments as of December 31, 2005:

	<b>Amount</b>	<b>Percentage</b>
Federal Home Loan Bank Agency Securities	36,587	16.77%

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**B. Component Units**

**Deposits and Investments**

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

In addition, the Milwaukee Economic Development Corporation has insured investments of \$215,014 covered by The Securities Investor Protection Corporation.

**Interest Rate Risk**

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

**Credit Risk**

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

The component units have the following investments on December 31, 2005:

	<b>Investment Maturities (in Years)</b>						<b>Credit Rating</b>
	<i>(Thousands of Dollars)</i>						
<b>Component Units:</b>	<b>Fair value</b>	<b>Less than 1</b>	<b>1-2</b>	<b>10-15</b>	<b>15 and greater</b>		
Local Government Investment Pool	\$ 34,930	\$ 34,930	-	-	-	not rated	
US Treasury Money Market Fund	13,045	13,045	-	-	-	Aaa	
US Treasury Bond	1,164	599	565	-	-	Aaa	
US Treasury Note	11	-	11	-	-	Aaa	
US Agencies							
Government National Mortgage Association	1,545	54	-	1,331	160	Aaa	
Federal Home Loan Bank Bonds	199	199	-	-	-	AAA	
Federal Home Loan Bank Discount Note	10,600	10,600	-	-	-	Aaa	
Federal Mortgage National Association	9,250	9,250	-	-	-	Aaa	
Certificates of Deposit	355	355	-	-	-	N/A	
	<u>\$ 71,099</u>	<u>\$ 69,032</u>	<u>\$ 576</u>	<u>\$ 1,331</u>	<u>\$ 160</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, 2005 Component Units Custodial Credit Risk is as follows:

	<b>Bank Balance</b>	<b>Uninsured and Uncollateralized</b>
Housing Authority	\$ 7,884,710	\$ 7,284,710
Redevelopment Authority	2,160,120	1,654,375
Milwaukee Economic Development Corporation	5,650,614	4,833,891
Neighborhood Improvement Development Corporation	2,469,391	1,636,418

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**Concentration of Credit Risk**

The Redevelopment Authority has concentration of credit risk at December 31, 2005 for its investment portfolio as follows:

Investment Type	Issuer	Percentage of Portfolio
Federal Home Loan Bank Discount Note	JPMorgan	26.68%
Federal Mortgage National Association	JPMorgan	19.59%

**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, 2005, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
2000 and prior .....	\$ 1,154	\$ 1,637	\$ 2,791
2001 .....	390	551	941
2002 .....	716	1,064	1,780
2003 .....	1,584	2,361	3,945
2004 .....	<u>5,682</u>	<u>9,059</u>	<u>14,741</u>
Total delinquent property taxes receivable .....	<u>\$ 9,526</u>	<u>\$ 14,672</u>	24,198
Property taxes receivable on foreclosed property .....			14,206
Less: Allowance for uncollectible taxes .....			<u>(16,114)</u>
Net delinquent property taxes receivable, including tax deeded property			<u>\$ 22,290</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	<b>Balance 01-01-05</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-05</b>
		<i>(Thousands of Dollars)</i>		
<b>Governmental activities</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 163,552	\$ -	\$ 70	\$ 163,482
Construction in progress .....	<u>59,902</u>	<u>29,017</u>	<u>24,325</u>	<u>64,594</u>
Total capital assets not being depreciated .....	<u>223,454</u>	<u>29,017</u>	<u>24,395</u>	<u>228,076</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	140,186	21,435	1,308	160,313
Infrastructure.....	1,263,394	38,221	2,901	1,298,714
Improvements other than buildings .....	8,733	406	57	9,082
Machinery and equipment .....	<u>121,327</u>	<u>10,665</u>	<u>9,276</u>	<u>122,716</u>
Total capital assets being depreciated .....	<u>1,533,640</u>	<u>70,727</u>	<u>13,542</u>	<u>1,590,825</u>
Less accumulated depreciation for:				
Buildings .....	62,116	3,093	1,105	64,104
Infrastructure .....	768,943	30,740	2,900	796,783
Improvements other than buildings .....	6,750	197	52	6,895
Machinery and equipment .....	<u>77,562</u>	<u>8,649</u>	<u>8,836</u>	<u>77,375</u>
Total accumulated depreciation .....	<u>915,371</u>	<u>42,679</u>	<u>12,893</u>	<u>945,157</u>
Total capital assets being depreciated, net ....	<u>618,269</u>	<u>28,048</u>	<u>649</u>	<u>645,668</u>
<b>Government activity capital assets, net .....</b>	<b><u>\$ 841,723</u></b>	<b><u>\$ 57,065</u></b>	<b><u>\$ 25,044</u></b>	<b><u>\$ 873,744</u></b>
Depreciation expense for governmental activities was charged to functions as follows:				
General government .....				\$ 151
Public safety .....				5,440
Public works .....				36,463
Health .....				101
Culture and recreation .....				522
Conservation and development .....				<u>2</u>
Total .....				<u>\$ 42,679</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance 01-01-05	Additions	Deletions	Balance 12-31-05
<b>Business-type activities</b>	<i>(Thousands of Dollars)</i>			
<b>Waterworks</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 1,568	\$ -	\$ 26	\$ 1,542
Construction in progress .....	20,251	18,321	27,047	11,525
Total capital assets not being depreciated .....	<u>21,819</u>	<u>18,321</u>	<u>27,073</u>	<u>13,067</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	22,987	-	135	22,852
Infrastructure .....	275,709	22,070	2,675	295,104
Machinery and equipment .....	195,798	4,976	2,904	197,870
Nonutility property .....	540	2,479	-	3,019
Total capital assets being depreciated .....	<u>495,034</u>	<u>29,525</u>	<u>5,714</u>	<u>518,845</u>
Less accumulated depreciation for:				
Buildings .....	13,597	722	120	14,199
Infrastructure .....	69,276	3,295	1,697	70,874
Machinery and equipment .....	74,731	7,983	2,844	79,870
Nonutility property .....	127	1,319	-	1,446
Total accumulated depreciation .....	<u>157,731</u>	<u>13,319</u>	<u>4,661</u>	<u>166,389</u>
Total capital assets being depreciated, net ....	<u>337,303</u>	<u>16,206</u>	<u>1,053</u>	<u>352,456</u>
Waterworks capital assets, net .....	<u>359,122</u>	<u>34,527</u>	<u>28,126</u>	<u>365,523</u>
<b>Sewer Maintenance</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress .....	23,938	19,083	10,667	32,354
Total capital assets not being depreciated .....	<u>23,938</u>	<u>19,083</u>	<u>10,667</u>	<u>32,354</u>
<i>Capital assets being depreciated:</i>				
Infrastructure .....	301,197	10,302	143	311,356
Machinery and equipment .....	1,887	1,375	15	3,247
Furniture and furnishings .....	22	-	-	22
Total capital assets being depreciated .....	<u>303,106</u>	<u>11,677</u>	<u>158</u>	<u>314,625</u>
Less accumulated depreciation for:				
Infrastructure .....	89,409	3,973	140	93,242
Machinery and equipment .....	780	222	15	987
Furniture and furnishings .....	14	3	-	17
Total accumulated depreciation .....	<u>90,203</u>	<u>4,198</u>	<u>155</u>	<u>94,246</u>
Total capital assets being depreciated, net ....	<u>212,903</u>	<u>7,479</u>	<u>3</u>	<u>220,379</u>
Sewer maintenance capital assets, net .....	<u>236,841</u>	<u>26,562</u>	<u>10,670</u>	<u>252,733</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance 01-01-05	Additions	Deletions	Balance 12-31-05
		<i>(Thousands of Dollars)</i>		
<b>Parking</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 8,913	\$ -	\$ 351	\$ 8,562
Construction in progress .....	1,548	749	-	2,297
Total capital assets not being depreciated .....	<u>10,461</u>	<u>749</u>	<u>351</u>	<u>10,859</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	49,076	11	-	49,087
Improvements other than buildings .....	5,630	-	132	5,498
Machinery and equipment .....	1,011	-	-	1,011
Total capital assets being depreciated .....	<u>55,717</u>	<u>11</u>	<u>132</u>	<u>55,596</u>
Less accumulated depreciation for:				
Buildings .....	20,332	1,889	-	22,221
Improvements other than buildings .....	2,747	226	106	2,867
Machinery and equipment .....	311	101	-	412
Total accumulated depreciation .....	<u>23,390</u>	<u>2,216</u>	<u>106</u>	<u>25,500</u>
Total capital assets being depreciated, net ....	<u>32,327</u>	<u>(2,205)</u>	<u>26</u>	<u>30,096</u>
Parking capital assets, net .....	<u>42,788</u>	<u>(1,456)</u>	<u>377</u>	<u>40,955</u>
<b>Other business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	7,907	1	-	7,908
Construction in progress .....	172	-	172	-
Total capital assets not being depreciated .....	<u>8,079</u>	<u>1</u>	<u>172</u>	<u>7,908</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	12,332	84	-	12,416
Improvements other than buildings .....	18,827	742	-	19,569
Machinery and equipment .....	4,547	70	9	4,608
Furniture and Furnishings .....	48	-	-	48
Total capital assets being depreciated .....	<u>35,754</u>	<u>896</u>	<u>9</u>	<u>36,641</u>
Less accumulated depreciation for:				
Buildings .....	5,671	232	-	5,903
Improvements other than buildings .....	12,964	465	-	13,429
Machinery and equipment .....	3,252	209	9	3,452
Furniture and furnishings .....	33	4	-	37
Total accumulated depreciation .....	<u>21,920</u>	<u>910</u>	<u>9</u>	<u>22,821</u>
Total capital assets being depreciated, net ....	<u>13,834</u>	<u>(14)</u>	<u>-</u>	<u>13,820</u>
Other business-type activities, net .....	<u>21,913</u>	<u>(13)</u>	<u>172</u>	<u>21,728</u>
<b>Business-type activity capital assets, net .....</b>	<b><u>\$ 660,664</u></b>	<b><u>\$ 59,620</u></b>	<b><u>\$ 39,345</u></b>	<b><u>\$ 680,939</u></b>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance 01-01-05	Additions	Deletions	Balance 12-31-05
		<i>(Thousands of Dollars)</i>		
<b>Total Component Units</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 55,788	\$ -	\$ 75	\$ 55,713
Construction in Progress .....	<u>21,787</u>	<u>51,256</u>	<u>75</u>	<u>72,968</u>
Total capital assets not being depreciated .....	<u>77,575</u>	<u>51,256</u>	<u>150</u>	<u>128,681</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	337,789	24	586	337,227
Improvements other than buildings .....	258	1	-	259
Machinery and equipment .....	<u>3,893</u>	<u>17</u>	<u>1</u>	<u>3,909</u>
Total capital assets being depreciated .....	<u>341,940</u>	<u>42</u>	<u>587</u>	<u>341,395</u>
Less accumulated depreciation for:				
Buildings .....	178,059	16,527	117	194,469
Improvements other than buildings .....	64	19	-	83
Machinery and equipment .....	<u>3,360</u>	<u>230</u>	<u>1</u>	<u>3,589</u>
Total accumulated depreciation .....	<u>181,483</u>	<u>16,776</u>	<u>118</u>	<u>198,141</u>
Total capital assets being depreciated, net .	<u>160,457</u>	<u>(16,734)</u>	<u>469</u>	<u>143,254</u>
<b>Component units capital assets, net .....</b>	<b><u>\$ 238,032</u></b>	<b><u>\$ 34,522</u></b>	<b><u>\$ 619</u></b>	<b><u>\$ 271,935</u></b>

Certain prior year balances for the component units have been adjusted to correspond with the proper classification reflected in the Statement of Net Assets.

**5. DEFERRED REVENUE**

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

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes .....	\$ 145,696	\$ 77,858	\$ 11,908	\$ -	\$ 235,462
Delinquent property taxes .....	4,133	-	-	1,506	5,639
Unearned revenue .....	1,624	-	4,834	7,502	13,960
Long-term receivables .....	-	50,965	-	-	50,965
Unbilled special assessments .....	<u>-</u>	<u>-</u>	<u>12,716</u>	<u>-</u>	<u>12,716</u>
Total .....	<u>\$ 151,453</u>	<u>\$ 128,823</u>	<u>\$ 29,458</u>	<u>\$ 9,008</u>	<u>\$ 318,742</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**6. SHORT-TERM DEBT**

During 2005, the City issued \$56,000,000 of Revenue Anticipation Notes (RANs). The RANs 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 2005.

