

NEW ISSUE-FULL BOOK ENTRY

INSURED RATINGS: Fitch Ratings: AAA
Moody's: Aaa
Standard & Poor's: AAA
(See "RATINGS" herein)

Subject to compliance by the County with certain covenants, in the opinion of Co-Bond Counsel, under present law, interest on the Bonds is excludible from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX EXEMPTION" herein for a more complete discussion.

MILWAUKEE COUNTY, WISCONSIN

\$32,625,000

**General Obligation Corporate Purpose Bonds, Series 2007A
(the "Bonds")**

Dated: June 1, 2007

Principal Due: December 1, as shown on inside cover

The Bonds bear interest at the interest rates specified on the inside cover page of this Official Statement, payable semi-annually on June 1 and December 1, commencing June 1, 2008.

The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount. Proceeds of the Bonds will be used to finance essential purpose projects within the County, including highways and bridges, general capital improvement projects, and public art projects.

The Bonds will be issued as fully registered obligations and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (DTC), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

The payment of the principal of and interest on the Bonds when due will be insured, as more fully described herein, by a municipal bond insurance policy to be issued, simultaneously with the delivery of the Bonds, by MBIA Insurance Corporation ("MBIA").



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

An account managed by LaSalle Financial Services, Inc. has agreed to purchase the Bonds for an aggregate price of \$32,465,481.40 plus accrued interest to the date of delivery. It is expected the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about June 7, 2006.

The date of this Official Statement is May 17, 2007.

MATURITY SCHEDULE

\$32,625,000

General Obligation Corporate Purpose Bonds, Series 2007A

<u>Due</u> <u>(December 1)</u>	<u>Prinicipal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u>
2008	\$525,000	4.000%	3.630%	602245SU7
2009	770,000	4.000%	3.650%	602245SV5
2010	2,020,000	4.000%	3.670%	602245SW3
2011	1,270,000	4.000%	3.700%	602245SX1
2012	1,420,000	4.000%	3.710%	602245SY9
2013	1,520,000	4.000%	3.740%	602245SZ6
2014	2,420,000	4.000%	3.780%	602245TA0
2015	2,835,000	4.000%	3.810%	602245TB8
2016	2,835,000	4.000%	3.860%	602245TC6
2017*	2,835,000	4.000%	3.910%	602245TD4
2018	2,835,000	4.000%	4.020%	602245TE2
2019	2,835,000	4.000%	4.110%	602245TF9
2020	2,835,000	4.125%	4.200%	602245TG7
2021	2,835,000	4.125%	4.240%	602245TH5
2022	2,835,000	4.250%	4.300%	602245TJ1

*Priced to December 1, 2016 par call.

No dealer, broker, salesman or other person has been authorized by the County, the Financial Advisor or the Underwriters to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the County, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources, which are believed to be reliable, but it is not to be construed as a representation by the Financial Advisor or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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INTRODUCTION TO OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding Milwaukee County's \$32,625,000 General Obligation Corporate Purpose Bonds, Series 2007A (referred to as the "Bonds") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer

Milwaukee County, Wisconsin

Security

The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount. A direct irrevocable tax will be levied upon all taxable property in the County upon award of the Bonds. (See "The Bonds - Security and Financing" herein.)

Purpose

Proceeds of the Bonds will be used to finance essential purpose projects within the County, including highways and bridges, general capital improvement projects, and public art projects.

Optional Redemption

The Bonds maturing in the years 2017 and thereafter are subject to redemption at the option of the County on December 1, 2016 and on any date thereafter. Redemption may be in whole or in part of the Bonds subject to redemption. The amounts and maturities of the Bonds to be redeemed shall be selected by the County. If only part of the Bonds having a common maturity date are called for redemption, the specific Bonds to be redeemed will be chosen by lot. All redemptions shall be at a price of par, plus accrued interest to the date of redemption.

Form and Payment: Book-Entry-Only System

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (DTC), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. (See "Book-Entry-Only System" herein.)

Tax Status

The Bonds will be accompanied by an opinion of Co-Bond Counsel that, assuming continued compliance with the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludible from gross income of the owners of the Bonds, for federal income tax purposes, and is not an item of tax preference for individuals or corporations. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Professional Consultants

The following professionals are providing services in connection with the Bonds:

Registrar: Milwaukee County
County Treasurer's Office
Milwaukee, Wisconsin

Co-Bond Counsel: Chapman and Cutler LLP
Chicago, Illinois
and
Carpenter Laster & Garcia
Brookfield, Wisconsin

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

General Terms of the Bonds

The Bonds are authorized and issued pursuant to the Constitution and laws of the State of Wisconsin, including Chapter 67 of the Wisconsin Statutes, and resolutions adopted by the County Board of Supervisors.

The Bonds are offered subject to receipt of the unqualified approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, and Carpenter Laster & Garcia, Brookfield, Wisconsin, as Co-Bond Counsel to the County. Delivery of the Bonds will be without cost to the purchaser within 50 days following the date of their award.

Continuing Disclosure

The County will covenant to provide continuing disclosure in regard to the Bonds.

Additional Information

Questions regarding the Bonds or the Official Statement can be directed to Public Financial Management, Inc., 115 South 84th Street, Suite 100, Milwaukee, Wisconsin 53214, (414/771-2700), the County's Financial Advisor, or Pamela Bryant, Capital Finance Manager, Milwaukee County Department of Administrative Services, 901 North Ninth Street, Room 308, Milwaukee, Wisconsin 53233, (414/278-4396).

OFFICIAL STATEMENT
MILWAUKEE COUNTY, WISCONSIN
\$32,625,000 General Obligation
Corporate Purpose Bonds, Series 2007A

Introductory Statement

This Official Statement is provided to furnish information in connection with the sale of \$32,625,000 General Obligation Corporate Purpose Bonds, Series 2007A (referred to as the "Bonds") by Milwaukee County, Wisconsin (the "County"). The Bonds are issued pursuant to the Constitution and laws of the State of Wisconsin, including Chapter 67 of the Wisconsin Statutes, and resolutions adopted by the County Board of Supervisors. The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount.

Financial Management

For a general discussion of the County's financial management, as well as a general discussion of recent and prospective operating results please refer to the section "Financial Management."

THE BONDS

Use of Bond Proceeds

Proceeds of the Bonds will be used finance capital projects totaling \$32,228,014 for general County purposes pursuant to the County's 2007 Adopted Capital Improvement Budget (See page 50 for a summary of the adopted capital improvements.) A summary of major expenditure categories is as follows:

<u>Description</u>	<u>Bond Amount</u>
Construction of highways and highway improvements and the construction and improvement of bridges.	\$4,401,100
Acquisition, renovation and improvement of mass transit facilities and equipment, the construction, extension, improvement and equipping of sanitary and storm water sewage systems and other environmental projects, the construction, improvement, renovation and equipping of parks, recreational and cultural facilities (including museum and zoological facilities), the construction and improvement and equipping of health and human service projects, including senior citizen centers and other county buildings the construction, improvement and equipping of county buildings, including without limitation courthouses, correctional facilities, public safety buildings, and other county buildings, and the acquisition of capital equipment.	\$28,144,210
Acquisition, construction and improvement of public art projects	\$79,690
Total for Corporate Purpose Bonds, Series 2007A	\$32,625,000

The sources and uses of proceeds are as follows:

<u>Sources:</u>	<u>Amount</u>
Par Amount	\$32,625,000.00
Net Original Issue Premium	\$105,268.00
Accrued Interest	\$21,986.25
	<hr/>
	\$32,752,254.25
 <u>Uses:</u>	
Project Fund	\$32,228,014.00
Deposit to Debt Service Fund	\$109,453.65
Cost of Issuance	\$150,000.00
Bond Insurance	\$70,600.00
Underwriter's Discount	\$194,187.50
Total Uses of Funds	<hr/>
	\$32,752,255.15

Security and Financing

The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount. A direct annual irrevocable tax has been levied upon all taxable property in the County to pay the principal of and interest on the Bonds.

The first levy for the Bonds will be made in 2007 for collection in 2008. The first-half taxes are expected to be available to meet the interest payment due on June 1 each year with respect to the Bonds. Surplus first-half taxes and all second-half taxes will be used to meet each December 1 principal and interest payment with respect to the Bonds.

Optional Redemption

The County may elect to redeem on December 1, 2016, and on any day thereafter, Bonds due on or after December 1, 2017. Redemption may be in whole or in part of the Bonds subject to redemption. The amounts and maturities of the Bonds to be redeemed shall be selected by the County. If only part of the Bonds having a common maturity date are called for redemption, the specific Bonds to be redeemed will be chosen by lot. All redemptions shall be at a price of par plus accrued interest to the date of redemption.

Notice of Redemption

Unless waived by any registered owner of Bonds (or portions thereof) to be redeemed, notice of the call for any such redemption prior to maturity shall be given by the Registrar on behalf of the County by mailing the redemption notice by registered or certified mail, postage prepaid, not less than thirty (30) days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be so redeemed at the address shown on the bond register or at such other address as is furnished in writing by such registered owner to the Registrar. Such notice of redemption may be conditional. Failure to give such notice by mailing to any owner of any Bond, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Bonds.

FORM OF THE BONDS

The Bonds will be designated "Milwaukee County, Wisconsin General Obligation Corporate Purpose Bonds, Series 2007A." As originally issued, the Bonds will be dated as of June 1, 2007. The Bonds will be issued as fully registered bonds without coupons and, when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (DTC), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book-Entry-Only-System" herein.)

BOOK-ENTRY-ONLY SYSTEM

The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by The Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has

reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

NEITHER THE COUNTY, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATEHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS CERTIFICATEHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix IV for a specimen of MBIA's policy (the "Policy"):

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "Bond Insurance". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or

certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of \$11.2 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

RATINGS

Moody's Investors Service, Standard & Poor's and Fitch Ratings have assigned the ratings of "Aaa/AAA/AAA" respectively to the Bonds, with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by MBIA. These ratings reflect only the views of the respective rating agencies and any explanation of the significance of such ratings on the Bonds should be obtained from each of the rating agencies. The underlying ratings on the Bonds assigned by the rating agencies are Aa3 by Moody's Investors Service, AA by Standard & Poor's and AA by Fitch Ratings. There can be no assurance that a rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances so warrant. Any such downward

change in or withdrawal of a rating may have an adverse effect on the marketability or market price of outstanding securities.

UNDERWRITING

The County has sold the Bonds at public sale to LaSalle Financial Services, Inc., as Underwriters, for a price of \$32,465,481.40 plus accrued interest, to bear interest at the rates set forth on the inside cover page of this Official Statement. The Underwriters propose to offer the Bonds to the public at the initial public offering prices which will produce the yields set forth on the inside cover page of this Official Statement. After the Bonds are released for sale to the public, the offering prices and other selling terms may from time to time be varied by the Underwriters.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc., Milwaukee, Wisconsin, as Financial Advisor (the "Financial Advisor") in conjunction with the issuance of the Bonds. The Financial Advisor has relied upon governmental officials, this Official Statement, and other sources to provide assistance to the County. The Financial Advisor has reviewed this Official Statement but has not been engaged, nor have they undertaken, to independently verify the accuracy of such information. The Financial Advisor reviewed this Official Statement but has not participated in the preparation of this Official Statement. The Financial Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards. The Financial Advisor will not participate in the underwriting of the Bonds.

Requests for information concerning the County may be addressed to Public Financial Management, Inc., 115 South 84th Street, Suite 100, Milwaukee, Wisconsin 53214, (414/771-2700).