As of December 31, 2004, the City had outstanding \$172,000,000 of short-term RANs on behalf of Milwaukee Public Schools. In 2005, the City repaid the outstanding balance and issued \$182,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 5.5% and will mature on September 7, 2006. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**7. LONG-TERM OBLIGATIONS**

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

Changes in long-term obligations for the year ended December 31, 2005 were as follows:

	<b>Balance 01-01-05</b>	<b>New Issues</b>	<b>Repayments</b>	<b>Balance 12-31-05</b>	<b>Amounts Due within One Year</b>
		<i>(Thousands of Dollars)</i>			
<b>Governmental activities:</b>					
General obligation bonds and notes					
City .....	\$ 497,103	\$ 133,805	\$ 93,212	\$ 537,696	\$ 63,971
Milwaukee Public Schools .....	121,885	21,135	16,431	126,589	10,775
Deferred amount on refundings .....	(8,372)	(2,055)	(1,378)	(9,049)	-
Unamortized premiums .....	25,559	13,692	8,923	30,328	-
Capital lease payable .....	349	-	175	174	174
Compensated absences .....	37,003	2,768	1,270	38,501	3,066
Claims and judgments .....	28,936	10,934	14,205	25,665	5,413
Total governmental activities .....	<u>\$ 702,463</u>	<u>\$ 180,279</u>	<u>\$ 132,838</u>	<u>\$ 749,904</u>	<u>\$ 83,399</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
General obligation bonds and notes .....	\$ 32,801	\$ -	\$ 4,851	\$ 27,950	\$ 4,692
Deferred amount on refundings .....	(1,119)	-	(228)	(891)	-
Unamortized premiums .....	1,548	-	209	1,339	-
Revenue bonds .....	13,745	-	824	12,921	846
Compensated absences .....	943	95	7	1,031	1,031
Total Water Works .....	<u>47,918</u>	<u>95</u>	<u>5,663</u>	<u>42,350</u>	<u>6,569</u>
<b>Sewer Maintenance</b>					
Revenue bonds .....	60,945	-	2,390	58,555	2,480
Unamortized premiums .....	2,712	-	255	2,457	-
Total sewer maintenance .....	<u>63,657</u>	<u>-</u>	<u>2,645</u>	<u>61,012</u>	<u>2,480</u>
<b>Parking</b>					
General obligation bonds and notes .....	16,613	1,421	4,081	13,953	2,080
Deferred amount on refundings .....	(314)	(25)	(68)	(271)	-
Unamortized premiums .....	407	29	64	372	-
Total parking .....	<u>16,706</u>	<u>1,425</u>	<u>4,077</u>	<u>14,054</u>	<u>2,080</u>
<b>Other Enterprise Funds</b>					
General obligation bonds and notes .....	4,529	303	610	4,222	477
Deferred amount on refundings .....	(67)	(8)	(10)	(65)	-
Unamortized premiums .....	95	9	14	90	-
Total Other Enterprise .....	<u>4,557</u>	<u>304</u>	<u>614</u>	<u>4,247</u>	<u>477</u>
Total business-type activities .....	<u>\$ 132,838</u>	<u>\$ 1,824</u>	<u>\$ 12,999</u>	<u>\$ 121,663</u>	<u>\$ 11,606</u>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the special purpose damages and claims account in the general fund.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance 01-01-05	New Issues	Repayments	Balance 12-31-05	Amounts Due within One Year
		<i>(Thousands of Dollars)</i>			
<b>Total Component Units</b>					
Revenue bonds .....	\$ 39,158	\$ 68,210	\$ 1,368	\$ 106,000	\$ 995
Deferred amount on refundings .....	-	-	-	-	-
Unamortized premiums .....	-	-	-	-	-
Unamortized discounts .....	(130)	-	(6)	(124)	-
Notes payable .....	20,307	4,845	9,392	15,760	70
Advance from other organizations .....	700	-	400	300	300
Total component units .....	<u>\$ 60,035</u>	<u>\$ 73,055</u>	<u>\$ 11,154</u>	<u>\$ 121,936</u>	<u>\$ 1,365</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, 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, 2005, general obligation bonds totaling \$72,110,000 were issued to finance capital improvements.

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 percent of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2005, \$109,784,235 has been borrowed and outstanding for forty-six tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$153,011,075. Tax increments received through 2005 total \$123,241,901. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$126,589,000 of Milwaukee Public School long-term debt outstanding at December 31, 2005 consists of a portion of the City's general obligation bonds and notes which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2005, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$842,799,000. These assets are excluded from the financial statements of the City.

**C. Revenue Bonds**

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During the year ended December 31, 2005, the City did not issue revenue bonds.

The component units issue revenue bonds to provide funds for capital construction and mortgage-backed securities. As such, they are not backed by the general credit or taxing powers of the City.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**D. Notes Payable**

The City issues installment notes to provide funds for various public improvement projects, cashflow for the school district and purchases of delinquent taxes. During the year ended December 31, 2005, installment loans totaling \$56,030,000 were issued to provide the school district cashflow, finance building projects and purchase 2004's delinquent taxes.

**E. Capital Leases Payable**

The City has entered into a lease agreement as lessee for financing the acquisition of automated defibrillators/EKG monitors. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts in the amount of \$174,000 as of December 31, 2005.

The future minimum lease obligation and the net present value for Governmental Activities of the minimum lease payments as of December 31, 2005 is \$174,000 equal to the 2006 payment.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**F. Debt Service Requirements**

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

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
<b>Governmental activities</b>					
2006 .....	\$ 74,746	\$ 30,048	\$ -	\$ -	\$ 104,794
2007 .....	67,246	27,152	-	-	94,398
2008 .....	64,072	24,205	-	-	88,277
2009 .....	57,836	21,170	-	-	79,006
2010 .....	54,277	18,657	-	-	72,934
2011-2015 .....	203,860	60,613	-	-	264,473
2016-2020 .....	104,492	27,802	-	-	132,294
2021-2025 .....	37,756	12,117	-	-	49,873
Total .....	<u>\$ 664,285</u>	<u>\$ 221,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 886,049</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
2006 .....	\$ 4,692	\$ 1,358	\$ 846	\$ 330	\$ 7,226
2007 .....	3,362	1,120	868	307	5,657
2008 .....	2,845	960	891	284	4,980
2009 .....	1,989	851	915	260	4,015
2010 .....	2,492	754	939	236	4,421
2011-2015 .....	11,522	1,881	5,080	789	19,272
2016-2019 .....	1,048	59	3,382	135	4,624
Total .....	<u>\$ 27,950</u>	<u>\$ 6,983</u>	<u>\$ 12,921</u>	<u>\$ 2,341</u>	<u>\$ 50,195</u>
<b>Sewer Maintenance</b>					
2006 .....	\$ -	\$ -	\$ 2,480	\$ 2,667	\$ 5,147
2007 .....	-	-	2,570	2,575	5,145
2008 .....	-	-	2,650	2,487	5,137
2009 .....	-	-	2,740	2,386	5,126
2010 .....	-	-	2,840	2,274	5,114
2011-2015 .....	-	-	15,940	9,273	25,213
2016-2020 .....	-	-	19,920	4,846	24,766
2021-2024 .....	-	-	9,415	563	9,978
Total .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,555</u>	<u>\$ 27,071</u>	<u>\$ 85,626</u>
<b>Parking</b>					
2006 .....	\$ 2,080	\$ 664	\$ -	\$ -	\$ 2,744
2007 .....	2,056	563	-	-	2,619
2008 .....	2,103	464	-	-	2,567
2009 .....	1,511	371	-	-	1,882
2010 .....	1,107	305	-	-	1,412
2011-2015 .....	4,028	808	-	-	4,836
2016-2020 .....	1,068	99	-	-	1,167
Total .....	<u>\$ 13,953</u>	<u>\$ 3,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,227</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
<b>Other Enterprise</b>					
2006 .....	\$ 477	\$ 204	\$ -	\$ -	\$ 681
2007 .....	454	182	-	-	636
2008 .....	456	163	-	-	619
2009 .....	477	139	-	-	616
2010 .....	398	117	-	-	515
2011-2015 .....	1,669	300	-	-	1,969
2016-2020 .....	273	31	-	-	304
2021-2022 .....	18	1	-	-	19
Total .....	<u>\$ 4,222</u>	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,359</u>
<b>Total Component Units</b>					
2006 .....	\$ 69	\$ 614	\$ 995	\$ 3,066	\$ 4,744
2007 .....	73	609	1,040	3,024	4,746
2008 .....	3,134	604	465	2,979	7,182
2009 .....	85	597	495	2,956	4,133
2010 .....	92	591	515	2,932	4,130
2011-2015 .....	1,720	2,693	3,005	14,233	21,651
2016-2020 .....	2,103	2,463	-	13,359	17,925
2021-2025 .....	44	1,945	31,275	12,151	45,415
2026-2030 .....	57	1,931	-	9,725	11,713
2031-2035 .....	2,073	1,880	-	9,725	13,678
2036-2040 .....	95	1,373	68,210	9,078	78,756
2041-2045 .....	4,905	304	-	-	5,209
2046-2050 .....	1,310	15	-	-	1,325
2051-2052 .....	-	-	-	-	-
Total .....	<u>\$ 15,760</u>	<u>\$ 15,619</u>	<u>\$ 106,000</u>	<u>\$ 83,228</u>	<u>\$ 220,607</u>

**G. Debt Limit**

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2005 the City's legal debt margin was \$1,171,767,000. Of this amount, \$525,134,000 was for school purposes and \$646,633,100 was for City purposes.

**H. Refundings**

During June 2005, the City issued general obligation refunding bonds. Series 2005 A5 was in the par amount of \$28,525,000 with an interest rate of 5% for the purpose of advance refunding \$26,855,000 of existing general obligation bonds. This refunding will reduce the future debt service payments by \$845,000 and result in an economic gain of \$763,000.

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, 2005, \$160,205,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

**I. Conduit Debt**

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, 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, is payable solely by the developers from

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005 is approximately \$72,825,000 for the City and \$531,000,000 for RACM.

## **8. RETIREMENT PLANS**

### **Pension Benefits**

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

*Funding Policy* - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2005, 2004, and 2003, were \$23,619,000, \$21,693,000, and \$22,015,000, respectively, equal to the required contributions on behalf of the plan members for each year.

### **Other Postemployment Benefits**

The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes any of the Health Maintenance Organizations (HMO) plans currently offered to active employees.

The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters with single enrollment status and police officers with single enrollment status. The City contribution for firefighters between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

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

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 4,357 employees are eligible to receive these benefits. For 2005, the City paid approximately \$31,343,000 toward medical insurance for its retirees.

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

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

For 2005, the group's rate for life insurance for the City population as a whole was approximately fifty-three cents per month per \$1,000 of coverage after estimated dividends. The effect on this rate as a result of including retirees in the pool is not determinable. Group life insurance for retirees age 65 or older are financed on a pay-as-you-go basis and cannot be readily separated from amounts paid on behalf of active employees. The City estimates \$1,097,000 out of a total \$4,019,000 for group life insurance for 2005 is attributable to approximately 4,968 retirees on the basis of the common group life rate.

#### **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 2005, approximately \$10,004,000 was paid for sick leave from all funds. At December 31, 2005 accumulated sick leave earned but not taken totaled approximately \$120,825,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2005 terminal leave payments totaled \$1,642,000 to employees retiring during the year. As of December 31, 2005, the City has accrued approximately \$20,197,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$38,501,000 with the remainder accrued vacation leave of \$18,304,000.

## **9. FUND EQUITY**

### **Reserved for Tax Stabilization and Advances to Other Funds**

The Reserved for Tax Stabilization, \$63,150,000 at December 31, 2005, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$14,673,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$14,673,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

### **Deficit Fund Equity**

The Capital Projects Fund has a deficit fund balance of \$838,000. The deficit is the result of construction in advance of collecting assessments from property owners and issuing of long-term debt for other construction contracts.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

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

The individual interfund receivable and payable balances at December 31, 2005, were as follows:

		Due From				
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
		<i>(Thousands of Dollars)</i>				
Due To	General Fund .....	\$ -	\$ 509	\$ -	\$ -	\$ 509
	General Obligation Debt .....	3,126	6,050	-	-	9,176
	Capital Projects .....	8,351	-	-	-	8,351
	Nonmajor Governmental Funds .....	6,718	-	-	-	6,718
	Water Works .....	1,272	-	801	2,096	4,169
	Sewer Maintenance .....	8,416	-	-	-	8,416
	Nonmajor Proprietary Funds ..	<u>7,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,844</u>
	Totals .....	<u>\$ 35,727</u>	<u>\$ 6,559</u>	<u>\$ 801</u>	<u>\$ 2,096</u>	<u>\$ 45,183</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, (4) and funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Interfund transfers for the year ended December 31, 2005 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
<b>General Fund</b>	General Obligation Debt	\$ 8,338	Funding for debt payments
	Capital Projects	16	Completed project closeouts
	Nonmajor Governmental Funds	4,320	Subsidize uncollected property taxes
	Nonmajor Governmental Funds	171	Completed grant closeouts
	Water Works	7,668	Payment in Lieu of taxes
	Parking	1,092	Payment in Lieu of taxes
	Parking	15,210	Subsidy for operations
	Nonmajor Proprietary Funds	<u>2,910</u>	Excess earnings of Port
	<b>Subtotal General Fund</b>	<b><u>39,725</u></b>	
<b>Debt Service</b>	Public Debt Amortization	8,551	Funding for debt payments
	Capital Projects	1,240	Tax Incremental District closeouts
	Nonmajor Governmental Funds	14,644	Funding for debt payments
	Sewer Maintenance	7,000	Subsidy for operations
	Parking	<u>480</u>	Subsidy for operations
	<b>Subtotal Debt Service</b>	<b><u>31,915</u></b>	
<b>Public Debt Amortization</b>	<b>Capital Projects</b>	<u>59</u>	Interest on Schools Financing
<b>Nonmajor Proprietary</b>	General Fund	3	Subsidy for operations
	General Obligation Debt	<u>726</u>	Funding for debt payments
	<b>Subtotal Nonmajor Proprietary</b>	<b><u>729</u></b>	
	<b>Total Interfund Transfers</b>	<b><u>\$ 72,428</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, 2005

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

Balances due to and due from component units as of December 31, 2005, consist of the following:

<b>Component Unit Payable</b>	<b>Primary Government's Receivable</b> <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures .....	\$ 718
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate .....	11,706
Due from MEDC for tax incremental district loans .....	2,611
Due from NIDC for reimbursements for expenditures .....	<u>94</u>
 Total .....	 <u>\$ 15,129</u>

<b>Component Unit Receivable</b>	<b>Primary Government's Payable</b> <i>(Thousands of Dollars)</i>
Due to HACM for project expenditures.....	\$ 829
Due to RACM for project expenditures.....	2,517
Due to NIDC for reimbursements for programmatic expenditures passed through the City .....	<u>140</u>
 Total .....	 <u>\$ 3,486</u>

**12. OPERATING LEASES**

The City leases various properties under operating lease agreements expiring at various dates through 2007 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>
2006	\$ 3,286
2007	3,230
2008	3,047
2009	2,685
2010	3,064
2011-2015	14,594
2016-2020	12,695
2021-2025	<u>3,901</u>
 Total	 <u>\$ 46,502</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**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 statement.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries or death in any action founded on fact against the City, agencies, officials, officers or employees cannot exceed \$50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide statements.