LITIGATION

In the opinion of the Milwaukee County Corporation Counsel, there is no litigation of any nature, either pending or, to the best of the Corporation Counsel's knowledge, threatened, which would affect the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal and interest thereon, and neither the corporate existence nor the boundaries of the County nor the title of its present or former officers to their respective offices is being contested.

There are lawsuits pending before the Federal District Court, the Seventh Circuit Court, the federal court of appeals and State courts of Wisconsin involving the County, as a body corporate, or naming officers of the County as defendants. Based upon past experience, the Milwaukee County Corporation Counsel does not believe that such litigation will be determined so as to result individually or in the aggregate in a final judgment against the County, which would materially affect the County's financial position. However, as with all litigation, it is difficult to give a comprehensive prediction of exposure until a case is prepared for trial.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, and the approving legal opinion of Carpenter Laster & Garcia, Brookfield, Wisconsin, as Co-Bond Counsel (the "Co-Bond Counsel") who have been retained by, and act as, Co-Bond Counsel to the County. Co-Bond Counsel have not been retained or consulted on disclosure matters, and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds, and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in their capacity as Co-Bond Counsel, Chapman and Cutler LLP and Carpenter Laster & Garcia, have, at the request of the County, supplied the information under the heading "TAX EXEMPTION."

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States of America, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The County has

covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause the interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the compliance by the County with the above-referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The Internal Revenue Code of 1986, as amended (the "Code") includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax exempt interest, including interest on the Bonds.

In rendering their opinion, Co-Bond Counsel will rely upon certifications of the County with respect to certain material facts within the knowledge of the County. The opinions of Co-Bond Counsel represent their respective legal judgment based upon their respective reviews of the law and the facts that they each deem relevant to render such opinions, and are not a guarantee of result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page of this Official Statement.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the County complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludible from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the stated redemption price of such Bond at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest

included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income, and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the election of the purchaser, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the basis of the investor in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the basis of the Bond for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States of America legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the County as a taxpayer, and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner of a Bond who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any owner of a Bond who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

EXEMPTION FROM STATE SECURITIES REGISTRATION

Pursuant to Chapter 551, Wisconsin Statutes, certain municipal securities, including the Bonds, are required to be registered with the Wisconsin Department of Financial Institutions Division of Securities prior to offering unless an exemption from registration is provided by law or regulation. Subject to certain conditions, securities are presently exempt if the auditor's report accompanying the issuer's most recent annual financial statements states that such statements have been prepared in accordance with generally accepted accounting principles (GAAP).

In the opinion of the County, the Bonds will be exempt from registration based upon the auditor's report accompanying the County's financial statements for the fiscal year ended December 31, 2005. The auditor's report accompanying the County's financial statements for the fiscal year ended December 30, 2006 is anticipated to be completed in July 2007.

NOT BANK-QUALIFIED OBLIGATIONS

The Bonds will not be designated "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest

expense that is allocable to carrying and acquiring tax-exempt obligations.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended, as authorized by the Bond Resolution, the County will enter into a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the County to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the MSRB and to any state information depository. The terms and conditions of the Continuing Disclosure Certificate, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the County at the time the Bonds are delivered. The Continuing Disclosure Certificate will be in substantially the form attached hereto as Appendix III. The County has never failed to comply in all material respects with any previous continuing disclosure certificates under the Rule to provide annual reports or notices of material events. A failure by the County to comply with the Undertaking will not constitute an event of default on the Bonds (although owners of the Bonds will have the right to obtain specific performance of the obligations under the Continuing Disclosure Certificate). Nevertheless, such a failure must be reported in accordance with the Rule, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

CERTIFICATION

As of the date of the settlement of the Bonds, the Underwriters will be furnished with a certificate signed by the Director, Department of Administrative Services, or his designee. The certificate will state that, as of the date of the Official Statement, the Official Statement did not and does not, as of the date of the certificate, contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

COUNTY GOVERNMENT

General

Milwaukee County is located in southeastern Wisconsin on the Lake Michigan shoreline. The County covers an area of approximately 242 square miles and consists of ten cities and nine villages. The City of Milwaukee, which acts as the County seat, contains approximately 64 percent of the County's population and 48 percent of its taxable property value. Milwaukee County serves as the population, economic and financial center of the State.

The County was first incorporated in 1835 by the Michigan Territorial Government. In 1837, it was divided by the Wisconsin Territorial Legislature. Nine years later it was divided again to its present size.

Government and Administration

Milwaukee County is governed by a County Executive and a 19-member Board of Supervisors. The County Executive and County Supervisors are elected to nonpartisan four-year terms. Each Supervisor is elected from a district with an average population of approximately 50,000. In addition, six constitutional officers are elected to serve two-year terms on a partisan basis.

County Officials

(Initial year in office follows name)

County Executive:

County Clerk:

Register of Deeds:

Treasurer:

Clerk of Circuit Court:

Sheriff:

District Attorney:

Scott Walker (2002)

Mark Ryan (1999)

John La Fave (2003)

Dan Diliberti (2005)

John Barrett (1999)

David A. Clarke, Jr. (2002)

John T. Chisholm (2006)

Board of Supervisors

Lee Holloway – Chairperson (1992)

Richard D. Nyklewicz, Jr. - 1st Vice Chairperson (1975)

Ryan McCue- 2nd Vice Chairperson (2002)³

Mark A. Borkowski (1992)

Gerry P. Broderick (2002)

Paul M. Cesarz (2002)

Toni M. Clark (2003)

Elizabeth M. Coggs - Jones (1988)

Lynne D. De Bruin (1992)

Dan Devine (2004)

Marina Dimitrijevic (2004)

Willie Johnson, Jr. (2000)

Michael Mayo, Sr. (1994)

Roger H. Quindel (1992)

Joseph A. Rice (2004)

James J. Schmitt (1998)

John F. Weishan, Jr. (2000)

Peggy West (2004)

James G. White (1996)

County Executive's Office

Milwaukee County was the first county in the State of Wisconsin to establish an executive branch. The following five cabinet officers are appointed by the County Executive to assist in carrying out these executive functions:

- Director-Department of Administrative Services
- Director-Department of Health and Human Services
- Director-Department of Administrative Services - Human Resources
- Director-Department of Parks, Recreation and Culture
- Director-Department of Public Works¹

1. In 2004, the Departments of Public Works and Parks, Recreation and Culture were merged into the Department of Parks and Public Infrastructure. In the 2006 Adopted Budget the previous organizational structure was reestablished.

In addition, the County Executive appoints and manages heads of the following departments:

- Zoological Gardens
- Department on Aging
- Veterans Service Office
- Medical Examiner
- Labor Relations
- Child Support
- Corporation Counsel
- House of Correction
- Office for Persons with Disabilities

Functions of the County Executive's Office include: coordination and direction of administrative and management functions of the County government not otherwise vested by law in boards, commissions or other elected officers; appointment of department heads, except where statute provides otherwise, and members of boards and commissions, subject to confirmation by the County Board; preparation and submission of an annual County budget to the County Board; submission annually, and otherwise if necessary, of a message to the County Board setting forth the condition of the County and recommending changes and improvements in County programs and services; and, review for approval or veto of all resolutions and ordinances enacted by the County Board.

Legislative

The County Board determines County policy and directs the activities of County government by the adoption of ordinances and resolutions, under authority vested in it by State Statutes. At its annual meeting in November of each year, the Board adopts the next calendar year's budget. It meets on a monthly basis to transact official business, and its committees meet regularly during the monthly cycles to hold hearings, gather information and take testimony preparatory to making recommendations to the full County Board.

The Chairperson of the County Board of Supervisors is elected by the members of the County Board following their election every four years and is responsible for: presiding at Board meetings; ruling on procedural matters;

³ Elected Mayor of Cudahy, Wisconsin on Tuesday, April 3, 2007, will resign effective Friday, May 18, 2007 as a Milwaukee County Supervisor.

representing the Board at official functions; and making appointments to County Board committees, special subcommittees, boards and commissions.

The standing committees of the County Board meet periodically and make recommendations to the Board, which formally approves, modifies or disapproves those recommendations. Standing committees include:

- Finance and Audit
- Personnel
- Health and Human Needs
- Intergovernmental Relations
- Parks, Energy and Environment
- Transportation, Public Works and Transit
- Economic and Community Development
- Judiciary, Safety and General Services
- Committee of Whole

Financial Management

Budgeting

Milwaukee County has an executive budget process for the preparation of the annual operating and capital budgets. The Fiscal Affairs Division of the Department of Administrative Services provides the technical assistance required by the County Executive to review budget requests submitted by County departments and agencies. The Fiscal Affairs Division compiles these requests, along with principal and interest requirements, capital improvements, contingency requirements and the required tax levy. It reviews areas where changes may be considered and transmits its findings to the County Executive. The County Executive holds public hearings with respect to the requests, meets with departments and submits a recommended budget to the County Board on or before October 1st of each year. Subsequent to the receipt of the budget by the County Board, the County Board's Finance and Audit Committee reviews the County Executive's budget at public meetings. On the Monday following its regularly scheduled meeting on the first Thursday in November, the County Board acts on the amendments and recommendations submitted by the Finance and Audit Committee, as well as amendments submitted by individual Board members. It adopts a final budget, subject to any vetoes by the County Executive, and levies taxes based upon equalized property values.

State Statute 59.60(3m) specifies that all County accounting and budgeting procedures shall comply with generally accepted accounting principles (GAAP). A summary of the County's budgets for 2006 and 2007 is presented on page 49 of this Official Statement. Also, presented on page 53 is a summary of expenditure appropriations for the County's five-year (2007-2011) Capital Improvements program.

Accounting Policies and Budgetary Control

The Fiscal Affairs Division of the Department of Administrative Services monitors the accounting policies and procedures followed by County departments. The County's accounting records for governmental and agency funds are maintained on a modified accrual basis of accounting. Under this method, revenues are recorded when measurable and available; expenditures are recorded when the goods or services are received and the liabilities are incurred. Proprietary and the pension trust funds of the County are maintained on an accrual basis of accounting. Under this method, revenues are recorded when the services are performed; expenditures are recorded when the goods or services are received and the liabilities are incurred. For a further discussion of accounting policies in the County, see the "Notes to the Financial Statements" contained in Appendix II.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Milwaukee County for its Comprehensive Financial Report for the fiscal year ended December 31, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Milwaukee County has received a Certificate of Achievement for the last 27 consecutive years (December 31, 1979 through December 31, 2005). The County is in the process of compiling the CAFR for the year ended December 31, 2006.

Budgetary control is maintained by a formal appropriation and encumbrance system. Encumbrances are made against appropriations prior to the release of a purchase order to a vendor, or prior to the issuance of a check when a liability is incurred without a purchase order. Liabilities that exceed appropriation balances are not paid until an increased appropriation is made available. Encumbered appropriations are carried forward at the end of the year by means of encumbrance reserves. These reserves are restored to departmental appropriation accounts in the following year. Expenditures are then recorded when the services or materials are received. A summary of operating results for general fund and all proprietary funds for the years 2001-2005 is presented on pages 47 and 48 of this Official Statement. Excerpts from the County's 2005 financial statements are included as Appendix II. Milwaukee County realized a surplus of \$4,664,000 for fiscal year 2005.

2006 Fiscal Year

Milwaukee County's 2006 fiscal position improved throughout the year. Early estimates for 2006 suggested the County would operate with a deficit of \$8.9 million, and the 2006 third quarter report estimated a 2006 projected year-end deficit of \$1.5 million. However, the most recent projection of the Department of Administrative Services (DAS) indicates a projected year-end surplus of approximately \$2.0 million. The change in financial position from earlier estimates is largely the result of a decrease in the projected deficit for Employee Fringe Benefits, as well as surpluses in Earnings on Investments and the Department on Aging-Care Maintenance Organization (CMO).

DAS is still in the process of completing its analysis for the 2006 closing including: departmental results, balance sheet accounts, and carryovers. The final results will not be known until July 2007.

2007 Fiscal Year

Early estimates for 2007 indicate projected shortfalls in the areas of juvenile corrections (\$1.9 million), Housing and Economic Development (\$980,000), behavioral health services (\$1.7 million) and sales tax collections (\$1.9 million). However, these projected shortfalls are expected to be offset by the availability of approximately \$3.1 million in contingency funds budgeted in 2007 for unanticipated resource needs, an unexpected increase in surplus funds in the County's Care Management Organization (\$2.7 million) and positive employee health care trends that are expected to produce higher than budgeted savings. Fiscal staff will continue to closely monitor the County's overall fiscal status and, as in previous years, will propose mid-year corrective actions if necessary.

Future Fiscal Outlook

As is the case with most local governments, employee compensation and fringe benefits continue to present budget challenges for Milwaukee County. However, during the last year the County has reached favorable labor settlements with three of its eight unions, including the County's largest union (AFSCME District Council 48), which represents almost 80% of the represented staff in Milwaukee County. During labor negotiations the County was able to secure modest pay increases for 2007 and 2008, employee health care concessions and pension enhancement rollbacks.

Recent labor negotiations concluded with wage settlements of 1% effective November 2007, 1% effective April 2008, 1% effective June 2008 and 1% effective October 2008. The settled labor contracts also include increased health insurance co-payments and deductibles and the restructuring of health insurance premiums to encourage steerage to lower cost health plans, resulting in projected health care savings of \$2.5 million in 2007 and \$3.0 million in 2008. Finally, the labor agreements include provisions to eliminate the pension backdrop payment for all new hires and limit the payout of sick leave upon retirement from 100% to a maximum of 25% for all future sick leave earned (except for Deputy Sheriffs).

In addition to recent labor settlements, the County has moved aggressively to control the growth in employee health care costs through other avenues. The County's 2007 Budget includes authorization to create a new Employee Benefits Division that will focus on managing and identifying cost-containment opportunities in the areas of employee health care, dental care, life insurance and other benefits. The Division has secured the services of a renowned benefits advisory consulting firm to assist with the creation, design and staffing of the new division and assist with the development of data models using recently acquired employee health care cost and utilization databases. Furthermore, the new Division is immediately charged with the development and implementation of an Employee Wellness and Disease Management Program that will target services and assistance to high-end health care users in an effort to further contain costs and improve overall employee health and productivity. The Employee Wellness Program will be implemented in January 2008.

Finally, in mid-2006, the County converted from a fully-insured health plan to a self-insured plan. Under the self-insured model, which is accompanied by a stop-loss insurance provision, the County will be able to better control its costs versus the contracted rates under fully insured option. Prior to this conversion, the County was projecting health care cost increases of 17%-18% per year for the years 2007, 2008 and 2009. Moving to the self-insured model will result in estimated cumulative savings of \$18.7 million from 2007-2009, as the rate of increase is expected to decrease to the range of 13%-15% per year. The conversion to self-insured health plan potentially increases the financial risk to the County, but this is mitigated by the purchase of stop-loss insurance, the County's creation of an Employee Benefits Division, and the focus on health cost analysis.

It should be noted that the changes in health care deductibles and co-payments became effective for non-represented staff, selected unions and County retirees early in 2006, while the County's largest union did not settle until early in 2007. Many of these changes provided an additional positive impact as employees moved from higher cost health plans to lower cost plans. The combined impact of the above changes, the savings of which is included in the 2007 adjusted budget, is evidenced by a material decrease in the rate of health care cost growth during 2006, when the County saw only a 3% increase vs. the prior years double digit increases in employee health care costs. The County's projection for 2007 has been adjusted to reflect an expected increase of 10.5% in 2007, 7.5% in 2008 and 11.0% in 2009 and subsequent years compared to the earlier 13%-15% projected increases.

As noted below, pension benefits continue to be a significant cost pressure for the County. In the spring of 2006, the County's actuarial consultant recommended county contributions to the pension fund of \$59 million for 2007, which consisted of \$25.5 million for normal cost and \$33.5 million towards the amortization of the County's unfunded pension liability (which totals \$455 million). The 2007 Budget included pension contributions totaling \$49.3 million, or \$9.7 million less than that recommended by the actuary. Based on the current practice of budgeting for pension contributions, it is estimated that the County would be required to budget in excess of \$60 million annually to improve the funding position of the County's Employee Retirement System from its current funded level of 76% to a funded level of 100% at the end of the ERS's adopted funding plan, approximately 30 years.

The County is aggressively pursuing initiatives to limit the growth in required pension contributions. Initiatives include seeking State authorization to issue pension obligation bonds and the achievement of rollbacks of components of the pension enhancements approved in 2001. See "Milwaukee County Retirement System" for a complete discussion of budgeting for pension costs and accomplishments related to the rollback of pension enhancements.

The County has received its first actuarial report of Other Post-employment Benefits (OPEB) under Governmental Accounting Standards Board (GASB) Statement #45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". The County has chosen to continue on a "pay as you go basis" for its OPEB liabilities. However, under the GASB #45 rules, the County is required to accrue for the cost of the Annual Required Contribution (ARC) for Proprietary Funds, and footnote the cost associated with governmental funds. The County required an actuarial report for its employees, and a separate actuarial report was prepared for the Milwaukee County Transit System, which is separately managed by Milwaukee Transport Services, Inc. (MTS, Inc.), a non-stock not-for-profit Wisconsin corporation.

Milwaukee County Actuarial Report - Excluding Milwaukee County Transit System:

The County stopped providing post-retirement health care for most employees who began work with the County after January 1, 1994. Employees who started prior to this date and worked 15 years with the County were eligible for post-retirement health care.

An actuarial valuation report was prepared as of January 1, 2006 for Milwaukee County. The County's total actuarial accrued liability for OPEB for all funds, excluding the Milwaukee County Transit System, is estimated at \$1.3 billion, based on a 6% discount rate. The liability for Proprietary Funds totals \$142 million of the total actuarial accrued liability. The OPEB liability for all General Funds departments, which the County will continue to fund on a pay-as-you-go basis, is approximately \$1.17 billion.

The annual required contribution (ARC) for the County is \$109.6 million. Normal cost is \$13.8 million and amortization of the unfunded liability is \$95.6 million. The amortization of the unfunded liability assumes a 30-year amortization using a level dollar amount. The net ARC cost is \$52.9 million, which excludes the retiree health costs

that are separately budgeted by the County. The County estimates that the Proprietary Fund portion of the net ARC cost is \$6.1 million for 2007. The County has no plans to establish a post-retirement trust for health care or make contributions to a trust, but only plans to accrue the costs associated with proprietary fund departments.

Milwaukee County Transit System

The Milwaukee County Transit System (MCTS) is separately managed by MTS, Inc., with separate union agreements for its employees. MCTS still has post-retirement health insurance available for current and new employees based on the number of years of service. The Transit System is in the process of negotiating agreements with its employees for 2007.

An actuarial valuation report was prepared as of July 7, 2006. The Milwaukee County Transit System's (MCTS) actuarial accrued liability for OPEB is estimated at \$181 million, based on an 8% discount rate.

The annual required contribution (ARC) for MCTS is \$17.2 million. The ARC includes normal cost of \$5.6 million and amortization of the unfunded liability of \$11.6 million. The amortization of the unfunded liability assumes a 30-year amortization using a level percentage of payroll. The net ARC cost is \$8.5 million and excludes the retiree health costs, which are separately budgeted by MCTS. MCTS is in the process of establishing a post-retirement trust for health care and plans to make the necessary contributions to the trust for future health care for current employees and retirees.

While the County has made great strides over the last year in securing employee concessions in the area of employee health care and the rollback of the 2001 pension enhancements, employee compensation and fringe benefits will continue to be a cost pressure in the 2008 budget and beyond. Resolving the County's projected structural imbalance will require it to review its current expenditure commitments, revenue streams and the cost pressures outlined above. The County will then need to decide whether it will reduce expenditure commitments to accommodate the projected costs of health benefits, pension contributions and OPEB or seek and implement new revenue sources. This will necessitate a reevaluation by the County of its core functions, and the funding assumptions used to support them.

Based on preliminary planning projections, the County estimates a potential funding gap in 2008 of approximately \$26.6 million. The projected shortfall for 2008 is largely driven by projected increases in employee salaries and social security (\$9.0 million), increased fringe costs (\$9.5 million), increased projected pension contributions (\$5.1 million), increased debt service payments (\$13.9 million) and a reduction of growth in expected sales tax collections (\$1.6 million). It should be noted that it is not unusual at this point in the budget process to project expected funding gaps. These are preliminary estimates based on data available at this time and do not include revenue re-estimates and cost containment initiatives that may occur during the budget process.

The County regularly prepares five-year projections for both its capital program and the operating budget. These are planning projections and typically are based on conservative assumptions. For example, the projections below assume that prior-year shortfalls are not addressed in the year they are projected as part of the budget process. As a result, each subsequent year carries forward the prior year shortfall as if it were not addressed. Since under State statute the County is required to adopt a balanced budget, the projections are only intended to illustrate budget pressures that policymakers will be required to address in each year's budget process.

Below are the preliminary projections for each of the next five years. These are planning projections and are subject to revisions. While the State-imposed property tax levy cap adopted in 2005 has expired, for purposes of the forecast below it is assumed that the State-imposed levy cap adopted in 2005 and applicable to the 2006 and 2007 budgets will remain in effect over the years included in the projections. Increases to the property tax levy reflect the maximum allowable levy based on the State cap enacted in 2005.

Milwaukee County Five-year Preliminary Projection

	2008	2009	2010	2011	2012
	Projection	Projection	Projection	Projection	Projection
Annual Gap (Projected Expenditures and Revenues)	(\$26.6)	(\$45.3)	(\$47.7)	(\$70.4)	(\$93.8)
Annual Gap without Wage Increases (beyond 2008)	(\$26.6)	(\$41.1)	(\$39.2)	(\$57.3)	(\$75.9)

Auditing

The Milwaukee County Audit Department is an extension of the legislative branch of Milwaukee County and provides the County Board of Supervisors with a constant overview and independent review of County operations. The Audit Department is responsible not only for overseeing the external audit of the financial statements but also for reviews of internal accounting and administrative controls, compliance with applicable laws and regulations, economy and efficiency of operations and effectiveness in achieving program results. The Department's audits are performed in accordance with generally accepted government audit standards. In addition, the County retains the services of independent public accountants to perform audits of both the basic financial statements and of federal and state grants. The audits of the basic financial statements and of federal and state grants are conducted in accordance with auditing standards generally accepted in the United States; Government Auditing Standards issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the provisions of the State of Wisconsin State Single Audit Guidelines. The 2005 Milwaukee County Basic Financial Statements, including the report of the independent public accountants thereon, are presented in Appendix II.

Capital Planning

The County is continuing the development of an inventory of all County capital assets and a system to monitor the condition of capital assets and establish appropriate replacement or reconstruction schedules for the County's infrastructure. This information will assist County departments in developing comprehensive long-range planning.