The liabilities recorded as long-term debt in the government-wide statements are as follows:

General liability claims .....	\$ 16,375,000
Workers' compensation claims .....	5,752,000
Unemployment claims .....	1,037,000
Health insurance claims .....	2,501,000

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

	<b>2004</b>	<b>2005</b>
Beginning of year liability .....	\$ 33,804,000	\$ 28,936,000
Current year claims and changes in estimates .....	8,891,000	10,934,000
Claim payments .....	<u>(13,759,000)</u>	<u>(14,205,000)</u>
End of year liability .....	<u>\$ 28,936,000</u>	<u>\$ 25,665,000</u>

Starting in October 2002, seventeen white male lieutenants in the MPD filed a series of EEOC charges alleging discrimination on the basis of race and gender in their failure to be promoted to the rank of Captain of Police. The EEOC concluded its investigation without finding cause, and issued notice of rights to sue letters, on April 1, 2003 and the seventeen plaintiffs filed a suit on June 27, 2003. The complaint alleges a class action on behalf of all white male lieutenants of the MPD who have sought or will seek promotion from the position of lieutenant to captain, or who in the future will be denied equal employment opportunity by the MPD due to their being white males. The Complaint names the City, the Board of the FPC, and former Chief of Police Arthur Jones in his individual and official capacity. It also names each of the FPC Commissioners as of the suit's commencement, in their individual and official capacities. The Complaint alleges violations of Title VII of the Civil Rights Act of 1964, as amended as well as equal protection violations actionable under 42 U.S.C. §§ 1983 and 1981. Plaintiffs seek compensatory damages in the sum of \$300,000 each, plus unspecified sums in punitive damages, as well as other relief available such as attorneys' fees and costs. The case was tried in March, 2005, and decided against the City. The jury awarded \$2,198,500 in compensatory and punitive damages. In addition, the court awarded economic damages, attorney fees and costs for a total award of \$4,167,684. On February 13, 2006, the City filed a notice to appeal to the Seventh Circuit Court of Appeals.

The City and the private property owners in Business Improvement District No. 15 ("BID-15"), a business improvement district, received an August 6, 2003 communication from the United States Department of Justice ("DOJ"). That communication indicated that the United States Attorney for the Eastern District of Wisconsin had opened an investigation of a complaint made

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

to the DOJ. The complaint alleged that the owners and operators of the Milwaukee Riverwalk are in violation of the Americans with Disabilities Act and the DOJ's regulations implementing that Act. The City and BID-15 retained the services of a consultant to assist in the response to the DOJ's communication. The consultant developed a set of recommendations that would remedy the alleged ADA violations, and concluded that many, but not all, of the alleged violations had merit. The estimated cost of implementing the recommendations is \$1,500,000. The City and BID-15 have reached a settlement agreement with DOJ regarding the timing and method of implementing the recommendations to remedy the alleged violations. The City will pay for the entire cost of the project and then recover back 22% of those costs through special assessments against private property owners within BID-15.

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employees' Retirement System (ERS) was prohibited by City ordinance from spending more than \$3 million to purchase and install a computer information system. It estimates that the total cost of ERS information system is approximately \$25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS.

#### **Environmental Liabilities**

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$550,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

#### **Construction Commitments**

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$53,341,000 and \$5,124,000, respectively, for various capital improvement projects at December 31, 2005.

#### **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, 2005.

#### **14. SUBSEQUENT EVENTS**

On March 16, 2006, the City issued \$25,540,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2017 until 2023. Interest is payable on February 15 and August 15 commencing August 15, 2006.

On March 16, 2006, the City issued \$83,310,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects and fiscal requirements of the City. The notes mature on February 15 of each year beginning 2007 until 2016. Interest is payable on February 15 and August 15 commencing August 15, 2006.

On March 16, 2006, the City issued \$66,000,000 of short-term revenue anticipation notes for the purpose of temporarily financing the City's operating budget until the receipt of State shared revenues. These notes mature on April 5, 2007 with interest.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

This page left blank intentionally.

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit E-1

	<u>Budgeted Amounts</u>		<u>Actual - Amounts Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Property taxes .....	\$ 139,930	\$ 139,930	\$ 135,610	\$ (4,320)
Other taxes .....	2,915	2,915	3,709	794
Licenses and permits .....	10,231	10,231	13,374	3,143
Intergovernmental .....	272,544	272,544	272,875	331
Charges for services .....	56,523	56,523	63,410	6,887
Fines and forfeits .....	5,213	5,213	5,893	680
Other .....	7,812	8,029	12,179	4,150
<b>Total Revenues</b> .....	<u>495,168</u>	<u>495,385</u>	<u>507,050</u>	<u>11,665</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government .....	202,239	189,091	180,590	8,501
Public safety .....	229,145	249,184	248,366	818
Public works .....	80,740	89,415	89,180	235
Health .....	9,765	10,688	10,656	32
Culture and recreation .....	16,279	16,841	16,744	97
Conservation and development .....	2,963	2,966	2,767	199
<b>Total Expenditures</b> .....	<u>541,131</u>	<u>558,185</u>	<u>548,303</u>	<u>9,882</u>
<b>Deficiency of Revenues over Expenditures</b> .....	<u>(45,963)</u>	<u>(62,800)</u>	<u>(41,253)</u>	<u>21,547</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in .....	26,064	34,402	39,725	5,323
Transfers out .....	-	(3)	(3)	-
Contributions received .....	25,098	25,098	25,187	89
Contributions used .....	(23,335)	(27,223)	(25,465)	1,758
Use of fund balance - reserved for tax stabilization ....	16,621	16,621	16,621	-
<b>Total Other Financing Sources and Uses</b> .....	<u>44,448</u>	<u>48,895</u>	<u>56,065</u>	<u>7,170</u>
<b>Net Change in Fund Balance</b> .....	<u>(1,515)</u>	<u>(13,905)</u>	<u>14,812</u>	<u>28,717</u>
<b>Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)</b> .....	<u>70,415</u>	<u>70,415</u>	<u>70,415</u>	<u>-</u>
<b>Fund Balance - Ending</b> .....	<u>\$ 68,900</u>	<u>\$ 56,510</u>	<u>\$ 85,227</u>	<u>\$ 28,717</u>

**Explanation of Differences of Budget to GAAP:**

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$16.621 million at January 1, 2005. In addition, budgeted expenditures do not include capital lease payments as public safety expenditures.

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

See accompanying independent auditors' report.

This page left blank intentionally.

**COMBINING  
AND INDIVIDUAL  
FUND STATEMENTS  
AND SCHEDULES**

This page left blank intentionally.

### **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, 2005  
(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 .....	\$ 3,350	\$ -	\$ 9,661	\$ 308	\$ 13,319
Receivables (net):					
Taxes .....	-	-	8,130	-	8,130
Accounts .....	955	652	-	-	1,607
Notes and loans .....	10,681	3,644	-	-	14,325
Accrued interest .....	-	-	-	-	-
Due from component units .....	33	-	-	-	33
Due from other governmental agencies .....	9,121	2,951	-	-	12,072
<b>Total Assets .....</b>	<b><u>\$ 24,140</u></b>	<b><u>\$ 7,247</u></b>	<b><u>\$ 17,791</u></b>	<b><u>\$ 308</u></b>	<b><u>\$ 49,486</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable .....	\$ 2,778	\$ 1,861	\$ -	\$ -	\$ 4,639
Due to other funds .....	5,736	982	-	-	6,718
Due to component units .....	822	108	-	-	930
Due to other governmental agencies .....	449	652	-	307	1,408
Deferred revenue .....	7,502	-	1,506	-	9,008
<b>Total Liabilities .....</b>	<b><u>17,287</u></b>	<b><u>3,603</u></b>	<b><u>1,506</u></b>	<b><u>307</u></b>	<b><u>22,703</u></b>
Fund Balances:					
Reserved for debt service .....	-	-	9,661	-	9,661
Reserved for delinquent taxes receivable ..	-	-	6,624	-	6,624
Reserved for economic development .....	-	-	-	1	1
Unreserved, undesignated .....	6,853	3,644	-	-	10,497
<b>Total Fund Balances .....</b>	<b><u>6,853</u></b>	<b><u>3,644</u></b>	<b><u>16,285</u></b>	<b><u>1</u></b>	<b><u>26,783</u></b>
<b>Total Liabilities and Fund Balances .</b>	<b><u>\$ 24,140</u></b>	<b><u>\$ 7,247</u></b>	<b><u>\$ 17,791</u></b>	<b><u>\$ 308</u></b>	<b><u>\$ 49,486</u></b>

*See accompanying independent auditors' report.*

CITY OF MILWAUKEE Exhibit F-2  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Property taxes .....	\$ -	\$ -	\$ 3,707	\$ -	\$ 3,707
Intergovernmental .....	41,541	21,681	-	-	63,222
Other .....	-	-	<u>2,423</u>	<u>5,685</u>	<u>8,108</u>
<b>Total Revenues .....</b>	<u>41,541</u>	<u>21,681</u>	<u>6,130</u>	<u>5,685</u>	<u>75,037</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government .....	-	2,256	1,131	-	3,387
Public safety .....	11,659	2,909	-	-	14,568
Public works .....	3,030	491	-	-	3,521
Health .....	15,329	985	-	-	16,314
Culture and recreation .....	971	1,447	-	-	2,418
Conservation and development .....	<u>10,032</u>	<u>13,593</u>	<u>-</u>	<u>5,687</u>	<u>29,312</u>
<b>Total Expenditures .....</b>	<u>41,021</u>	<u>21,681</u>	<u>1,131</u>	<u>5,687</u>	<u>69,520</u>
<b>Excess (deficiency) of Revenues over Expenditures .....</b>	<u>520</u>	<u>-</u>	<u>4,999</u>	<u>(2)</u>	<u>5,517</u>
<b>Other Financing Sources (Uses):</b>					
General obligation bonds and notes issued .	-	-	13,955	-	13,955
Transfers out .....	<u>(171)</u>	<u>-</u>	<u>(18,964)</u>	<u>-</u>	<u>(19,135)</u>
<b>Total Other Financing Sources and Uses .....</b>	<u>(171)</u>	<u>-</u>	<u>(5,009)</u>	<u>-</u>	<u>(5,180)</u>
<b>Special Item:</b>					
Receipt of loans receivable .....	<u>10,681</u>	<u>3,644</u>	<u>-</u>	<u>-</u>	<u>14,325</u>
<b>Net Change in Fund Balances .....</b>	11,030	3,644	(10)	(2)	14,662
Fund Balances - Beginning .....	<u>(4,177)</u>	<u>-</u>	<u>16,295</u>	<u>3</u>	<u>12,121</u>
<b>Fund Balances - Ending .....</b>	<u>\$ 6,853</u>	<u>\$ 3,644</u>	<u>\$ 16,285</u>	<u>\$ 1</u>	<u>\$ 26,783</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit F-3  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GRANT AND AID PROJECTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental .....	\$ 41,451	\$ 41,541	\$ 90
Expenditures:			
Current:			
Public safety .....	11,994	11,659	335
Public works .....	3,030	3,030	-
Health .....	15,423	15,329	94
Culture and recreation .....	972	971	1
Conservation and development .....	<u>10,032</u>	<u>10,032</u>	<u>-</u>
Total Expenditures .....	<u>41,451</u>	<u>41,021</u>	<u>430</u>
Excess of Revenues over (under) Expenditures .....	-	520	520
Other Financing Sources (Uses):			
Transfers out .....	<u>-</u>	<u>(171)</u>	<u>(171)</u>
Special Item:			
Receipt of loans receivable .....	<u>-</u>	<u>10,681</u>	<u>10,681</u>
Net Change in Fund Balance .....	-	11,030	11,030
Fund Balance - Beginning .....	<u>-</u>	<u>(4,177)</u>	<u>(4,177)</u>
<b>Fund Balance - Ending .....</b>	<b><u>\$ -</u></b>	<b><u>\$ 6,853</u></b>	<b><u>\$ 6,853</u></b>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit F-4  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
*(Thousands of Dollars)*

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental .....	\$ 21,681	\$ 21,681	\$ -
Expenditures:			
Current:			
General government .....	2,256	2,256	-
Public safety .....	2,909	2,909	-
Public works .....	491	491	-
Health .....	985	985	-
Culture and recreation .....	1,447	1,447	-
Conservation and development .....	13,593	13,593	-
<b>Total Expenditures .....</b>	<b><u>21,681</u></b>	<b><u>21,681</u></b>	<b><u>-</u></b>
Excess of Revenues over (under) Expenditures .....	-	-	-
Special Item:			
Receipt of loans receivable .....	-	3,644	3,644
Fund Balance - Beginning .....	-	-	-
<b>Fund Balance - Ending .....</b>	<b><u>\$ -</u></b>	<b><u>\$ 3,644</u></b>	<b><u>\$ 3,644</u></b>

*See accompanying independent auditors' report.*

CITY OF MILWAUKEE Exhibit F-5  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ECONOMIC DEVELOPMENT**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other .....	\$ 6,024	\$ 5,685	\$ (339)
Expenditures:			
Current:			
Conservation and development .....	6,024	5,687	337
Excess of Revenues over (under) Expenditures .....	-	(2)	(2)
Fund Balance - Beginning .....	-	3	3
<b>Fund Balance - Ending .....</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</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.