Debt Administration

The Finance and Audit Committee monitors all anticipated borrowing plans of the County on a continuing basis. The County's Financial Advisor, in conjunction with the County, has reviewed, discussed and developed the details and manner of the sale that were associated with this issue. In 1994, Milwaukee County established new policies and revised existing policies that directly and indirectly affect its borrowing practices including development of guidelines for maximum debt burdens and maximum maturity and modifications to the procedures for accepting competitive bids.

The County Board has also adopted policies limiting the amount of corporate purpose bonds issued by the County to finance capital projects. Under this policy, corporate purpose bond issuance could not exceed a maximum of \$30 million starting with fiscal year 2008 and in each subsequent fiscal year could be increased by no more than three percent over the principal amount of the preceding year's issue.

The 2006 Corporate Purpose Issue amount was \$2,645,000 above the bond cap amount of \$28,950,000 for 2006. The 2007 bond amount of \$32,625,000 is \$3,125,000 above the bonding cap amount provided for under the current debt management policy. Although the County has exceeded the cap the last two years and was below the cap in 2005, the County remains committed to its debt management policies.

Investment Policy

The County may purchase investment securities at prevailing market rates as allowed by Wisconsin State Statutes (S.66.0603(1m)) and Milwaukee County Ordinance. To the extent possible, the County attempts to match its investments with anticipated cash flow requirements. In the absence of individual security maturity limitations specified in the Wisconsin State Statutes, the County does not directly invest in securities maturing more than ten years from the date of purchase. The following percentage ranges of portfolio investments apply to the investment categories currently allowed by Wisconsin Statute:

•Time and other Money Market deposits of banks, savings banks, trust companies, savings and loans, credit unions, regulated by the Securities and Exchange Commission	0-50%
•U.S. Treasury and other Federal agency/instrumentality securities	0-100%
•Corporate securities, including commercial paper	0-25%
•Municipal securities	0-25%
•Local Government Pooled Investment Fund of the State Investment Board	0-50%
•Repurchase agreements with public depository institutions (only) and where specific and appropriate collateral is provided	0-50%
•Securities of an open-end management investment company or investment trust, investing in statutorily allowed securities	0-25%
•All other security types, when and if authorized in the future by amendment to Wisconsin statute	0-25%

County policy requires that direct investment in public depository institutions and securities will be further limited to a maximum investment, per institution at any one time of \$500,000, unless an acceptable form of collateral, surety or other guarantee exists assuring the principal repayment to the County.

Services Provided by the County

Health and Human Services

Department of Health and Human Services (DHHS) (formerly the Department of Human Services) - DHHS provides a wide range of life-sustaining, life-saving and life-enhancing services to children and adults through age 60. Programs focus on providing services for delinquent youth, persons who are developmentally disabled, physically disabled, mentally ill, homeless and those in need of financial assistance. Many of the services provided are mandated by State Statute and/or provided through a State/County contract. DHHS consists of five service areas: Director's Office, Economic Support Division, Delinquency and Court Services Division, Disabilities Services Division, and Management Services Division.

The Director's Office provides guidance, support, and administrative direction to all DHHS divisions including the Behavioral Health Division and the County Health Programs Division. The DHHS Director reports directly to the County Executive as a cabinet officer.

The Economic Support Division, pursuant to Wisconsin State Statutes, is charged with the responsibility of assisting eligible people to obtain Food Stamps, Medical Assistance (Title-XIX) and Child Day Care benefits. In addition, the Economic Support Division is responsible for administering the State's BadgerCare health program and specialized financial assistance programs such as Fraud Detection and Benefit Repayment, Wisconsin Home Energy Assistance and Burials.

The Delinquency and Court Services Division administers a 120-bed Juvenile Detention Center, juvenile court intake, custody intake and probation services, support staff for the operation of the Children's Court, predispositional secure/non-secure out-of-home placement resources, the First Time Offender program and post-dispositional placement resources for adjudicated delinquents. The Division is also charged by the State for the cost of juveniles sentenced to a State juvenile correctional facility. Purchased programs that serve alleged and adjudicated delinquent youth - including programs that are designed to divert such youth from State facilities - are administered in this Division. The Juvenile Detention Center is staffed and maintained as a 24-hour, secure correctional facility, which primarily houses juveniles being held pending trial who are a threat to the community. Custody Intake staff screen Children's Court intake referrals from police for the Juvenile Detention Center. Court Intake staff prepare case reports and histories for the Children's Court judges, and Probation staff supervise youth adjudicated for delinquent behavior in the community.

The Disabilities Services Division provides human services to adults between the ages of 18 and 60 and children with disabilities and their families. Services are targeted at populations with special needs including persons with physical and developmental disabilities and individuals who are homeless and experiencing a housing crisis. A wide variety of services are provided, including case management for long-term support, residential services, work and

day services, community living support services, community treatment, community support, adult day care, fiscal agent services and service access and prevention. Many of these services enable persons to live in the community and avoid institutional placements. The Division also utilizes a Resource Center, which was implemented as part of the 2003 Budget.

The Management Services Division provides contract administration and quality assurance, building operations and procurement services to the Director's Office, Delinquency/Court Services, Economic Support and Disabilities Services Divisions. In addition, it provides accounting, business office/collections and payroll services to the above entities as well as to the Behavioral Health Division and the County Health Programs Division. The Division also includes the costs for County-wide services such as Risk Management, Audit, Payroll and other functions. Budgeting and human resources functions previously provided under this Division are now provided in cooperation with the Department of Administrative Services.

DHHS - County Health Programs (formerly County Health Related Programs) – The DHHS - County Health Programs (CHP) is comprised of programs that pertain to health services for County residents or visitors. The Division develops, implements and evaluates programs, opportunities and partnerships related to improving or providing for the health of Milwaukee County citizens. The Division creates and maintains innovative, high-quality, community-based services which serve target populations in a cost-effective/efficient, customer-focused manner through a variety of partnerships by utilizing a systematic approach for service integration and delivery. The Division has three areas of service: Administration, the Emergency Medical Services Program, and the General Assistance Medical Program (GAMP).

CHP Administration contains costs associated with the overall management of the Division and the provision of coordinated employee health services. Administration costs include charges from other County departments and general operating expenses not allocated directly to other sections of the Division.

The Emergency Medical Services (EMS) Program (Paramedics) is a Milwaukee County-managed and sponsored program designed to benefit the entire community. There are seven major components to the area-wide service: the Community Support component which provides reimbursement through grants to municipalities that provide the paramedic transport units serving Milwaukee County; the Education/Training Center for initial and refresher paramedic education and other EMS-related courses; a Quality Assurance program which reviews and monitors service delivery; the Health Information Center which collects, enters and maintains patient care data; the Communication Center which is staffed with emergency medical communicators to coordinate on-line medical control and hospital notification for local and regional emergency calls and Flight for Life dispatch; the Equipment and Supplies Center which orders and delivers supplies, monitors controlled substances, facilitates equipment repair and maintains compliance with Trans 309; and the AHA Community Training Center, which provides and coordinates Milwaukee County employee and public education for Cardio-Pulmonary Resuscitation (CPR), Automatic External Defibrillator, Advanced Life Support and Pediatric Advanced Life Support courses. Medical direction and control for the EMS Division is provided through a professional services contract with the Medical College of Wisconsin. These services are funded by property tax levy and are partially offset with revenues from the Paramedic Cost Recovery Program and revenues generated from the delivery of education services as well as paramedic services at community activities.

The General Assistance Medical Program (GAMP) is the health care financing system for medically indigent persons currently residing within Milwaukee County. During 1995, the State of Wisconsin developed a medical relief block grant for Milwaukee County, with State reimbursement limited to \$16.6 million. In 1999, the State of Wisconsin established an Intergovernmental Transfer Program (ITP) that captured additional Federal funds and reduced County tax levy support for GAMP. This program was expanded in 2002 and again in 2003 for the purpose of increasing funds for medical providers. Under the expanded ITP program, the County issues a payment to the State of Wisconsin Bureau of Healthcare Financing that is used as a match for Federal supplemental payments and disproportionate share payments for hospital services.

DHHS - Behavioral Health Division (formerly Mental Health Division) - The DHHS - Behavioral Health Division (BHD) provides care and treatment of persons with disorders related to alcohol and substance abuse and developmentally, emotionally and mentally ill adults, children and adolescents through contracts with community

agencies, outpatient care, day treatment services and inpatient care. Services include intensive short-term treatment, as well as extended care of persons with serious mental illness. Acute hospital admissions are initiated by voluntary application or through legal detention methods such as court commitment. The Adult and Child Inpatient Services require Title-XIX certification and appropriate State licensing to capture Title-XIX and other third-party reimbursement. The extended care portions of this agency require Federal certification as a Skilled Nursing Facility and Facility for the Developmentally Disabled, allowing for State reimbursement. Day treatment is offered to patients who have progressed to the stage where inpatient hospitalization is no longer indicated, but who require more intensive treatment than is available in an outpatient facility. The Community Services Branch provides both mental health and alcohol and other drug addiction (AODA) services through contract with community service providers or at community clinics. Programs are managed by the Behavioral Health Division Administrator under the jurisdiction of the Director of the Department of Health and Human Services, the Combined Community Services Board, the County Executive and the Milwaukee County Board of Supervisors.

Department on Aging – The Milwaukee County Department on Aging was created in the 1991 budget to serve as Milwaukee County’s designated Area Agency on Aging under the Older Americans Act and as the County’s designated unit to administer aging programs. The Department plans for and services the growing needs of Milwaukee County’s large and diverse older adult population. It is the one dedicated, specialized agency within Milwaukee County government to represent and serve the needs of the elderly. The Department reports directly to the County Executive and provides staff support to the Milwaukee County Commission on Aging. Services provided by the Department on Aging are designed to provide an appropriate mix of community-based care and direct services to prevent the inappropriate and costly institutionalization of older adults.

The Department on Aging is the designated Aging Resource Center and Care Management Organization for older people in Milwaukee County under the State of Wisconsin’s Family Care initiative. Family Care replaces the State’s numerous Long Term Support programs, including the Community Options Program (COP), COP Waiver, and Community Integration Program (CIP) with a single, integrated Long Term Care entitlement program. The Department’s Care Management Organization coordinates all long-term care services, including home and community based services and institutional services for eligible elders who require publicly funded long term care services. In return for coordinating and managing these services, the Department’s CMO receives a capitated rate payment per member per month from the State.

Parks, Recreation and Culture

The Department of Parks, Recreation and Culture: The Parks Department administers and operates the Milwaukee County Park System of 15,000 acres comprised of 153 parks and parkways. The 2007 levy support for Parks is approximately 55 percent of the department’s expenditure budget. Major facilities of the Park System include:

Horticultural Facilities—The Mitchell Park Horticultural Conservatory is a unique structure of three conoidal glass domes, each 85 feet high and 140 feet wide. The first dome displays a Tropical biome; the second, an arid biome; and the third, a changing, themed floral show. The 2006 capital improvement budget allocated \$600,000 for structural repairs and painting of the domes. The Wehr Nature Center, with its distinct wetlands, oak savanna, prairie, and woodland habitats, strives to foster environmental awareness and a conservation ethic in Milwaukee County’s citizens through programming for school children, and events for families. The Boerner Botanical Gardens offer specialty gardens including a Rose Garden that is a Display Garden for All America Rose Selections. Boerner’s Trial Garden also plays a role in the All America Selections evaluation of floral and vegetative plant material.

Boerner Botanical Gardens Education and Visitors Center (the “Center”) - In effort to foster education and interest in horticulture, gardening and nature, Milwaukee County and the Friends of Boerner Botanical Gardens (the “Friends”) constructed a 52,000 square-foot, \$10.3 million facility called the Boerner Botanical Gardens Education and Visitors Center in partnership. The Center opened in May of 2003. This public-private partnership between the County and the Friends is detailed in a Memorandum of Understanding and Development Agreement executed in 2000 and 2001. An MOU was approved in 2006 with an annual renewal that is still currently under negotiations.

In May of 2002, the County and Friends expanded the scope of their public/private partnership to include the issuance of revenue bonds. On behalf of the Friends of Boerner, the County approved the sale of \$7,265,000 Variable Rate Demand Revenue Bonds (Friends of the Boerner Botanical Gardens) Series 2002. These revenue bonds are payable only from payments made to the bond trustee by the Friends of Boerner and are secured by a letter of credit; the County has no obligation to pay any of the debt service on the bonds.

Sports Facilities—Golf Courses are available to all levels of golfer, from the beginner's Par 3 course, to the pro's Premium Course at Brown Deer, home to the PGA's US Bank Championship. The Department further provides facilities for indoor and outdoor swimming, including two family aquatic parks, two splash pads, and 37 free wading pools. The Wilson Indoor Ice Arena is home to many ice-hockey tournaments as well as competitions for aspiring figure skaters. Sports fields and courts are maintained for leagues as well as for the enjoyment of picnic patrons. Fields are available for softball, Little League, soccer, tennis, volleyball, cricket, rugby, and many other sports.

Recreation and Leisure—Community Centers offer both active recreation in supervised sports activities and leisure recreation in game room gatherings. The Centers work with the community to offer programs that are most needed, such as daylong-supervised activities during school breaks and summer day camps. The public marina at McKinley and the leased South Shore Marina offer slips to annual tenants as well as transient boaters. The McKinley Marina is a 706-slip facility located near the downtown area on Lake Michigan. The Marina can accommodate vessels up to 60 feet long and includes an eight-lane boat-launching site. The South Shore Marina consists of a six-lane boat-launching site and a beach. The Department maintains three additional launch sites.

Leisure recreation is also found in other areas of the Park System. The Oak Leaf Recreational Trail offers over 100 miles of off-road paved paths, park drives, and municipal streets that loop through all the major parks in the Park System. The Seven Bridges Trail and the Oak Leaf Birding Trail offer further opportunities for citizens to be re-energized by nature.

Picnic/Pavilion Rental— Each year thousands of families gather in the parks and pavilions for reunions, birthday parties, wedding receptions, and other personal celebrations. Facilities are available throughout Milwaukee County. Area businesses also take advantage of these rentals for picnics and meetings. School groups and youth organizations also have the opportunity to "camp in the country" without ever leaving the County—at the two overnight lodges.

Other facilities under the supervision of the Parks Department include: two indoor gymnasiums, two parks with band-shells, four indoor auditoriums and several garden plazas and terraces.

Zoological Department - The Milwaukee County Zoo includes a number of major exhibits including the Family Farm, an exhibit featuring a working farm and dairy complex, the Peck Welcome Center, the Sea Lion exhibit, the Polar Bear exhibit with underwater viewing, the Aviary, the Australian building, the Apes of Africa, the Education Facility, the Lake Evinrude Deck, the Primate Building, the Aquarium/Reptile Building and the Special Exhibits Building. The current 200-acre site, which originally opened in 1960, now has approximately 456,500 square feet of facilities.

In 2003, construction of the Animal Health Center was completed, funded by the County, the Zoological Society and gifts from trusts and foundations. This facility serves to further enhance the veterinary care of the animal collection, offering a 1,000 square foot observation area for the public, animal care treatment rooms, shallow pools for waterfowl, cold rooms for penguins and warm rooms for reptiles. In 2004, the Karen Peck Katz Conservation Education Center was completed. It features additional space for education, including eight classrooms to host workshops and programs. It is also an example of "green" construction that consists of the use of environmentally friendly material and a rooftop of plants.

In 2005, a \$7.2 million reconstruction of the Feline Building was completed. This was a shared project funded through the public-private partnership between the County and the Zoological Society. The project features larger and more natural looking exhibit spaces for the 18 felines housed at the Zoo. The Family Farm underwent a \$1.5 million privately funded renovation in 2005. The renovation included a new and expanded Repertory Theater, a new Stackner Animal Encounter Building, new playground areas, a new concession stand, (which features a "kid

friendly” menu), a hand-washing center at the goat yard and various other improvements.

In 2006, a \$2.1 million renovation of the 40-year-old giraffe building and yard was completed. The outside exhibits were expanded to twice their original sizes including an elevated deck, which allows visitors the opportunity for a close encounter with the giraffes. Milwaukee County and the Zoological Society funded this project. A 2006 appropriation of \$1.5 million was approved for various major maintenance projects to provide repair to aging infrastructure throughout the Zoo. These major maintenance projects included: heating and ventilation upgrades of the Zoo’s winter quarters; improvements to restrooms to bring to ADA standards; and, improvements to the aviary to repair holes in the mesh and skylight frames.

An appropriation of \$949,783 was approved for 2007 to continue to repair and update the Zoo’s infrastructure. Infrastructure projects for 2007 include: asphalt replacement; restroom improvements and ADA compliance; heating and electrical improvements for the Small Mammal building; improvements to the Service Yard; and, renovations to various exhibits. Funding of \$746,600 was also approved to update the Zoo’s electrical distribution system. A privately funded Flamingo exhibit will also be constructed in 2007.

Milwaukee Public Museum - The Milwaukee Public Museum (MPM) transitioned into a public-private partnership March 31, 1992 where the not-for-profit agency MPM, Inc. operates the museum and the County owns the building and artifacts. A board of directors manages MPM, Inc. with some members appointed by the County Board and County Executive. An initial lease and management agreement that was renewed in 1997 provided a base level funding of \$4.3 million annually from the County for management and operation. The agreement allows for the option by the County to reduce the base funding annually by five-percent from the previous year’s contribution level. In 2007, the County contribution was approved at \$3,327,257, as established by the current ruling contract.

Significant operating deficits were disclosed by the Milwaukee Public Museum in the spring of 2005. The County Executive and County Board of Supervisors created a five-member work-group to understand the situation and assess the efficacy of any Milwaukee County support for the Museum. The work-group consisted of County staff from the County Board, Department of Administrative Services, Department of Audit and Corporation Counsel.

Numerous discussions occurred between the work-group, MPM board members, interim MPM staff and representatives of banks holding outstanding MPM debt on the status of MPM and possible options to resolve financial difficulties. The options discussed included: closure of the Museum, direct operation of the MPM by the County, or assisting the Museum in securing additional bank loans utilizing a County guarantee.

In late June 2005, the County, two bank lenders (M&I Marshall and Ilsley Bank and Chase Bank), and representatives of the MPM Executive Committee agreed on a proposal that would provide an additional \$6 million in working capital to enable the MPM to remain financially viable. The Lenders offered half of this amount as a working capital line of credit with interest at a rate based on LIBOR plus 50 bps or the prime rate (as selected by MPM); the other half as an amortizing term loan with interest at a fixed rate of 5 percent. In order to be eligible for the working capital resources from the bank lenders, the County agreed to guarantee the repayment of this new \$6 million lending.

On June 30, 2005, the Milwaukee County Board of Supervisors approved the guarantee of \$6 million, which was subsequently signed by the County Executive. The County’s guarantee amount will be reduced dollar-for-dollar as the Museum raises private funding and begins to repay the debt. The guarantee is subject to being invoked if the Museum cannot make scheduled debt payments or does not achieve certain fund-raising targets. In that case, the County will begin to make debt service payments in accordance with the original servicing agreement between MPM and the banks.

Two additional terms were part of the County’s approval of the guarantee. First, the Lenders and the County required the MPM to adopt a break-even financial and budget plan through MPM’s FY2006 (which ended August 2006). The major components of this budget plan were dramatic reductions to expenses, including a 45 percent reduction in staff, benefit cuts by employees and an across-the-board wage reduction, as well as increases in revenues through higher admission fees and more aggressive fund-raising efforts.

Second, an independent, five-person financial oversight committee appointed by the County Executive and County Board Chairman was created. To implement this change in financial accountability and responsibility, MPM's by-laws were amended to enable delegation of certain financial responsibilities to the oversight committee. The oversight committee's purpose includes: review and approve loan draw requests by MPM management; monitor and enforce the implementation of the break-even business plan; and provide additional checks that all working capital is used for its intended purposes. The oversight committee, which includes three ex-officio members representing the County Executive, the County Board, and the Chairman of the Museum's Board of Directors, meet monthly to carry out its responsibilities. The oversight committee will continue to serve until the debt is extinguished or until such time that the County Board and the County Executive deem appropriate.

As of January 2007, the outstanding amount of the working capital loans for which the County is liable with its guarantee is \$4,661,000. MPM used funds donated for debt reduction and proceeds from the sale of its member interest in the Tirimbina Rain Forest in Costa Rica to permanently reduce the \$3 million Term Loan by \$1,020,000 during 2006.

During the fall of 2006, it became apparent to the Financial Oversight Committee that MPM's cash flow cannot support the level of debt held by MPM in light of revenue and admission trends. As a result, the County Board Chair and the County Executive, at the urging of the Oversight Committee, appointed the Museum Recovery Committee to study and develop recommendations to sustain the long-term financial viability of MPM. The Museum Recovery Committee consist of MPM stakeholders including representatives from the donor community, the banks, the County, and MPM. The Recovery Committee has evaluated a number of options including leveraging additional donor funds with the possible restructuring of MPM debt and possible additional capital and cash contributions by the County. The work of this Recovery Committee is currently ongoing.

The Marcus Center for the Performing Arts - This cultural center hosts the Milwaukee Symphony Orchestra, Milwaukee Ballet Company, Florentine Opera, Milwaukee Youth Symphony, First Stage Milwaukee and other special arts groups/events entertainment. This facility has undergone a \$23.1 million interior and exterior rehabilitation with \$9.2 million exterior re-cladding and approximately \$13.9 million of interior improvements. In 2007, the County budgeted an appropriation of \$434,000 in the Adopted Capital Improvements Budget to upgrade the electrical substation in the Marcus Center. The County's annual operating contribution to the Marcus Center for 2007 is \$1.28 million.

Transportation Division - The Division consists of the following functions:

Airports - Milwaukee County operates two airports: General Mitchell International Airport (GMIA) and Lawrence J. Timmerman (LJT) Airport. Both of the airports are supported by user fees. All airport administrative, maintenance and operational expenses are guaranteed through contractual agreements with the major carriers serving GMIA.

GMIA is a modern air transportation center of 2,386 acres located six miles south of the City of Milwaukee's central downtown. Six major carriers and eight regional carriers provide approximately 218 daily departures from GMIA. Midwest Airlines has a hub operation at GMIA. Every major United States city is served non-stop or direct, and connections are available to cities throughout the world. A total of 7,229,294 passengers used GMIA in 2006.

Based on a 20-year Airport financial plan completed in 1994 and updated in 1997, a noise mitigation program that will eventually benefit 3,850 homeowners near the Airport is underway. To date, 1,499 homes and multi-family units have been, or are in the process of being, sound insulated.