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

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit G-1

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Receivables (net):			
Taxes .....	\$ 45	\$ -	\$ 45
Accounts .....	594	6,654	7,248
Unbilled accounts .....	-	1,937	1,937
Due from other funds .....	-	2,096	2,096
Total Current Assets .....	<u>639</u>	<u>10,687</u>	<u>11,326</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated:			
Land .....	7,908	-	7,908
Capital assets being depreciated:			
Buildings .....	12,416	-	12,416
Improvements other than buildings .....	19,569	-	19,569
Machinery and equipment .....	4,608	-	4,608
Furniture and furnishings .....	48	-	48
Accumulated depreciation .....	<u>(22,821)</u>	<u>-</u>	<u>(22,821)</u>
Total Noncurrent Assets .....	<u>21,728</u>	<u>-</u>	<u>21,728</u>
Total Assets .....	<u>22,367</u>	<u>10,687</u>	<u>33,054</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable .....	137	6,305	6,442
Accrued expenses .....	115	2	117
Accrued interest payable .....	59	-	59
Due to other funds .....	1,311	6,533	7,844
Deferred revenue .....	75	-	75
General obligation debt payable - current .....	<u>477</u>	<u>-</u>	<u>477</u>
Total Current Liabilities .....	<u>2,174</u>	<u>12,840</u>	<u>15,014</u>
Noncurrent Liabilities:			
General obligation debt .....	<u>3,770</u>	<u>-</u>	<u>3,770</u>
Total Liabilities .....	<u>5,944</u>	<u>12,840</u>	<u>18,784</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt .....	17,481	-	17,481
Unrestricted .....	<u>(1,058)</u>	<u>(2,153)</u>	<u>(3,211)</u>
Total Net Assets .....	<u>\$ 16,423</u>	<u>\$ (2,153)</u>	<u>\$ 14,270</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit G-2  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Statutory sewer user fee .....	\$ -	\$ 29,868	\$ 29,868
Rent .....	4,888	-	4,888
Other .....	70	1,568	1,638
Total Operating Revenues .....	<u>4,958</u>	<u>31,436</u>	<u>36,394</u>
Operating Expenses:			
Milwaukee Metropolitan Sewerage District Charges ....	-	27,177	27,177
Employee services .....	1,313	124	1,437
Administrative and general .....	-	31	31
Depreciation .....	910	-	910
Transmission and distribution .....	-	2,789	2,789
Services, supplies and materials .....	817	-	817
Billing and collection .....	-	1,416	1,416
Total Operating Expenses .....	<u>3,040</u>	<u>31,537</u>	<u>34,577</u>
Operating Income (Loss) .....	<u>1,918</u>	<u>(101)</u>	<u>1,817</u>
Nonoperating Revenues (Expenses):			
Interest expense .....	(212)	-	(212)
Gain on disposal of fixed assets .....	1	-	1
Total Nonoperating Revenues (Expenses) .....	<u>(211)</u>	<u>-</u>	<u>(211)</u>
Income (Loss) before Contributions and Transfers	1,707	(101)	1,606
Transfers in .....	729	-	729
Transfers out .....	<u>(2,910)</u>	<u>-</u>	<u>(2,910)</u>
Change in Net Assets .....	(474)	(101)	(575)
Total Net Assets - Beginning .....	<u>16,897</u>	<u>(2,052)</u>	<u>14,845</u>
<b>Total Net Assets - Ending .....</b>	<b><u>\$ 16,423</u></b>	<b><u>\$ (2,153)</u></b>	<b><u>\$ 14,270</u></b>

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit G-3

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users .....	\$ 4,773	\$ 31,149	\$ 35,922
Payments to suppliers .....	(843)	(30,752)	(31,595)
Payments to employees .....	(1,294)	(122)	(1,416)
Payments from other funds .....	-	(275)	(275)
Payments to other funds .....	764	-	764
Net Cash Provided by Operating Activities .....	<u>3,400</u>	<u>-</u>	<u>3,400</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds .....	222	-	222
Transfers to other funds .....	(2,910)	-	(2,910)
Net Cash Used for Noncapital Financing Activities .....	<u>(2,688)</u>	<u>-</u>	<u>(2,688)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions .....	537	-	537
Proceeds from sale of bonds and notes .....	200	-	200
Acquisition of property, plant and equipment .....	(725)	-	(725)
Retirement of bonds, notes and revenue bonds .....	(506)	-	(506)
Interest paid .....	(219)	-	(219)
Net Cash Used for Capital and Related Financing Activities .....	<u>(713)</u>	<u>-</u>	<u>(713)</u>
Net Increase (Decrease) in Cash and Cash Equivalents .....	(1)	-	(1)
Cash and Cash Equivalents - Beginning .....	<u>1</u>	<u>-</u>	<u>1</u>
<b>Cash and Cash Equivalents - Ending .....</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>			
Operating income (loss) .....	\$ 1,918	\$ (101)	\$ 1,817
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation .....	910	-	910
Changes in assets and liabilities:			
Receivables .....	(137)	(287)	(424)
Due from other funds .....	-	(1,260)	(1,260)
Accounts payable .....	(26)	661	635
Accrued liabilities .....	19	2	21
Due to other funds .....	764	985	1,749
Deferred revenue .....	(48)	-	(48)
Net Cash Provided by Operating Activities .....	<u>\$ 3,400</u>	<u>\$ -</u>	<u>\$ 3,400</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, 2005  
 (Thousands of Dollars)

Exhibit H-1

	Balance 01-01-05	Additions	Deductions	Balance 12-31-05
<b>BOARD OF SCHOOL DIRECTORS FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents .....	\$ 160,225	\$ 1,383,521	\$ 1,363,897	\$ 179,849
Taxes receivable .....	<u>-</u>	<u>114,360</u>	<u>114,360</u>	<u>-</u>
<b>Total Assets .....</b>	<b><u>\$ 160,225</u></b>	<b><u>\$ 1,497,881</u></b>	<b><u>\$ 1,478,257</u></b>	<b><u>\$ 179,849</u></b>
<b>LIABILITIES</b>				
Due to Other Governmental Agencies:				
Milwaukee School Board .....	<u>\$ 160,225</u>	<u>\$ 1,383,521</u>	<u>\$ 1,363,897</u>	<u>\$ 179,849</u>
<b>PROPERTY TAX FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents .....	\$ 84,394	\$ 191,969	\$ 188,305	\$ 88,058
Taxes Receivable .....	<u>-</u>	<u>103,929</u>	<u>103,929</u>	<u>-</u>
<b>Total Assets .....</b>	<b><u>\$ 84,394</u></b>	<b><u>\$ 295,898</u></b>	<b><u>\$ 292,234</u></b>	<b><u>\$ 88,058</u></b>
<b>LIABILITIES</b>				
Due to Other Governmental Agencies:				
State of Wisconsin .....	\$ 272	\$ 4,821	\$ 5,037	\$ 56
Milwaukee County .....	48,620	105,657	103,801	50,476
Menomonee Falls School District .....	-	227	227	-
Milwaukee Area District Board of Vocational Technical & Adult Education .....	19,800	45,763	44,174	21,389
Milwaukee Metropolitan Sewerage District .....	15,702	35,453	35,018	16,137
Washington County .....	-	3	3	-
Waukesha County .....	<u>-</u>	<u>43</u>	<u>43</u>	<u>-</u>
<b>Total Liabilities .....</b>	<b><u>\$ 84,394</u></b>	<b><u>\$ 191,967</u></b>	<b><u>\$ 188,303</u></b>	<b><u>\$ 88,058</u></b>
<b>PAYROLL DEDUCTIONS FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents .....	<u>\$ 165</u>	<u>\$ 1,434</u>	<u>\$ 1,436</u>	<u>\$ 163</u>
<b>LIABILITIES</b>				
Accounts payable .....	<u>\$ 165</u>	<u>\$ 1,434</u>	<u>\$ 1,436</u>	<u>\$ 163</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit H-1 (Continued)

	Balance 01-01-05	Additions	Deductions	Balance 12-31-05
<b>FEES, PENALTIES AND SALES TAX FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents .....	\$ 632	\$ 3,706	\$ 4,054	\$ 284
<b>LIABILITIES</b>				
Accounts payable .....	\$ 1	\$ 63	\$ 63	\$ 1
Due to Other Governmental Agencies:				
State of Wisconsin .....	515	2,723	3,007	231
Milwaukee County .....	116	920	984	52
<b>Total Liabilities .....</b>	<b>\$ 632</b>	<b>\$ 3,706</b>	<b>\$ 4,054</b>	<b>\$ 284</b>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and cash equivalents .....	\$ 1,534	\$ 17,755	\$ 17,536	\$ 1,753
<b>LIABILITIES</b>				
Accounts payable .....	\$ 1,534	\$ 17,755	\$ 17,536	\$ 1,753
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents .....	\$ 246,950	\$ 1,598,385	\$ 1,575,228	\$ 270,107
Receivables:				
Taxes .....	-	218,289	218,289	-
<b>Total Assets .....</b>	<b>\$ 246,950</b>	<b>\$ 1,816,674</b>	<b>\$ 1,793,517</b>	<b>\$ 270,107</b>
<b>LIABILITIES</b>				
Accounts payable .....	\$ 1,700	\$ 19,252	\$ 19,035	\$ 1,917
Due to other governmental agencies .....	245,250	1,579,131	1,556,191	268,190
<b>Total Liabilities .....</b>	<b>\$ 246,950</b>	<b>\$ 1,598,383</b>	<b>\$ 1,575,226</b>	<b>\$ 270,107</b>
<i>See accompanying independent auditors' report.</i>				

This page left blank intentionally.