In addition, Airport growth led to the need for a parking structure addition at GMIA. Construction commenced in 2000. The approximately 3,000-vehicle addition, located north of the existing structure at GMIA, was completed in November 2002. The estimated total cost of the structure and related infrastructure was \$81.0 million. It is anticipated that revenues from parking operations will be sufficient to support the expansion. Milwaukee County issued \$83,565,000 in revenue bonds to finance this capital project in early 2000.

In January 2003, the County sold \$7,125,000 in general airport revenue bonds to complete the financing of the construction of the parking facility. The bond proceeds replaced parking revenues that were anticipated to assist with the financing of the facility but were not realized.

In March 2004, the County sold \$37,360,000 in PFC-backed general airport revenue bonds primarily for expansion of the C Concourse and improvements to the D Concourse and various airport improvements. In December 2005, the County sold \$29,010,000 in PFC-backed general airport revenue bonds for the continued expansion of the C Concourse and completion of the improvements to the D Concourse and to finance various airport improvements.

In November 2006, the County sold \$25,665,000 in PFC-backed general airport revenue bonds primarily for the C Concourse gate expansion and the E Concourse stem remodeling. In addition, the County sold \$5,020,000 of airport revenue refunding bonds. The refunding bonds are primarily backed by general airport revenue (83.6 percent) with a small portion backed by PFCs (16.4 percent).

In 2007, the County anticipates issuing approximately \$14,000,000 in PFC-backed general airport revenue bonds primarily for the design phase of the in-line baggage security screening project.

The revenue bonds are secured by parking revenues from the parking facility and revenues from the signatory airlines. Milwaukee County has no obligation to retire the debt from any other source of funds.

LJT Airport is located in the northwest quadrant of the County. This 420-acre general aviation facility serves business and privately owned aircraft.

Mass Transit - The Milwaukee County Transit System (MCTS) has an active bus fleet of 483 buses serving 56 routes and approximately 46.5 million annual revenue passengers. Budgeted fare revenue and Federal and State aid account for approximately 88.9 percent of operating costs. MCTS also has a paratransit program for persons with disabilities.

Other Public Works - In addition to the airport and mass transit systems summarized above, the County maintains 68 centerline miles of freeways, 99 centerline miles of state trunk highways and approximately 87 centerline miles of county trunk highways, and 60 centerline miles of parkways. Other typical public works functions include buildings and grounds maintenance, fleet management and professional architectural and engineering services. Budgeted operating revenues for 2007 support approximately 84.5 percent of the costs of these departments.

Courts and Judiciary

Milwaukee County, the first judicial administrative district of the State system, currently has 47 judges and 23.5 full-time equivalent court commissioners. State and other non-tax revenues support approximately 52.6 percent of the cost of this function. The Child Support Division (formerly Child Support Enforcement Division) is also reflected as a court and judiciary-related department.

Public Safety

The category of Public Safety includes the Sheriff's Department, District Attorney, Medical Examiner and House of Correction. For 2007, budgeted operating revenues support approximately 17.7 percent of the costs of these departments.

The Criminal Justice Facility includes a 990-bed jail, three courtrooms, a municipal court hearing room and administrative offices for jail staff and District Attorney staff. In addition to operating the jail, the Sheriff's Department provides law enforcement services, security services to other County departments as well as criminal and civil process service. The Sheriff's Department patrols freeways within the County and receives State aid for this service.

The House of Correction 2007 budgeted population is approximately 2,260 persons, comprised of 725 Huber Work Release inmates, 80 municipal offenders, 125 State probation and parole holds, 450 jail overflow and 530 sentenced inmates. An additional 350 inmates are expected to be monitored by electronic surveillance.

General Governmental Services

This function includes a County Treasurer, County Clerk, Register of Deeds and an Election Commission. As a group, budgeted operating revenues supports approximately 129.7 percent of these costs. This represents a 6.1 percent decrease from the 2006 budgeted amount.

The Register of Deeds and the County Treasurer budgets traditionally produce revenues in excess of expenditures which accounts for the 129.7 percent figure cited above. A majority of the additional revenue is generated by the Register of Deeds in two areas: general recording fees and real estate transfer fees. Both of these revenues are driven by real estate sales. As the housing market has slowed recently and interest rates have risen, the additional revenue produced from these fees may change.

The County Treasurer produces revenues in excess of budgeted expenditures through aggressive collection of delinquent property taxes and realignment of investment monies to maximize interest revenues. Additional increases should not be anticipated as the County has begun budgeting the increased revenues.

Labor Relations

Milwaukee County has 5,568 regular full-time equivalents. The number of filled positions fluctuates on a seasonal basis, and some positions are being held vacant pending availability of funds.

Pursuant to Chapter 79 of the Milwaukee County Ordinances, the Department of Labor Relations has general responsibility for the negotiations and administration of all collective bargaining agreements, to establish labor relations training programs for supervisory staff, and to conduct on behalf of Milwaukee County all procedures ordered by the Wisconsin Employment Relations Commission, the U.S. Department of Labor or the Wisconsin Department of Industry, Labor and Human Relations.

In addition, this Department, under the direction of the Milwaukee County Executive and the Milwaukee County Personnel Committee, implements policy decisions. The Department annually reviews the wages, hours and conditions of employment for all employees, and submits recommendations to the Milwaukee County Executive and the Milwaukee County Board of Supervisors. Approximately 84.4 percent of all regular full-time employees of Milwaukee County are organized and represented by labor organizations as described below.

Union	Approximate Number of Employees Represented	Contract Expiration Date
Milwaukee District Council 48 AFSCME, AFL-CIO and Affiliated Locals	3,629	12/31/2008
Milwaukee Deputy Sheriff's Association ¹	503	12/31/2006
Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO ¹	355	12/31/2006
Milwaukee Building and Construction Trades Council, AFL-CIO ¹	91	12/31/2006
Association of Milwaukee County Attorneys	61	12/31/2008
Technicians, Engineers and Architects of Milwaukee County	39	12/31/2008
Milwaukee County Firefighters Association ¹	17	12/31/2006
District No. 10 International Association of Machinists and Aerospace Workers ¹	5	12/31/2006
Total Represented Employees	<u>4,700</u>	

1. These unions have not settled their respective contracts for 2007 as of May 3, 2007.

Milwaukee County Retirement System

The Employee Retirement System (ERS) of the County of Milwaukee was established in 1938. It became, in most instances, non-contributory in 1969. The ERS is currently a defined benefit pension plan. The normal retirement benefit is a monthly pension for the life of the participant. For Deputy Sheriff participants with less than 30 years of service, the normal retirement age is 57. For all other participants the normal retirement age is 60, although some labor agreements require a minimum of 5 years of creditable service at age 60. Active participants are also eligible to retire when their age added to their years of service equals 75. County Ordinances and labor agreements require an employee to be a member prior to a stated date in order to qualify for the "Rule of 75".

Prior to 2001, participants hired prior to January 1, 1982 received pension benefits equal to 2.5 percent for deputy sheriffs and elected officials, and 2 percent for all other participants, of the three-year final average monthly salary, as defined in County Ordinances and labor agreements, multiplied by the years of creditable service. Participants hired after that date receive pension benefits equal to a percentage of their five-year final average monthly salary multiplied by the years of service. These percentages are: 2.5 percent for deputy sheriffs, deputy sheriff lieutenants, deputy sheriff executive staff and DA investigators hired before July 1, 1995 (2 percent if hired after June 30, 1995); 2 percent for elected officials; 2 percent for firefighters and non-represented firefighters as of January 1, 1999; and 1.5 percent for all other participants. A post retirement annual increase of two percent over the first full month's benefits is provided. There are also accidental or ordinary disability, deferred, reduced early and survivors' pensions. The maximum benefit payable to a participant, excluding any post-retirement increases, cannot exceed 80 percent of the participant's final average monthly salary. Retirement age and benefits vary for deputy sheriffs, elected officials, firefighters and District Attorney investigators, per union contracts.

As of January 1, 2001, certain plan changes became effective that applied to all participants except represented deputy sheriffs:

- The vesting requirement was set to 5 years and most participants were immediately vested at age 60.
- The County would pay the accrued sick allowance in full upon retirement for participants hired before January 1, 1994; in 2002 the County adjusted this benefit for non-represented employees to pay for the first 400 hours of accrued sick allowance and 16 percent of any additional hours⁴. A lawsuit was filed against the County in 2002, to revert to a full payout of accrued sick allowance at retirement. Final settlement of this lawsuit is expected in 2007.
- A bonus of 7.5 percent per year, up to a maximum of 25 percent, was added to the final average salary for participants who joined the system before January 1, 1982, or July 1, 1995 for a non-represented Deputy Sheriff.
- All service credit earned after January 1, 2001 will be credited with an additional 0.5 percent multiplier for those employees whose membership in the ERS began after December 31, 1981, or June 30, 1995 for a non-represented deputy sheriff. Also, for each year of pension service earned after January 1, 2001, eight (8) years of service earned prior to January 1, 2001 shall be credited with an additional 0.5 percent multiplier.
- For all non-sheriff members, a back drop benefit option was added that provided a lump sum cash payment for the total of monthly benefits, adjusted for COLA increases and plus compounded interest, that the member would be entitled to from a prior (back drop) date to the date the member terminates employment.

Subsequent to adoption of those changes, additional modifications. The following changes were made effective as of the stated dates:

- Non-represented employees and elected officials hired on or after March 15, 2002 are not eligible to receive the back drop pension benefit. Employees represented by labor agreements must also be hired prior to the date specified in the labor agreement to be eligible to receive the back drop benefit. Most of these back drop changes in the labor agreements became effective after October 2005, except for the AFSCME

⁴ In 2002, the County changed the sick pay out benefit upon retirement for non-represented employees by reverting to the previous pay out (400 hours plus 16 hours for each additional 100 hours or part thereof). This change (2002 Sick Pay Change) has had the impact of accelerating retirements prior to the effective date of this change, plus increasing the sick payout expense. A recent analysis showed the total cost of sick pay outs to County retirees was \$7,015,000 in 2002, \$2,666,600 in 2003 and \$12,866,100 in 2004. These costs were either absorbed in departmental budgets or were formally recognized by the County setting aside segregated funds to cover the payout costs on behalf of County departments.

A lawsuit, filed in 2002, was pending in State court against the County seeking to have the 2002 Sick Pay Change (described above for non-represented employees) invalidated, in addition to having employees reinstated who retired as a result of the change. This lawsuit requests both compensatory and punitive damages. A preliminary decision was delivered in 2004. This decision was in favor of the County, but was appealed. The appeal provided for some reinstatement of benefits to current and former employees. Discussions will be held between the County and the plaintiffs to resolve issues that the appeal did not formally answer. A final decision should be known by May 2007, as the plaintiffs (non-represented employees who were active as of March 15, 2002) have been formally notified of a tentative agreement. Funds were set aside in 2005 financial projections to cover the projected costs of any settlement.

DC-48 contract between the County and its largest union, which became effective in February 2007.

- Individuals elected after March 15, 2002 are not eligible to receive the additional 0.5 percent pension benefit multiplier.
- Effective January 1, 2003, the pension benefit for employees who became members after December 31, 1981 shall be based upon final average salary equal to the three highest consecutive years of earnings instead of the five highest consecutive years of earnings, except for represented deputy sheriffs.
- The payout of accrued sick allowance upon retirement was changed for many labor agreements, effective at various dates after October 2005, except the represented deputy sheriffs, AFSCME DC-48 members and Firefighters, to 100 percent payout of the balance as of the effective date, less any sick leave used since that date, and 25 percent of any sick leave earned after the effective date. This was for most labor agreements, effective for employees who were hired prior to January 1, 1994. Employees hired after January 1, 1994, or other dates as specified in the labor agreement, were left unchanged by this agreement and would continue to receive a 100 percent payout of accrued sick leave that would be paid into a trust for purposes of purchasing post-retirement health insurance or services for the employee.
- The payout of accrued sick allowance upon retirement was changed for many AFSCME DC-48 members, effective February 2007, to 100 percent payout of the balance as of the effective date, less any sick leave used after first being applied against current sick leave earned, and 25 percent of any sick leave earned after the effective date, less any sick leave used since that date. This was effective for employees who were hired prior to January 1, 1994. Members hired after January 1, 1994, were left unchanged by this agreement and would continue to receive a 100 percent payout of accrued sick leave that would be paid into a trust for purposes of purchasing post-retirement health insurance or services for the employee.

The County has attempted to budget contributions to the ERS to fund the annual normal cost (the actuarial liability for future benefits and expenses allocated to the year) and the amortization of the unfunded actuarial accrued liability plus interest. The funding level for 2006 and 2007 would cover only the annual normal cost plus a portion of the annual amortization of the prior service actuarial accrued liability. A separate discussion is included below on 2006 and 2007 funding (see below). A substantial portion of the current year's contribution is paid to the ERS in the following year.

The County makes contributions to the ERS based upon actuarially determined contribution requirements, with adjustments made at the discretion of the County Board and County Executive. The actuarial requirements are based on the annual normal cost (the actuarial liability for future benefits and expenses allocated to the year) and the amortization of the unfunded actuarial accrued liability plus interest. Actuarially determined requirements are set during the County's budget process. The ERS funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, accumulate sufficient assets to pay benefits when due. Payroll contribution rates are determined using the Aggregate Entry Age Normal method of funding. The ERS also uses the level percentage of payroll method to amortize the unfunded liability over a 30-year period. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation. The rate of return assumption used by the County was 8.5 percent until January 1, 2006, when the rate of return assumption was dropped to 8.0 percent, a rate consistent with most other public-sector pension systems.

As of January 1, 2006, the most recent valuation date, the pension plan had an unfunded actuarial accrued liability of \$455,019,682, based on an actuarial value of liabilities of \$1,909,321,282 and actuarial accrued assets of \$1,454,301,600. The funded ratio on January 1, 2006 was 76.2 percent. The method used to calculate the liability is in accordance with GASB 25. In computing these values, all of the assumptions used in the annual valuation for pension expense, including the changes noted above, were incorporated.

Changes in 2001 and 2002 to certain employee benefits have resulted in some County employees retiring at an accelerated schedule. Hundreds of employees have retired annually since these benefit enhancements were approved, including 350 in 2002, 290 in 2003 and more than 750 in 2004. Retirements declined in 2005 to 186. Nonetheless, the accelerated retirements from 2002-2004 reduced employee contributions for health care benefits by changing the status of employees to retirees, and plus they also increased the cost of accumulated sick leave paid at retirement. Many of these positions were temporarily held vacant to provide cost savings to offset this drop in employee health care contributions and increased sick leave payout expense. The changes in retirement sick leave payout benefits are described below.

The enhancements and accelerated retirement rate, as well as several successive years of poor ERS investment returns, have led to a sharp increase in required ERS contributions, causing a severe strain on the County's budget. In 2001 the County contributed \$2.65 million to the ERS in 2001 and \$2.58 million in 2002. The total contribution for 2003 was \$34 million, which included a \$15 million contribution included in the 2003 budget and an additional \$19 million contribution made outside of the budget to cover variances between actuarially required contributions and budgeted contributions. The \$19 million additional payment was allocated for contribution variances for 2001, 2002, and 2003 and was funded by a State Land Trust Loan. For 2004, the County budgeted for and contributed \$35.1 million, and in 2005 it contributed \$35.4 million.

The Adopted 2006 Budget appropriated \$27.4 million for the ERS, which was \$18.5 million below the amount specified by the ERS actuary. This amount was a decrease of \$7.9 million from the 2005 Adopted Budget. The Employee Retirement System actuary indicated that the actuarial contribution should be \$45.9 million, which included \$21.5 million of normal costs and \$24.4 million for the amortization of the prior service costs. The increase in the actuarial contribution from 2005 to 2006 was in part related due to a lowering of the investment return assumption from 8.5% to 8.0%, and an increase in the assumption regarding back drop utilization from 50% to 70%. The 2006 budgeted contribution includes full funding of the normal cost and only partial funding of the prior service cost amortization. Per County Ordinance, the variance of \$18.5 million between the actuarial contribution and actual contribution will be amortized over the next five years of pension contributions.

For 2007, the adopted budget includes \$49.3 million for the ERS contribution. The actuarial contribution requirement was \$59.0 million. One cause of the actuarial contribution increased for 2007 was a lowering of the payroll growth assumptions from 5.5% to 3.5%. In addition, the disability assumption was changed to reflect a higher percentage for accidental retirements versus ordinary retirements. A lower contribution was anticipated due to the potential issuance of pension bonds for the actuarial accrued liability.

An analysis of the cost impact of not fully funding the annual amortization of the ERS system's unfunded liability was conducted by Milliman, Inc. and presented to the County on October 17, 2005. This limited scope review indicated that not fully funding the system's unfunded liability would:

- Likely result in a redistribution of taxes to later generations of taxpayers by deferring current obligations.
- Likely result in a larger budgeted contribution in 2007.
- Likely result in higher total contributions due to lost investment earnings in the trust.

The County is considering the issuance of pension obligation bonds as a long-term strategy for funding the unfunded ERS liability and stabilizing the County's annual funding commitment to the ERS. The 2007 Budget specifies that the County will seek legislative changes that will allow it to utilize this funding mechanism, which also has been utilized by the State of Wisconsin to address its retirement benefit liabilities. The Governor's recommended budget for the 2007-09 biennium, which is currently being debated by the Legislature, includes the statutory changes requested by Milwaukee County. In addition, language in the County's 2007 Budget directs fiscal staff to prepare a recommendation pertaining to the possible issuance of pending pension obligation bonds should the legislative changes be adopted. The County Board also has established a Pension Study Commission to look at all the fiscal challenges issues revolving around the County's ERS employee's Retirement System. All items are in discussion regarding pension funding options.

COMMUNITY CHARACTERISTICS

Demographic Trends

According to the Wisconsin Department of Workforce Development, Milwaukee County's population for 2006 totaled 915,097, which is a 2.67 percent decrease from the 2000 United States census population estimate.

Location and Transportation System

Milwaukee County's location on Lake Michigan, near the nation's geographic and population centers, provides many logistical advantages. The County has a well-developed arterial street and highway system, including four interstate highways, three major U.S. highways and 17 state highways. Freight service is provided to other metropolitan areas by numerous trucking establishments and two major railroads. In addition to the rail freight service provided by the

Union Pacific and Canadian Pacific line railroads, passenger rail service is available from Amtrak. National and inter-city bus lines also serve Milwaukee. Milwaukee also remains a major Great Lakes and world port. During 2005, the Port of Milwaukee handled 3.4 million tons of materials. Major materials components included dry bulk cargo (78.0 percent), general cargo (10.6 percent), grain (8.2 percent), and liquid bulk cargo (3.1 percent). In 2006, the Port of Milwaukee handled 3.5 million tons of materials; however, the detailed annual report of material components is not yet available.

In June of 2004, a high-speed auto/passenger ferry service began between Milwaukee and Muskegon, Michigan.

Education

Milwaukee County is home to a number of colleges and universities, including: Alverno College; Cardinal Stritch College; Marquette University; Medical College of Wisconsin; Milwaukee Area Technical College; Milwaukee School of Engineering; Mount Mary College; University of Wisconsin-Milwaukee; and Wisconsin Lutheran College.

Economic Profile and Trends

One of Milwaukee's strengths is a highly diversified economic system. Non-farm employment levels averaged 837,925 in 2006 for the Metropolitan Statistical Area (MSA). Based on the most recent information available, from 1990 through 2004, the Milwaukee metropolitan area added 74,800 jobs. Eighty percent of the metropolitan area jobs are in the service-providing sector. The twenty percent of remaining jobs are in the goods-producing sector. Within the goods-producing sector, 80 percent of all metropolitan area jobs are in manufacturing.⁵

While the Milwaukee metropolitan area is well known as a manufacturing center, activity in other industries has grown increasingly important in recent years. From 2002 through 2006, the largest percentage growth of available jobs has occurred in the following areas: Accommodation and Food Services (12 percent), Health Care and Social Assistance (9 percent), Construction (9 percent), Leisure and Hospitality (8 percent), and Educational and Health Services (8 percent).⁶

According to a business survey outlook conducted by the Metropolitan Milwaukee Association of Commerce (MMAC) for the fourth quarter of 2006, Milwaukee area businesses projected higher real sales levels when compared to the fourth quarter of 2005. Based on a survey of 116 Milwaukee area firms, 74 percent projected rising real sales levels in the fourth quarter of 2006. Manufacturers expressed slightly more optimism for increased sales than non-manufacturers. Seventy-seven percent of manufacturers forecast increased sales compared to 73 percent of non-manufacturers. The percentage of businesses forecasting fourth-quarter 2006 employment increases outnumber the proportion expecting job declines by more than a six-to-one margin.

Labor Force Statistics for Milwaukee County

Year	Labor Force	Employment	Unemployment	Unemployment Rate	
				Milwaukee County	National Average
2001	476,192	450,627	25,565	5.4%	4.7%
2002	470,333	439,166	31,167	6.6%	5.8%
2003	466,879	433,807	33,072	7.1%	6.0%
2004	460,019	430,510	29,509	6.4%	5.5%
2005	456,425	429,601	26,824	5.9%	5.1%
2006	456,542	430,576	25,966	5.7%	4.6%

The Milwaukee County average annual unemployment rate for 2006 decreased by 0.2 percentage point to 5.7 percent compared to the national average rate of 4.6 percent. However, this is the third consecutive decrease in Milwaukee County's unemployment rate.

⁵ Source: Milwaukee Metropolitan Association of Commerce (MMAC)

⁶ Source: Wisconsin Department of Workforce Development and Federal Bureau of Labor Statistics

Major Private Employers in the County ⁷⁸

<u>Employer</u>	<u>Type of Business or Service</u>	<u>2006 Employment</u>
Aurora Health Care	Health care system	15,000
Wheaton Franciscan Healthcare	Health care system	9,000
Marshall & Ilsley Corp.	Bank holding company	7,000
AT&T Wisconsin	Telecommunication services	5,600
Columbia-St. Mary's	Health care system	5,600
Rockwell Automation	Industrial automation products & information systems	5,000
Roundy's Inc.	Food distributor & retailer	5,000
Northwestern Mutual Life Insurance	Life insurance, disability insurance & annuities	4,400
Medical College of Wisconsin	Medical school/academic/health care	4,100
Briggs & Stratton Corp.	Small gasoline engines	4,000
Wisconsin Energy Corp	Electric & Natural gas utility	3,900
Froedtert Hospital	Health care services	3,700
Harley-Davidson Inc.	Motorcycles & accessories	3,600
US Bank	Bank holding company	3,500
Carson Pirie Scott & Co.	Department Stores	3,400
Johnson Controls	Control systems, batteries & automotive interiors	2,500
Children's Hospital of Wisconsin	Pediatric health care services	2,300
Assurant Health	Health insurance products	2,000
Marcus Corp.	Theatres & hotel operator	2,000

⁷ Data reflects full-time equivalent employees (FTEs).