**MISCELLANEOUS  
FINANCIAL  
DATA**

CITY OF MILWAUKEE  
**COMBINED SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
 DECEMBER 31, 2005  
*(Thousands of Dollars)*

Exhibit I-1

Year Levied	Real Estate	Personal Property	Total
1985 -1994 .....	\$ 555	\$ 1	\$ 556
1995 .....	212	-	212
1996 .....	513	-	513
1997 .....	312	-	312
1998 .....	241	-	241
1999 .....	299	105	404
2000 .....	408	145	553
2001 .....	733	208	941
2002 .....	1,521	259	1,780
2003 .....	3,704	241	3,945
2004 .....	<u>14,176</u>	<u>565</u>	<u>14,741</u>
Delinquent Taxes Receivable .....	<u>\$ 22,674</u>	<u>\$ 1,524</u>	24,198
Add: Property taxes receivable on foreclosed property (A) .....			<u>14,206</u>
Total Delinquent Taxes Receivable .....			38,404
Less: Estimated uncollectible taxes .....			<u>(16,114)</u>
<b>Net Delinquent Taxes Receivable .....</b>			<b><u>\$ 22,290</u></b>

*See accompanying independent auditors' report.*

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

CITY OF MILWAUKEE Exhibit I-2  
**COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - REPORTING ENTITY**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Cash and Cash Equivalents:	
Cash .....	\$ 51,739
Local Government Pooled - Investment Fund .....	128,307
Institutional Money Market Fund .....	18,243
Cash with Fiscal Agent .....	7,762
Certificates of Deposit .....	390,879
U.S. Agency Notes .....	50,923
Other .....	<u>15,822</u>
 Total Cash and Cash Equivalents .....	 \$ 663,675
Investments:	
Treasury Notes, Bills and Agencies .....	55,879
Investments with Fiscal Agent .....	2,028
Capital Appreciation Bonds .....	14,674
Certificates of Deposit .....	1,093
Other .....	<u>2,397</u>
 Total Investments .....	 <u>76,071</u>
 Total Cash and Cash Equivalents and Investments .....	 <u>\$ 739,746</u>

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Restricted Investments	Total
Cash and Cash Equivalents and Investments - Fund:					
General .....	\$ 103,583	\$ 297	\$ -	\$ -	\$ 103,880
General Obligation Debt Service .....	84,699	-	-	-	84,699
Public Debt Amortization .....	28,001	45,588	-	-	73,589
Capital Projects .....	37,598	-	-	-	37,598
Nonmajor Governmental Funds .....	13,319	-	-	-	13,319
Water Works .....	28,420	-	621	-	29,041
Sewer Maintenance .....	-	-	7,762	-	7,762
Parking .....	22,001	-	-	-	22,001
Nonmajor Enterprise Funds .....	-	-	-	-	-
Pension and Other Employee Benefit Trusts .....	200	-	-	-	200
Private-Purpose Trusts .....	2,451	3,840	-	-	6,291
Agency Funds .....	270,107	-	-	-	270,107
Component Units .....	<u>46,336</u>	<u>3,320</u>	<u>18,577</u>	<u>23,026</u>	<u>91,259</u>
 <b>Total Cash and Cash Equivalents and Investments - Fund .....</b>	 <b><u>\$ 636,715</u></b>	 <b><u>\$ 53,045</u></b>	 <b><u>\$ 26,960</u></b>	 <b><u>\$ 23,026</u></b>	 <b><u>\$ 739,746</u></b>

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**DEBT SERVICE REQUIREMENTS TO MATURITY -  
 GENERAL OBLIGATION BONDS AND NOTES**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit I-3

Year	Blight Elimination/ Urban Renewal		Bridges		Economic Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 2,922	\$ 1,051	\$ 1,356	\$ 658	\$ 48	\$ 10
2007	2,426	901	1,321	592	46	7
2008	2,217	790	1,334	530	41	5
2009	1,972	684	1,362	465	38	3
2010	1,937	589	1,308	397	21	1
2011	1,771	491	1,132	330	2	-
2012	1,576	402	1,034	274	2	-
2013	1,237	323	920	224	2	-
2014	1,289	259	785	177	1	-
2015	1,114	194	769	139	1	-
2016	645	138	536	100	-	-
2017	205	104	398	73	-	-
2018	148	94	312	53	-	-
2019	137	87	187	40	-	-
2020	-	83	-	35	-	-
2021	476	69	200	29	-	-
2022	476	53	200	22	-	-
2023	476	36	200	15	-	-
2024	476	19	200	8	-	-
2025	476	3	200	1	-	-
<b>Totals</b>	<b><u>21,976</u></b>	<b><u>6,370</u></b>	<b><u>13,754</u></b>	<b><u>4,162</u></b>	<b><u>202</u></b>	<b><u>26</u></b>
<b>Total Requirements</b>	<b><u>\$28,346</u></b>		<b><u>\$17,916</u></b>		<b><u>\$ 228</u></b>	

*See accompanying independent auditors' report.*

Finance Real and Personal Property Tax Receivables		Financial Management Information System Replacement Project		Fire	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 13,988	\$ 838	\$ 2,146	\$ 284	\$ 1,635	\$ 667
6,154	420	2,233	185	1,588	586
2,729	217	1,950	80	1,496	518
1,832	118	410	10	1,369	444
1,118	53		-	1,373	375
502	13	-	-	1,355	306
-	-	-	-	1,335	237
-	-	-	-	1,299	169
-	-	-	-	1,285	104
-	-	-	-	595	55
-	-	-	-	273	28
-	-	-	-	192	14
-	-	-	-	46	5
-	-	-	-	40	3
-	-	-	-	15	1
-	-	-	-	5	1
-	-	-	-	5	1
-	-	-	-	5	-
-	-	-	-	5	-
-	-	-	-	4	-
<u>26,323</u>	<u>1,659</u>	<u>6,739</u>	<u>559</u>	<u>13,920</u>	<u>3,514</u>
<u>\$ 27,982</u>		<u>\$ 7,298</u>		<u>\$ 17,434</u>	

CITY OF MILWAUKEE  
**DEBT SERVICE REQUIREMENTS TO MATURITY -**  
**GENERAL OBLIGATION BONDS AND NOTES**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Grant and Aid Improvements - City Share		Harbor		Industrial Land Bank	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 61	\$ 17	\$ 477	\$ 204	\$ 34	\$ 7
2007	67	16	454	182	32	5
2008	68	13	456	163	29	4
2009	69	10	477	139	27	2
2010	55	7	398	117	15	1
2011	55	5	398	97	2	-
2012	32	3	357	76	1	-
2013	32	2	319	58	1	-
2014	8	1	311	42	1	-
2015	8	-	284	27	1	-
2016	-	-	112	14	-	-
2017	-	-	64	8	-	-
2018	-	-	44	5	-	-
2019	-	-	40	3	-	-
2020	-	-	13	1	-	-
2021	-	-	13	1	-	-
2022	-	-	5	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
<b>Totals</b>	<b>455</b>	<b>74</b>	<b>4,222</b>	<b>1,137</b>	<b>143</b>	<b>19</b>
<b>Total Requirements</b>	<b><u>\$ 529</u></b>		<b><u>\$ 5,360</u></b>		<b><u>\$ 162</u></b>	

*See accompanying independent auditors' report.*

Lakefront Development		Library		Local Improvement Projects/ Special Assessments		Milwaukee Exposition and Convention Center and Arena	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 4	\$ 1	\$ 1,028	\$ 428	\$ 1,979	\$ 951	\$ 18	\$ 3
4	1	931	375	1,991	842	16	2
4	-	912	332	1,827	749	13	2
3	-	880	285	1,637	661	11	1
2	-	855	241	1,371	580	7	-
-	-	702	199	1,161	518	1	-
-	-	659	164	958	467	1	-
-	-	677	130	1,137	410	1	-
-	-	627	96	1,045	353	-	-
-	-	399	67	677	308	-	-
-	-	390	48	2,421	273	-	-
-	-	339	29	2,130	173	-	-
-	-	125	12	2,073	87	-	-
-	-	112	6	23	1	-	-
-	-	57	1	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>17</u>	<u>2</u>	<u>8,693</u>	<u>2,413</u>	<u>20,430</u>	<u>6,373</u>	<u>68</u>	<u>8</u>
<u>\$ 19</u>		<u>\$ 11,106</u>		<u>\$ 26,803</u>		<u>\$ 76</u>	

CITY OF MILWAUKEE  
**DEBT SERVICE REQUIREMENTS TO MATURITY -  
 GENERAL OBLIGATION BONDS AND NOTES**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Municipal Expenses		Parking		Playgrounds/ Recreational Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 250	\$ 70	\$ 2,080	\$ 664	\$ 1,294	\$ 384
2007	250	60	2,056	563	1,075	336
2008	250	50	2,103	464	1,072	282
2009	250	40	1,511	371	996	228
2010	250	30	1,107	305	875	179
2011	250	20	1,038	252	706	137
2012	250	10	881	200	465	106
2013	-	-	753	156	552	80
2014	-	-	734	118	506	52
2015	-	-	622	82	326	31
2016	-	-	455	50	187	17
2017	-	-	251	27	119	8
2018	-	-	178	14	28	2
2019	-	-	113	6	18	-
2020	-	-	71	2	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
<b>Totals</b>	<b><u>1,750</u></b>	<b><u>280</u></b>	<b><u>13,953</u></b>	<b><u>3,274</u></b>	<b><u>8,219</u></b>	<b><u>1,842</u></b>
<b>Total Requirements</b>	<b><u>\$ 2,030</u></b>		<b><u>\$ 17,227</u></b>		<b><u>\$ 10,061</u></b>	

See accompanying independent auditors' report.

<u>Police</u>		<u>Public Buildings</u>		<u>Resource Recovery</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 4,685	\$ 2,200	\$ 8,787	\$ 4,644	\$ 11	\$ 2
4,767	1,976	9,605	4,563	10	2
4,958	1,756	9,649	4,099	9	1
5,178	1,512	9,073	3,635	9	1
4,767	1,252	8,669	3,196	5	-
4,116	1,005	8,131	2,776	1	-
4,203	798	7,109	2,389	-	-
3,554	604	6,913	2,034	-	-
2,563	424	6,185	1,690	-	-
2,669	305	5,351	1,393	-	-
1,279	179	4,689	1,133	-	-
1,112	114	4,186	897	-	-
471	59	3,411	688	-	-
125	38	3,317	517	-	-
30	34	1,921	386	-	-
189	28	2,928	260	-	-
190	21	1,898	158	-	-
189	14	1,289	98	-	-
190	8	1,289	53	-	-
189	1	1,289	8	-	-
<u>45,424</u>	<u>12,328</u>	<u>105,689</u>	<u>34,617</u>	<u>45</u>	<u>6</u>
<u>\$ 57,752</u>		<u>\$ 140,306</u>		<u>\$ 51</u>	

CITY OF MILWAUKEE  
**DEBT SERVICE REQUIREMENTS TO MATURITY -  
GENERAL OBLIGATION BONDS AND NOTES**  
DECEMBER 31, 2005  
*(Thousands of Dollars)*

Exhibit I-3 (Continued)

Year	Schools		Sewers		Streets	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 10,775	\$ 5,138	\$ 7,472	\$ 2,887	\$ 8,912	\$ 3,961
2007	10,549	4,638	7,272	2,524	8,566	3,519
2008	11,002	4,307	6,747	2,196	8,411	3,116
2009	9,379	3,793	6,032	1,881	8,015	2,704
2010	9,699	3,635	5,399	1,595	7,361	2,303
2011	8,905	3,128	4,872	1,330	5,939	1,936
2012	8,394	3,129	4,659	1,093	5,635	1,641
2013	7,856	2,968	4,080	858	5,044	1,366
2014	6,943	2,547	3,828	652	4,207	1,113
2015	6,385	2,837	3,255	466	3,531	916
2016	8,100	2,474	2,322	298	2,755	738
2017	7,107	2,791	1,280	180	2,148	598
2018	6,017	2,405	798	116	975	491
2019	5,876	2,924	257	86	453	450
2020	5,016	3,076	200	75	211	433
2021	1,433	2,772	400	58	2,452	357
2022	1,684	3,631	400	44	2,444	271
2023	1,469	3,486	400	30	2,440	185
2024	-	-	400	16	2,440	100
2025	-	-	400	2	2,440	15
<b>Totals</b>	<b>126,589</b>	<b>59,679</b>	<b>60,473</b>	<b>16,387</b>	<b>84,379</b>	<b>26,213</b>
<b>Total Requirements</b>	<b><u>\$ 186,268</u></b>		<b><u>\$ 76,860</u></b>		<b><u>\$ 110,592</u></b>	

*See accompanying independent auditors' report.*

<b>Tax Incremental Districts</b>		<b>Water</b>		<b>Total Requirements</b>	
<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
\$ 7,341	\$ 5,847	\$ 4,692	\$ 1,358	\$ 81,995	\$ 32,274
8,343	5,602	3,362	1,120	73,118	29,017
9,354	5,158	2,845	960	69,476	25,792
9,294	4,693	1,989	851	61,813	22,531
9,190	4,223	2,492	754	58,274	19,833
9,123	3,753	2,966	635	53,128	16,931
8,658	3,286	2,492	494	48,701	14,769
8,281	2,845	2,101	360	44,759	12,587
7,296	2,417	2,286	251	39,900	10,296
6,927	2,058	1,677	141	34,591	9,019
5,698	1,683	982	53	30,844	7,226
7,164	1,390	21	3	26,716	6,409
7,395	1,008	22	2	22,043	5,041
5,056	632	23	1	15,777	4,794
3,967	394	-	-	11,501	4,521
3,987	196	-	-	12,083	3,771
1,923	48	-	-	9,225	4,249
-	-	-	-	6,468	3,864
-	-	-	-	5,000	204
-	-	-	-	4,998	30
<b>118,997</b>	<b>45,233</b>	<b>27,950</b>	<b>6,983</b>	<b>710,410</b>	<b>233,158</b>
<b><u>\$ 164,230</u></b>		<b><u>\$ 34,933</u></b>		<b><u>\$ 943,568</u></b>	

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
2006	\$ 846	\$ 330	\$ 1,176
2007	868	307	1,175
2008	891	284	1,175
2009	915	260	1,175
2010	939	236	1,175
2011	964	211	1,175
2012	989	185	1,174
2013	1,015	158	1,173
2014	1,042	131	1,173
2015	1,070	104	1,174
2016	1,098	75	1,173
2017	1,127	45	1,172
2018	<u>1,157</u>	<u>15</u>	<u>1,172</u>
	<b><u>\$ 12,921</u></b>	<b><u>\$ 2,341</u></b>	<b><u>\$ 15,262</u></b>

*See accompanying independent auditors' report.*

*Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 & 5 for 2005, consisted of gross revenues plus interest income in the amount of \$72,661, less operating expenses (excluding depreciation but including the payment of lieu of taxes) of \$51,953. As a result, the net revenue available for debt service was \$20,708. Debt service requirements consisted of \$1,176 for 2005. At the end of the year, bond coverage computes to 17.61.*

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

Exhibit I-5

Year	Principal	Interest	Total Requirements
2006	\$ 2,480	\$ 2,667	\$ 5,147
2007	2,570	2,575	5,145
2008	2,650	2,487	5,137
2009	2,740	2,386	5,126
2010	2,840	2,274	5,114
2011	2,940	2,151	5,091
2012	3,050	2,015	5,065
2013	3,175	1,865	5,040
2014	3,310	1,703	5,013
2015	3,465	1,539	5,004
2016	3,625	1,361	4,986
2017	3,800	1,170	4,970
2018	3,975	975	4,950
2019	4,160	776	4,936
2020	4,360	564	4,924
2021	4,565	341	4,906
2022	2,375	168	2,543
2023	<u>2,475</u>	<u>54</u>	<u>2,529</u>
	<b><u>\$ 58,555</u></b>	<b><u>\$ 27,071</u></b>	<b><u>\$ 85,626</u></b>

*See accompanying independent auditors' report.*

*Note: Sewerage System Revenue Bonds coverage consisted of gross revenues plus interest income in the amount of \$31,390 less operating expenses (excluding depreciation) of \$15,022. As a result, the net revenue available for debt service was \$16,368. Debt service requirements consisted of \$5,152 for 2005. At the end of the year, bond coverage computes to 3.18.*

CITY OF MILWAUKEE  
**SCHEDULE OF ACCOUNT BALANCES**  
**CAPITAL PROJECTS BY PURPOSE**  
 DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
<b>ASSETS</b>					
Assets:					
Cash and cash equivalents .....	\$ -	\$ 654	\$ 576	\$ 48	\$ 391
Receivables (net):					
Taxes .....	-	15	-	-	261
Accounts .....	-	-	-	-	-
Special Assessments .....	-	-	-	-	-
Due from other governmental agencies .....	-	-	-	-	1
Inventory of materials and supplies .....	-	-	-	-	-
<b>Total Assets</b> .....	<b>\$ -</b>	<b>\$ 669</b>	<b>\$ 576</b>	<b>\$ 48</b>	<b>\$ 653</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable .....	\$ 814	\$ -	\$ 1,649	\$ 194	\$ 27
Accrued expenses .....	12	-	-	-	3
Due to other funds .....	2,375	-	-	-	-
Due to component units .....	-	-	-	-	-
Due to other governmental agencies .....	562	-	-	-	-
Deferred revenue .....	-	25	-	-	448
Advances from other funds .....	-	-	-	-	-
<b>Total Liabilities</b> .....	<b>3,763</b>	<b>25</b>	<b>1,649</b>	<b>194</b>	<b>478</b>
Fund Balance:					
Reserved for encumbrances, prepaids, and carryovers .....	(3,763)	644	(1,073)	(146)	175
Reserved for inventory .....	-	-	-	-	-
Unreserved:					
Special assessment (deficit) .....	-	-	-	-	-
<b>Total Fund Balance</b> .....	<b>(3,763)</b>	<b>644</b>	<b>(1,073)</b>	<b>(146)</b>	<b>175</b>
<b>Total Liabilities and Fund Balance</b> .....	<b>\$ -</b>	<b>\$ 669</b>	<b>\$ 576</b>	<b>\$ 48</b>	<b>\$ 653</b>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ 6,045	\$ 26,361	\$ -	\$ 1,128	\$ 2,395	\$ -	\$ -	\$ 37,598
-	113	-	89	4,605	1,993	-	7,076
-	-	2,015	-	1,136	-	-	3,151
-	-	-	-	-	-	17,500	17,500
-	-	148	152	1,102	-	-	1,403
-	-	274	-	-	-	-	274
<u>\$ 6,045</u>	<u>\$ 26,474</u>	<u>\$ 2,437</u>	<u>\$ 1,369</u>	<u>\$ 9,238</u>	<u>\$ 1,993</u>	<u>\$ 17,500</u>	<u>\$ 67,002</u>
\$ 522	\$ 4,349	\$ 261	\$ 241	\$ 602	\$ 590	\$ 357	\$ 9,606
-	26	4	2	127	11	-	185
-	-	1,314	-	-	4,662	-	8,351
-	-	-	8	-	2,546	-	2,554
-	-	1,201	69	-	-	1,181	3,013
-	190	195	302	8,561	3,355	16,382	29,458
-	-	-	-	-	-	14,673	14,673
<u>522</u>	<u>4,565</u>	<u>2,975</u>	<u>622</u>	<u>9,290</u>	<u>11,164</u>	<u>32,593</u>	<u>67,840</u>
5,523	21,909	(812)	747	(52)	(9,171)	-	13,981
-	-	274	-	-	-	-	274
-	-	-	-	-	-	(15,093)	(15,093)
<u>5,523</u>	<u>21,909</u>	<u>(538)</u>	<u>747</u>	<u>(52)</u>	<u>(9,171)</u>	<u>(15,093)</u>	<u>(838)</u>
<u>\$ 6,045</u>	<u>\$ 26,474</u>	<u>\$ 2,437</u>	<u>\$ 1,369</u>	<u>\$ 9,238</u>	<u>\$ 1,993</u>	<u>\$ 17,500</u>	<u>\$ 67,002</u>

CITY OF MILWAUKEE  
**SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 CAPITAL PROJECTS BY PURPOSE**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes .....	\$ -	\$ 25	\$ -	\$ -	\$ 440
Special Assessments .....	-	-	-	-	-
Intergovernmental .....	2,567	-	-	-	51
Other .....	-	-	-	20	-
<b>Total Revenues .....</b>	<b><u>2,567</u></b>	<b><u>25</u></b>	<b><u>-</u></b>	<b><u>20</u></b>	<b><u>491</u></b>
Expenditures:					
Capital outlay .....	11,508	-	3,689	2,113	1,621
Bond Issuance Costs .....	-	-	-	-	-
<b>Total Expenditures .....</b>	<b><u>11,508</u></b>	<b><u>-</u></b>	<b><u>3,689</u></b>	<b><u>2,113</u></b>	<b><u>1,621</u></b>
Excess (deficiency) of Revenues over Expenditures .....	<u>(8,941)</u>	<u>25</u>	<u>(3,689)</u>	<u>(2,093)</u>	<u>(1,130)</u>
Other Financing Sources (Uses):					
General obligation bonds and notes issued .....	1,000	-	358	855	1,075
Issuance Premium .....	-	-	-	-	-
Transfers out .....	-	(16)	-	-	-
<b>Total Other Financing Sources and Uses .....</b>	<b><u>1,000</u></b>	<b><u>(16)</u></b>	<b><u>358</u></b>	<b><u>855</u></b>	<b><u>1,075</u></b>
Net Change in Fund Balance .....	(7,941)	9	(3,331)	(1,238)	(55)
Fund Balance (Deficit) - Beginning .....	<u>4,178</u>	<u>635</u>	<u>2,258</u>	<u>1,092</u>	<u>230</u>
<b>Fund Balance (Deficit) - Ending .....</b>	<b><u>\$ (3,763)</u></b>	<b><u>\$ 644</u></b>	<b><u>\$ (1,073)</u></b>	<b><u>\$ (146)</u></b>	<b><u>\$ 175</u></b>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Schools Financing	Total
\$ 50	\$ 50	\$ -	\$ 150	\$ 9,405	\$ 2,826	\$ -	\$ -	\$ 12,946
-	-	-	-	-	-	4,651	-	4,651
-	-	225	62	15,338	-	-	-	18,243
-	-	224	-	53	1,238	-	-	1,535
<u>50</u>	<u>50</u>	<u>449</u>	<u>212</u>	<u>24,796</u>	<u>4,064</u>	<u>4,651</u>	<u>-</u>	<u>37,375</u>
3,484	25,231	7,471	3,078	33,973	22,043	6,628	18,000	138,839
-	-	-	-	-	-	-	137	137
<u>3,484</u>	<u>25,231</u>	<u>7,471</u>	<u>3,078</u>	<u>33,973</u>	<u>22,043</u>	<u>6,628</u>	<u>18,137</u>	<u>138,976</u>
<u>(3,434)</u>	<u>(25,181)</u>	<u>(7,022)</u>	<u>(2,866)</u>	<u>(9,177)</u>	<u>(17,979)</u>	<u>(1,977)</u>	<u>(18,137)</u>	<u>(101,601)</u>
4,198	37,106	5,000	2,480	15,375	28,711	-	16,715	112,873
-	-	-	-	-	-	-	1,483	1,483
-	-	-	-	-	(1,238)	-	(61)	(1,315)
<u>4,198</u>	<u>37,106</u>	<u>5,000</u>	<u>2,480</u>	<u>15,375</u>	<u>27,473</u>	<u>-</u>	<u>18,137</u>	<u>113,041</u>
764	11,925	(2,022)	(386)	6,198	9,494	(1,977)	-	11,440
<u>4,759</u>	<u>9,984</u>	<u>1,484</u>	<u>1,133</u>	<u>(6,250)</u>	<u>(18,665)</u>	<u>(13,116)</u>	<u>-</u>	<u>(12,278)</u>
<u>\$ 5,523</u>	<u>\$ 21,909</u>	<u>\$ (538)</u>	<u>\$ 747</u>	<u>\$ (52)</u>	<u>\$ (9,171)</u>	<u>\$ (15,093)</u>	<u>\$ -</u>	<u>\$ (838)</u>

CITY OF MILWAUKEE  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General .....	\$ 99,839	\$ 95,519	\$ (4,320)
Provision for Employees' Retirement .....	40,091	40,091	-
Total Property Taxes .....	<u>139,930</u>	<u>135,610</u>	<u>(4,320)</u>
Other Taxes:			
Payment in lieu of taxes .....	1,110	1,244	134
Interest on city tax certificates and other taxes .....	1,805	2,465	660
Total Other Taxes .....	<u>2,915</u>	<u>3,709</u>	<u>794</u>
Licenses and Permits:			
Licenses:			
Business and occupational .....	3,564	4,230	666
Other .....	129	126	(3)
Permits:			
Building .....	5,512	7,189	1,677
Zoning .....	224	261	37
Other .....	802	1,568	766
Total Licenses and Permits .....	<u>10,231</u>	<u>13,374</u>	<u>3,143</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes .....	240,200	240,099	(101)
Local street aids .....	25,000	25,169	169
Payment for municipal services .....	2,550	2,699	149
Other .....	4,794	4,908	114
Total Intergovernmental .....	<u>272,544</u>	<u>272,875</u>	<u>331</u>
Charges for Services:			
General government .....	11,503	11,049	(454)
Public safety .....	11,762	13,888	2,126
Public works .....	30,268	35,382	5,114
Health .....	751	693	(58)
Culture and recreation .....	1,772	1,808	36
Conservation and development .....	467	590	123
Total Charges for Services .....	<u>56,523</u>	<u>63,410</u>	<u>6,887</u>
Fines and Forfeits:			
Court and contract forfeitures .....	5,213	5,885	672
Other .....	-	8	8
Total Fines and Forfeits .....	<u>5,213</u>	<u>5,893</u>	<u>680</u>
Other:			
Interest on temporary investments .....	2,625	4,614	1,989
Miscellaneous .....	5,404	7,565	2,161
Total Other .....	<u>8,029</u>	<u>12,179</u>	<u>4,150</u>
<b>Total .....</b>	<b><u>\$ 495,385</u></b>	<b><u>\$ 507,050</u></b>	<b><u>\$ 11,665</u></b>
<i>See accompanying independent auditors' report.</i>			

CITY OF MILWAUKEE  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (Thousands of Dollars)

Exhibit I-9

	Final Budget	Salaries and Wages	Other Operating Costs	2005 Actual		Variance - Favorable (Unfavorable)
				Equipment	Total	
General Government:						
Zoning Appeals .....	\$ 262	\$ 211	\$ 51	\$ -	\$ 262	\$ -
Mayor .....	830	785	28	11	824	6
Common Council - City Clerk .....	6,370	4,909	1,235	124	6,268	102
Municipal Court .....	2,968	1,925	1,002	31	2,958	10
City Attorney .....	9,072	4,819	4,109	54	8,982	90
Administration .....	6,097	4,272	1,604	10	5,886	211
Employee Relations .....	99,977	3,669	92,644	3	96,316	3,661
Election Commission .....	1,148	602	401	-	1,003	145
Comptroller .....	27,172	3,131	22,826	27	25,984	1,188
City Treasurer .....	3,928	1,618	2,230	4	3,852	76
Assessor's Office .....	3,393	3,009	384	-	3,393	-
Employee's Retirement .....	19,522	232	16,292	-	16,524	2,998
Interest Expense .....	8,338	-	8,338	-	8,338	-
Non-departmental - unallocated ...	14	-	-	-	-	14
<b>Total General Government .....</b>	<b>189,091</b>	<b>29,182</b>	<b>151,144</b>	<b>264</b>	<b>180,590</b>	<b>8,501</b>
Public Safety:						
Fire Department .....	76,879	71,445	4,430	568	76,443	436
Police Department .....	159,820	148,428	10,233	1,126	159,787	33
Neighborhood Services .....	12,485	7,789	4,277	70	12,136	349
<b>Total Public Safety .....</b>	<b>249,184</b>	<b>227,662</b>	<b>18,940</b>	<b>1,764</b>	<b>248,366</b>	<b>818</b>
Public Works:						
General Office .....	3,618	2,752	732	39	3,523	95
Infrastructure .....	19,412	12,905	6,435	43	19,383	29
Operations .....	66,385	39,599	25,256	1,419	66,274	111
<b>Total Public Works .....</b>	<b>89,415</b>	<b>55,256</b>	<b>32,423</b>	<b>1,501</b>	<b>89,180</b>	<b>235</b>
Health .....	10,688	8,788	1,846	22	10,656	32
Culture and Recreation:						
Public Library .....	16,841	12,587	2,508	1,649	16,744	97
Conservation and Development:						
Department of City Development .	2,966	1,888	879	-	2,767	199
<b>Total .....</b>	<b>\$ 558,185</b>	<b>\$ 335,363</b>	<b>\$ 207,740</b>	<b>\$ 5,200</b>	<b>\$ 548,303</b>	<b>\$ 9,882</b>

See accompanying independent auditors' report.

This page left blank intentionally.



This page left blank intentionally.

CITY OF MILWAUKEE  
**GOVERNMENT-WIDE EXPENSES BY FUNCTION**  
 FOUR YEARS  
*(Thousands of Dollars)*

Table 1

Year	General Government	Public Safety	Public Works	Health	Culture and Recreation	Conservation and Development	Capital Contribution Schools
2002	\$ 159,681	\$ 229,167	\$ 132,198	\$ 22,125	\$ 22,924	\$ 50,828	\$ 18,725
2003	166,270	257,207	137,693	24,679	19,520	64,197	8,904
2004	177,761	241,027	150,591	27,251	29,014	57,967	15,686
2005	180,975	263,852	155,048	27,036	19,931	57,245	18,002

Year	Contributions	Interest on Long-Term Debt	Water	Sewer Maintenance	Parking	Nonmajor Enterprise	Total
2002	\$ 20,378	\$ 29,908	\$ 52,821	\$ 24,214	\$ 21,893	\$ 33,924	\$ 818,786
2003	22,499	26,981	56,554	26,440	21,438	34,936	867,318
2004	20,582	24,159	54,030	24,361	22,283	34,214	878,926
2005	25,465	22,589	58,230	26,096	22,369	34,789	911,627



CITY OF MILWAUKEE  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
 LAST TEN YEARS  
*(Thousands of Dollars)*

Table 3

Year	General Government	Public Safety	Public Works	Health	Culture and Recreation	Conservation and Development	Total
1996	\$ 54,473	\$ 244,428	\$ 103,226	\$ 17,037	\$ 18,180	\$ 6,515	\$ 443,859
1997	62,913	243,235	107,599	16,726	19,666	5,652	455,791
1998	65,306	248,605	102,835	17,882	20,383	7,281	462,292
1999	132,231	205,717	91,817	11,401	16,627	7,271	465,064
2000	157,615	220,879	100,696	11,363	17,584	7,502	515,639
2001	162,628	209,521	87,453	11,237	16,948	7,922	495,709
2002	179,023	211,163	88,094	10,552	18,791	7,857	515,480
2003	187,047	240,261	86,335	10,677	17,165	3,833	545,318
2004	200,124	231,371	89,562	10,724	17,822	3,495	553,098
2005	206,055	248,366	89,180	10,656	16,744	2,767	573,768
<p><i>NOTE: General Governmental Expenditures included on this table are only of the General Fund.</i></p>							

CITY OF MILWAUKEE  
**GENERAL REVENUES BY SOURCE**  
 LAST TEN YEARS  
 (Thousands of Dollars)

Table 4

Year	Property Taxes	Other Taxes	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeits	Contributions & Other	Total
1996	\$ 84,280	\$ 11,112	\$ 7,086	\$ 268,095	\$ 24,907	\$ 13,472	\$ 18,566	\$ 427,518
1997	92,656	10,397	7,599	271,796	25,810	15,578	17,147	440,983
1998	84,042	10,100	8,112	278,965	27,727	16,138	16,736	441,820
1999	89,250	10,283	8,996	277,884	37,598	17,694	9,032	450,737
2000	98,456	12,808	10,154	278,434	45,383	18,036	14,358	477,629
2001	118,804	12,688	10,485	278,969	54,594	4,408	12,408	492,356
2002	114,096	2,944	10,814	283,068	57,749	5,210	29,813	503,694
2003	126,749	4,318	10,883	284,565	55,714	6,115	30,313	518,657
2004	129,120	3,563	11,530	273,865	60,825	5,647	30,344	514,894
2005	135,610	3,709	13,374	272,875	63,410	5,893	37,366	532,237
<p><i>NOTE: General Revenues included on this table are only of the General Fund.</i></p>								

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

Table 5

For Year	Total Tax Levy (A)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (B)	Total Tax Collections	Collections as Percent of Current Levy	Total Cumulative Delinquent Taxes (C)	Delinquent Taxes as Percent of Current Levy
1996	\$ 385,496	\$ 374,793	97.224	\$ 11,467	\$ 386,260	100.198	\$ 22,175	5.752
1997	350,302	340,270	97.136	8,559	348,829	99.580	23,648	6.751
1998	331,556	322,737	97.340	13,084	335,821	101.286	19,383	5.846
1999	339,318	328,558	96.829	8,574	337,132	99.355	21,569	6.357
2000	324,794	311,022	95.760	11,288	322,310	99.236	24,053	7.405
2001	368,371	355,575	96.526	14,805	370,380	100.545	22,043	5.984
2002	382,873	369,125	96.409	13,926	383,051	100.046	21,865	5.711
2003	398,220	383,064	96.194	12,401	395,465	99.308	24,620	6.183
2004	404,892	390,930	96.552	14,676	405,606	100.177	23,905	5.904
2005	436,427	421,686	96.622	13,960	435,646	99.821	24,686	5.656
<p>(A) <i>Includes only City and Milwaukee Public Schools levies, adjusted for special assessments placed on tax roll, as well as County delinquent taxes purchased from the County and included in tax levy collections.</i></p> <p>(B) <i>Collection of delinquent taxes for prior years.</i></p> <p>(C) <i>Includes current and prior delinquent taxes.</i></p>								

This page left blank intentionally.

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

Table 6

Year	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1996	\$ 13,714,440	\$ 13,911,337	\$ 1,136,167	\$ 1,129,862	\$ 14,850,607	\$ 15,041,199	98.7%
1997	13,780,412	14,335,277	1,133,725	1,176,580	14,914,137	15,511,857	96.1
1998	14,842,447	15,006,268	1,229,667	1,221,950	16,072,114	16,228,218	99.0
1999	14,900,027	15,905,567	873,823	795,658	15,773,850	16,701,225	94.4
2000	16,646,617	16,429,767	936,378	914,484	17,582,995	17,344,251	101.4
2001	16,792,682	18,375,998	907,102	1,077,832	17,699,784	19,453,830	90.9
2002	18,968,857	19,400,257	897,398	898,130	19,866,255	20,298,387	97.9
2003	20,162,296	20,851,016	847,221	879,738	21,009,517	21,730,754	96.7
2004	21,938,751	22,655,924	833,668	835,850	22,772,420	23,491,774	96.9
2005	24,386,499	25,420,455	835,650	836,259	25,222,149	26,256,714	96.1

*NOTE: The Assessed Values are established by the City of Milwaukee Assessor's Office. The Estimated Actual (Equalized) Values are provided by the State Supervisor of Assessments.*

CITY OF MILWAUKEE  
**PROPERTY TAX RATES AND TAX LEVIES - ALL OVERLAPPING GOVERNMENTS**  
 LAST TEN YEARS

Table 7

Levy for Year (C)	City of Milwaukee (A)		Milwaukee School Board (B)		Milwaukee Area District Board of Vocational, Technical and Adult Education	
<b>TAX RATES PER \$1,000 OF ASSESSED</b>						
1996	\$ 10.09	28.6%	\$ 14.28	40.5%	\$ 2.10	6.0%
1997	9.81	33.3	9.97	33.9	2.01	6.8
1998	9.47	33.2	9.02	31.6	2.11	7.4
1999	9.20	32.5	9.44	33.4	2.01	7.1
2000	9.12	32.5	8.95	31.9	2.16	7.7
2001	9.86	35.2	8.81	31.5	2.00	7.1
2002	10.22	34.6	9.11	30.8	2.23	7.6
2003	9.51	34.9	8.55	31.4	2.05	7.5
2004	9.22	35.2	8.12	31.0	2.04	7.8
2005	8.52	32.9	8.84	34.2	2.00	7.7
<b>Tax Levies</b>						
1996	\$ 138,750		\$ 221,958		\$ 28,967	
1997	143,061		181,336		29,388	
1998	139,417		167,446		31,020	
1999	145,555		181,736		31,847	
2000	141,279		169,562		33,455	
2001	169,678		180,874		34,437	
2002	176,579		186,228		38,499	
2003	184,682		193,636		39,808	
2004	188,680		193,756		41,793	
2005	196,688		230,343		47,689	

- (A) Excludes allocation of debt service requirement on debt incurred for schools, initially included in the City of Milwaukee. (\$.67 in 2005)
- (B) Includes allocation of debt service requirement on debt incurred for schools, initially included in the tax levy of the City of Milwaukee. (\$.67 in 2005)
- (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.

<u>County of Milwaukee</u>		<u>State of Wisconsin</u>		<u>Milwaukee Metropolitan Sewerage District</u>		<u>Total</u>					
<b>VALUE AND PERCENT OF TOTAL</b>											
\$	5.74	16.3%	\$	0.21	0.6%	\$	2.81	8.0%	\$	35.23	100.0%
	5.72	19.4		0.20	0.7		1.72	5.9		29.43	100.0
	5.96	20.9		0.21	0.7		1.77	6.2		28.54	100.0
	5.72	20.2		0.20	0.7		1.72	6.1		28.29	100.0
	5.82	20.7		0.21	0.8		1.80	6.4		28.06	100.0
	5.46	19.5		0.20	0.7		1.68	6.0		28.01	100.0
	5.91	20.0		0.22	0.7		1.87	6.3		29.56	100.0
	5.20	19.1		0.20	0.7		1.74	6.4		27.25	100.0
	4.94	18.9		0.21	0.8		1.64	6.3		26.17	100.0
	4.70	18.2		0.21	0.8		1.59	6.2		25.86	100.0

*(In Thousands)*

\$	78,897	\$	2,964	\$	38,654	\$	510,190
	83,308		3,008		25,110		465,211
	87,779		3,102		26,039		454,803
	90,387		3,246		27,152		479,923
	90,017		3,340		27,876		465,529
	93,946		3,469		28,876		511,280
	102,173		3,891		32,287		539,657
	100,841		4,060		33,722		556,749
	101,070		4,346		33,596		563,241
	107,710		4,925		35,974		623,329

CITY OF MILWAUKEE  
**SPECIAL ASSESSMENT COLLECTIONS**  
 LAST TEN YEARS  
*(Thousands of Dollars)*

Table 8

Billing Year	Current Assessments Billed	Current Assessments Collected	Ratio of Collections to Amount Billed	Current Assessments Unpaid at End of Billing Year
1996	\$ 4,269	\$ 2,537	59.4%	\$ 1,732
1997	2,488	1,506	60.5	982
1998	4,693	2,919	62.2	1,774
1999	3,155	2,090	66.2	1,065
2000	3,271	2,031	62.1	1,240
2001	4,434	2,597	58.6	1,837
2002	4,732	3,218	68.0	1,514
2003	2,961	2,086	70.5	875
2004	5,131	3,569	69.6	1,562
2005	4,684	2,878	61.4	1,806

**NOTE:** *All special assessments are due when billed and may be paid within forty-five (45) days without interest. An election to pay in six annual installments is available at an annual interest rate determined as of June 30 each year per ordinance. The rate for 2005 of 7.17% is calculated on the unpaid balance. Each installment is added to the general tax roll and the method of enforcing collections is the same as for general city taxes with like force and effect.*

CITY OF MILWAUKEE  
**RATIO OF NET GENERAL LONG-TERM DEBT TO ASSESSED VALUE AND  
 EQUALIZED VALUE AND NET LONG-TERM DEBT PER CAPITA  
 LAST TEN YEARS**

Table 9

Year	Population (A)	Assessed Value (In Thousands)	Equalized Value (In Thousands)	Gross General Long- Term Debt (B) (In Thousands)	Less Assets Available in Govern- mental Funds (C) (In Thousands)	Net General Long-Term Debt (B) (In Thousands)	Ratio of Net Long- Term Debt to Assessed Value (Percent)	Ratio of Net Long- Term Debt to Equal- ized Value (Percent)	Net General Long- Term Debt Per Capita
1996	620,609	\$ 14,850,607	\$ 15,041,199	\$ 370,517	\$ 47,787	\$ 322,730	2.17	2.15	\$ 520.02
1997	612,740	14,914,137	15,511,857	393,179	44,313	348,866	2.34	2.25	569.35
1998	610,654	16,072,114	16,228,218	432,877	47,424	385,453	2.40	2.38	631.21
1999	608,150	15,773,850	16,701,225	473,089	52,554	420,535	2.67	2.52	691.50
2000	605,572	17,582,995	17,344,251	522,503	51,444	471,059	2.68	2.72	777.87
2001	595,508	17,699,784	19,453,830	566,429	56,025	510,404	2.88	2.62	857.09
2002	595,958	19,866,255	20,298,387	591,155	48,813	542,342	2.73	2.67	910.03
2003	595,245	21,009,517	21,730,754	598,275	44,060	554,215	2.64	2.55	931.07
2004	593,920	22,772,420	23,491,774	618,988	52,767	566,221	2.49	2.41	953.36
2005	592,765	25,222,149	26,256,714	664,285	53,868	610,417	2.42	2.32	1,029.78

(A) The December 31, 1996 through 2005 populations are estimated from the Wisconsin Department of Revenue population used in the distribution of State Shared Revenues.

(B) Excludes general obligation debt for Port of Milwaukee, Parking and Water Works, reported in their respective funds.

(C) Includes assets available in the General Obligation Debt Service Fund and the Delinquent Tax Special Revenue Fund.

CITY OF MILWAUKEE  
**COMPUTATION OF LEGAL DEBT MARGIN**  
 December 31, 2005  
 (Thousands of Dollars)

Table 10

Assessed Value .....		\$ 25,222,149
Equalized Value .....		<u>26,256,714</u>
Debt Limit 7 Percent of Equalized Value .....		1,837,970
Amount of Debt Applicable to Debt Limit:		
General obligation bonds .....	\$ 514,104	
General obligation notes .....	150,181	
Parking bonds and notes .....	13,953	
Harbor bonds .....	4,222	
Water Works bonds .....	27,950	
Water Works revenue bonds .....	12,921	
Sewer revenue bonds .....	<u>58,555</u>	
Total Debt .....		\$ 781,886
Deduct:		
Assets in Debt Service Funds .....	44,207	
Water Works revenue bonds (A) .....	12,921	
Sewer revenue bonds .....	<u>58,555</u>	
Total Deductions .....		<u>115,683</u>
Total Amount of Debt Applicable to Debt Limit .....		<u>666,203</u>
<b>Legal Debt Margin .....</b>		<b><u>\$ 1,171,767</u></b>

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

Note: *State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. 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, 2005 was \$525,134 for school purposes and \$646,633 for general purposes.*



CITY OF MILWAUKEE  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL  
LONG-TERM DEBT TO GENERAL EXPENDITURES**  
LAST TEN YEARS  
(Thousands of Dollars)

Table 12

Year	Principal (A)	Interest (A)	Total Debt Service (A)	Total General Expenditures	Ratio of Debt Service to General Expenditures (Percent)
1996	\$ 59,038	\$ 15,428	\$ 74,466	\$ 443,859	16.8%
1997	58,575	17,154	75,729	455,791	16.6
1998	60,402	17,703	78,105	462,292	16.9
1999	58,645	19,295	77,940	465,064	16.8
2000	60,693	19,855	80,548	515,639	15.6
2001	62,037	21,998	84,035	495,709	16.9
2002	65,761	24,302	90,063	515,480	17.5
2003	61,103	23,306	84,409	545,318	15.5
2004	57,822	23,783	81,605	553,098	14.8
2005	69,741	24,644	94,385	573,768	16.5

(A) Excludes school debt service. The City is obliged by State Statutes to provide financing for the acquisition of school facilities operated by the Milwaukee Board of School Directors. School debt service is the legal liability of the City of Milwaukee but school expenditures are under control of the Board of Directors.

CITY OF MILWAUKEE  
**DEMOGRAPHIC STATISTICS**  
 LAST TEN YEARS

Table 13

Year	Population (A)	Per Capita Income (B)	Median Age (C)	School Enrollment (D)	Unemployment Rate (E)
1996	620,609	\$ 12,800	30.3	106,261	5.1%
1997	612,740	13,219	30.3	107,043	5.2
1998	610,654	13,436	30.3	105,645	4.8
1999	608,150	13,780	30.3	105,374	4.9
2000	605,572	14,170	30.6	103,541	5.9
2001	595,508	14,147	30.6	103,397	7.4
2002	595,958	13,420	30.6	103,464	8.9
2003	595,245	13,680	30.6	103,769	7.9
2004	593,920	13,578	30.6	102,309	6.8
2005	592,765	Not available	30.6	100,262	6.5
<p>(A) <i>The December 31, 1996 through 2005 populations are estimated from the Wisconsin Department of Revenue population used in the distribution of State Shared Taxes.</i></p> <p>(B) <i>Derived from data contained in Sales and Marketing Management magazine for the appropriate year. For the year 1996, data was revised by Sales and Marketing Management magazine to conform with 1990 census data.</i></p> <p>(C) <i>Median age of the population is determined only during a census. These figures represent the data collected by the 1990 and 2000 Regular Census.</i></p> <p>(D) <i>Annual School Census by Board of School Directors. Represents Public Schools only.</i></p> <p>(E) <i>State of Wisconsin, Department of Workforce Development.</i></p>					

CITY OF MILWAUKEE  
**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS**  
 LAST TEN YEARS  
 (Thousands of Dollars)

Table 14

Year	Commercial Construction		Residential Construction		Bank Deposits (A)	Real Property Value		
	Number of Permits	Value	Number of Units	Value		Commercial	Equalized Residential	Nontaxable
1996	77	\$ 37,780	183	\$ 12,122	\$ 16,205,221	\$ 5,409,709	\$ 8,501,628	\$ 3,525,520
1997	86	161,479	345	27,512	17,921,013	5,475,827	8,859,451	3,566,982
1998	79	68,042	589	45,257	20,832,537	5,873,130	9,133,138	3,422,096
1999	95	128,344	203	20,442	15,975,126	6,221,962	9,683,606	3,456,294
2000	88	99,968	352	35,184	17,926,606	6,241,899	10,187,868	3,384,708
2001	99	106,537	542	99,106	23,185,907	7,011,654	11,364,344	3,422,534
2002	89	87,778	697	72,252	20,513,650	7,221,024	12,179,233	3,368,493
2003	96	61,825	825	111,861	22,674,292	7,614,584	13,236,433	3,400,762
2004	89	63,485	747	78,243	22,131,059	8,159,591	14,496,333	3,881,313
2005	106	166,426	693	147,465	23,854,180	8,939,395	16,481,060	3,901,583
(A)	<i>Firstar Bank - Milwaukee was purchased by Firstar Bank - Cincinnati in October, 1999 and is no longer included.</i>							
Sources:	<i>Construction data from City of Milwaukee Department of Neighborhood Services. Bank Deposits are year-end, as reported to U.S. Federal Reserve, Chicago. Equalized Property Value is determined by the State of Wisconsin. Nontaxable Property Value is estimated by the City of Milwaukee, Assessor's Office.</i>							



CITY OF MILWAUKEE  
**SCHEDULE OF INSURANCE IN FORCE**  
 December 31, 2005  
 (Thousands of Dollars)

Table 16

Type of Coverage and Name of Company	Policy Number	Policy Period	
		From	To
<b>Liability Insurance</b>			
Various - RACM Properties	Various	Various	
<b>Property/Marine Insurance</b>			
Local Government Property Insurance Fund	140440	01/01/05 - 01/01/06	
One Beacon	C5JH40210 & N5JH40215	12/31/04 - 12/31/05	
Hartford Steam Boiler	FBP4919044	01/01/05 - 01/01/06	
Hartford Steam Boiler Company	FBP-9178675	08/01/05 - 08/01/06	
AIG	COPS1957536	01/01/05 - 01/01/06	
<b>Bond/Crime Insurance</b>			
Old Republic Surety	MSA1167235, MPO1171732	04/16/05 - 04/16/06	
AIG	4920870 & 4920880	06/13/05 - 06/13/06	
Travelers	104364230	08/08/05 - 08/08/06	
Federal	81599788	08/08/05 - 08/08/06	
Scottsdale Ins. Co. of Florida	PKI0000980	03/12/05 - 03/12/06	
Evanston Insurance Company	EO-823502	02/01/05 - 02/01/06	
<b>Comprehensive General Liability</b>			
American Safety Risk Retention Group/HAI	MPL 04-2416-05	06/15/05 - 06/15/06	
Housing Auth. Risk RetentionGroup (HARRG)	50-0029-2005	09/01/05 - 09/01/06	
<b>Fire, Extended Coverage, Vandalism &amp; Malicious Mischief</b>			
Housing Authority Property Insurance (HAPI)	28/KTJCMB-199D500-3-2005	09/01/05 - 09/01/06	
Travelers	28/KTJCMB-199D500-3-2005	09/01/05 - 09/01/06	
American Bankers Ins Co of Florida / FEMA	Various	04/19/05 - 05/21/06	
HAI/American Alternative Ins Corp	59A2CP0000073-03	07/13/05 - 07/13/06	
<b>Automobile</b>			
Housing Authority Risk Retention Group	KTN-810-345D8647-PHX-05 HARRG AU 13	01/01/05 - 01/01/06	
HAI/American Alternative Ins Corp	59AGL0000005-03	04/29/05 - 04/29/06	
<b>Worker's Compensation</b>			
Society Insurance	WC1-34S-378687-015	01/02/05 - 01/02/06	

Table 16 (Continued)

Details of Coverage	Liability Limits	Annual Premium
General Liability	\$ 3,500	\$ 23
Buildings, Personal Property	1,204,766	376
Wharfinger Liability, Protection & Indemnity	12,000	65
Boiler & Machinery	100,000	51
HACM Boiler	25,000	18
Enviormental	15,400	105
Public Official Bond - Treasurer	600	2
Public Employee	2,000	23
Fiduciary	10,000	33
Fiduciary Responsibility Excess	10,000	22
RACM - Public Officials/Employees	2,000	21
Water Testing - Errors & Omissions	1,000	4
Lead Inspector's Professional Liability	1,000	27
Lead Based Paint/Mold/Commercial Liability	5,600	214
Law Enforcement	1,000	9
Hous. Authority Directors, Officers/Employment	2,050	115
Pesticide	1,000	2
Housing Projects, Property/Fire	460,990	603
Property	12,000	7
Housing Projects, Flood Insurance	11,121	83
Property/Fire/Liability	5,000	39
Housing Authority Fleet	2,000	72
Commercial Liability - VETS	2,000	42
HACM, RACM	600	168

CITY OF MILWAUKEE  
**MISCELLANEOUS STATISTICAL DATA**  
 December 31, 2005

Table 17

Date of Incorporation .....	January 31, 1846
City Charter Adopted .....	January 31, 1846
Form of Government .....	Council-Mayor
Area of City .....	95.8 square miles
<b>Miles of Streets and Alleys</b>	
Streets - Paved .....	1,418
Streets - Unpaved .....	15
Alleys .....	415
<b>Miles of Sewers</b>	
Storm .....	956
Sanitary .....	935
Combined .....	548
<b>Building Permits</b>	
Permits Issued .....	1025
Permit Value .....	\$ 369,552,999
<b>Fire Protection</b>	
Fire Stations .....	36
Total Fire Department Employees .....	1,154
Fire Fighting Force .....	1,033
<b>Police Protection</b>	
Police Stations .....	7
Total Police Department Employees (Authorized) .....	2,960
Employees with Law Enforcement Powers (Authorized) .....	2,155
Municipal Lock-up Facilities .....	7
Total Detention Capacity .....	165
Police Patrol Vehicles .....	482
Police Patrol Motorcycles .....	59
<b>Recreation</b>	
Playgrounds, Playfields, Tot Lots, Recreation Centers and Special Facilities Serving Youth/Adult ..	277
<b>Enterprise</b>	
Milwaukee Water Works	
Population Served .....	853,000
Number of Metered Accounts .....	161,428
Million Gallons Pumped .....	44,560
Million Gallons Consumed .....	38,401
Miles of Mains .....	1961.17
Hydrants .....	19,754
Plant Capacity in Million Gallons per Day	
Supply Pumping Stations .....	760
Major Pumping Stations .....	687
Repumping Stations .....	253

CITY OF MILWAUKEE  
**MISCELLANEOUS STATISTICAL DATA**  
 December 31, 2005

Table 17 (Continued)

Lights	
Street .....	67,427
Alley .....	8,803
Employees: Average Number During 2003	
Total Employees - Civil Service and Exempt .....	7,547
Exempt Employees - Excluding Summer Youth Employment Training Program and Election Workers .....	222
Elections (Regularly scheduled - City wide only)	
Pre-Registered Voters - February 2005 .....	442,209
Pre-Registered Voters - April 2005 .....	436,405
Votes Cast in	
Spring Primary Election - February 15, 2005 .....	12,712
Spring General Election - April 7, 2005 .....	30,908
Percentage of Pre-registered Voters Voting in	
2005 Spring Primary Election .....	2.88%
2005 Spring General Election .....	7.08%
Population (A)	
2001 .....	595,508
2002 .....	595,958
2003 .....	595,245
2004 .....	593,920
2005 .....	592,765

(A) *The 2001-2005 populations are estimated from the Wisconsin Department of Administration population used in the distribution of State Shared Taxes.*