⁸ This list of major private employers is not consistent with past Official Statements. Previously, Milwaukee County Department of Administrative Services administered a survey to area businesses, including public and non-profit entities. Over the last three years, the County has been unable to provide employer information for private, public and non-profit entities due to lack of participation by some firms. Therefore, major employer information is limited to major private employers within Milwaukee County.

Source: 2006 MMAC Business Resource Guide & The Business Journal, January 6, 2006.

Major Industrial Taxpayers in Milwaukee County

<u>Name of Company</u>	<u>Type of Business or Service</u>	<u>2006 Full Market Value</u>	<u>% of County's 2006 Full Market Value</u>
Harley-Davidson	Manufacturer, motorcycles	\$129,616,700	0.20%
Miller Brewing Company	Manufacturer, beer and aluminum containers	74,214,500	0.12
Johnson Controls Inc.	Manufacturer, automotive batteries and seating, building controls and plastic containers	50,081,000	0.08
Journal/Sentinel Inc.	Publishing, printing and broadcasting	45,268,300	0.07
Rockwell Automation	Manufacturer, electrical/electronic products	38,180,200	0.06
Briggs & Stratton Corporation	Manufacturer, small engines, automotive locks and keys	27,001,900	0.04
Brady Worldwide Inc	Manufacturer, safety and facility identification	24,741,900	0.04
P.P.G. Industries Inc.	Manufacturer, coatings and resins	20,089,800	0.03
Quad/Graphics Inc.	Printing	19,016,700	0.03
GE Medical Systems	Manufacturer, medical equipment	19,298,400	0.03
Rexnord Industries/Falk	Manufacturer, power transmissions	18,620,000	0.03
GLM Holdings ¹	Manufacturer/distributor, specialty chemicals and research chemists	17,772,600	0.03
Delphi Automotive ²	Manufacturer, automotive electronics	15,987,400	0.03
Centerpoint Properties	Real estate development	15,900,500	0.02
Hondo Incorporated	Manufacturer, beverage containers and bottling of beverages	13,799,800	0.02
All Glass Aquarium	Manufacturer, aquariums	12,842,000	0.02
Bostik Inc.	Manufacturer, adhesives and sealants	11,971,400	0.02
Badger Meter, Inc.	Manufacturer, of products using flow measurement	10,664,500	0.02
Super Steel Products	Manufacturer of metal products	10,630,000	0.02
Joy Global (Harnischfeger Corp.)	Manufacturer, mining materials, handling equipment, engineering	10,484,300	0.02
Alliance Development ³	Distributor	10,200,600	0.02
Emmpak Foods, Inc.	Manufacturer, fresh and processed meats	10,157,400	0.02
Patrick Cudahy ⁴	Manufacturer, processed meats	10,000,000	0.02
Miller Compressing Company	Manufacturing, scrap metal processing	9,619,000	0.02
Aldrich Chemical Company, Inc.	Manufacturer/distributor, specialty chemicals and research chemists	9,603,600	0.02

Source: Wisconsin Department of Revenue, 2006.

1. GLM Holdings is affiliated with Aldrich Chemical Company, Inc.
2. Delphi Automotive filed and received Chapter 11 bankruptcy protection in October 2005. This accounts for the significant decrease in assessments from previous Official Statements.
3. Alliance Development was previously named Geneva Lakes Cold Storage.
4. Patrick Cudahy Incorporated negotiated a reduction in assessments with the City of Cudahy, Wisconsin based on an uncompetitive tax claim filed in 2006. This accounts for the significant decrease in assessments from previous Official Statements.

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Major Non-Industrial Taxpayers in the County

<u>Name of Company</u>	<u>Type of Business or Service</u>	<u>2006 Full Market Value</u>	<u>% of County's 2006 Full Market Value</u>
Mayfair Property Inc.	Shopping mall	\$273,773,653	0.44%
Northwestern Mutual Life Insurance Co.	Insurance	\$263,235,525	0.43
US Bank Corp	Banking	253,712,257	0.41
Metropolitan Associates	Real Estate	139,448,818	0.23
Covenant Health Care	Health care	136,118,065	0.22
Towne Realty	Real estate	132,481,521	0.21
M & I Marshall & Ilsley Bank	Banking	130,600,131	0.21
BRE Southridge Mall LLC	Real estate	128,615,880	0.21
Marcus Corp/Milw City Ctr/Pfister	Hotels, theaters, convention center	126,301,080	0.20
NNN 411 East Wisconsin LLC	Real estate	103,606,436	0.17
Crichton-Hauck/Shoreline/Juneau Village	Real estate	77,565,788	0.13
G.E. Medical Systems	Health care	71,913,845	0.12
Liberty Property Limited	Real estate	65,234,269	0.11
Bayshore Town Center LLC	Real estate	64,811,107	0.11
100 E. Wisconsin Ave Joint Venture	Real estate	62,491,743	0.10
J.P. Morgan Chase Bank	Banking	61,528,512	0.10
Milwaukee Landmark Apartments	Real estate	59,278,078	0.10
Inland Wester Midtown	Real estate	58,333,246	0.09
Geneva Exchange Fund	Real estate	56,863,555	0.09
Flanders Westborough	Real estate	55,312,067	0.09
Dayton-Hudson	Retailer	54,608,919	0.09
Occidental	Real estate	52,420,483	0.09
Robert Franseway, Springbrook Circle	Retail estate	51,119,264	0.08
Great-Lakes Reit LLP	Real estate	49,884,744	0.08
Columbia St. Mary's	Health Care	49,378,284	0.08

Source: Wisconsin Department of Revenue, 2006 and Survey of Municipal Assessors conducted by Milwaukee Metropolitan Sewerage District, November 2006.

**Major Construction Projects Planned and In Process in the County
(Projects of \$10.0 Million or More)^{1,2}**

Construction Projects Located in the City of Milwaukee

**Estimated
Project Costs**

Park Lafayette	\$77,985,549
First Place Condominiums	44,000,000
Potawatomi Casino	27,695,000
Manpower	24,000,000
TOTAL	<u>\$173,680,549</u>

**Major Construction Projects Planned and In Process in the County
(Projects of \$10.0 Million or More)**

Construction Projects Located in Other Municipalities

**Estimated
Project Costs**

Wheaton Franciscan Health Care Center ³ , Franklin	89,000,000
Northwestern Mutual Life Insurance, Franklin	85,600,000
Bucyrus International, South Milwaukee	70,000,000
Monticello Gardens, Franklin	60,640,000
Children's Hospital ⁴ , Wauwatosa	60,000,000
Woodland Trails, Franklin	54,395,000
Franklin Oaks, Franklin	52,290,000
Stone Pointe, Wauwatosa	50,000,000
Forest Hill Highlands, Franklin	43,000,000
Kaitlin Woods, Franklin	39,200,000
Shoppes at Wyndham Village, Franklin	35,000,000
West Allis Memorial Hospital, West Allis	35,000,000
Indian Community School, Franklin	33,000,000
Avian at Tuckaway, Franklin	31,500,000
Prairie Grass Preserve, Franklin	21,750,000
Crowne Plaza, Wauwatosa	20,200,000
Six Points, West Allis	20,000,000
Hidden Oaks, Franklin	19,250,000
Tuckaway Pines, Franklin	16,500,000

Yorkshire Grove, Franklin	14,490,000
Stone Hedge (Phase II), Franklin	14,400,000
Deerwood Estates, Franklin	12,720,000
Bradley Village, Village of Brown Deer	12,170,000
Carleton Creek, Franklin	12,100,000
Fountains of Franklin (Phase I), Franklin	12,000,000
YMCA, Franklin	12,000,000
Belmont Center, West Allis	12,000,000
Woodman's Food Market, Oak Creek	12,000,000
Kaitlin Meadows, Franklin	11,200,000
Shadwell, Franklin	11,025,000
TOTAL	<u>\$972,430,000</u>

Source: Municipal Planning and Zoning Departments, April 2007

1 Excludes project costs financed by counties, cities and villages.

2 All projects in table are either approved for construction or currently under construction.

3 A portion of the Wheaton Franciscan Health Care Center will be taxable while a portion will be exempt. A distribution was not provided.

4 Children's Hospital construction project is for a new addition to the facility.

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DEBT STRUCTURE

Payment Record

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

Future Financing

The County plans to issue general airport revenue bond debt in 2007. The County is also considering the issuance of Pension Obligation Bonds (see "Milwaukee County Retirement System").

Bonds and Notes Authorized But Not Issued (Excluding Series 2007A Bonds)

The County has authorized (but not issued) general obligation promissory notes in the principal amount of \$14,215,000 pursuant to a Credit Assistance Agreement with Midwest Airlines, Inc. See "Other County Obligations" on the following page.

General Obligation Debt Margin

Equalized Value of Property (Includes TID)	\$63,609,181,500	
Debt Limit (5% of Equalized Value)	\$3,180,459,075	
General Obligation Debt Outstanding ¹⁻¹¹	\$457,863,014	
Plus: These Corporate Purpose Bonds	\$32,625,000	
Sinking Funds	(\$38,619,220)	
Total General Obligation Debt	\$451,868,794	14.2%

- 1 On October 28, 1993, the County issued \$57,669,714 General Obligation Refunding Bonds, Series 1993A, to advance refund and defease certain maturities totaling \$50,875,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 1992A. On May 17, 2001, the County issued \$2,610,000 in taxable bonds to defease \$2,346,134 in outstanding bonds relating to the Milwaukee County Soccer Complex (see footnote 4). The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2006, \$17,095,784 of these refunding bonds remained outstanding.
- 2 On March 11, 1999, the County issued \$32,725,000 General Obligation Refunding Bonds, Series 1999A, to advance refund \$33,000,000 outstanding principal of its general obligation bonds. On May 17, 2001, the County defeased \$160,000 in outstanding bonds relating to the Milwaukee County Soccer Complex (see footnote 4). The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2006, \$18,725,000 of these bonds remained outstanding.
- 3 On May 27, 1999, the County issued \$2,290,000 General Obligation Museum Refunding Bonds, Series 1999A, to advance refund certain maturities totaling \$2,100,000 of the County's outstanding General Obligation Museum Bonds, Series 1994A. Outstanding debt for the 1994A Museum Bonds totaled \$7,990,000. The remaining balance was advance refunded with the proceeds of the revenue bonds issued by the County on behalf of the Milwaukee Public Museum Inc. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2006, \$1,210,000 of these refunding bonds remained outstanding.
- 4 On June 4, 2001, the County issued \$2,610,000 Taxable General Obligation Refunding Bonds, Series 2001A, to defease a portion of the General Obligation Refunding Bonds, Series 1993A and General Obligation Corporate Purpose Bonds, Series 1994A that related to the Milwaukee County Soccer Complex. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2006, \$1,250,000 of these refunding bonds remained outstanding.
- 5 On October 30, 2001, the County issued \$49,925,000 General Obligation Corporate Purpose Refunding Bonds, Series 2001A, to advance refund certain maturities totaling \$47,615,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 1994A, 1995A and 1996A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2006, \$37,575,000 of these refunding bonds remained outstanding.
- 6 On October 30, 2001, the County issued \$1,450,000 General Obligation Airport Refunding Bonds, Series 2001A (AMT), to refund certain maturities totaling \$1,450,000 of the County's outstanding General Obligation Airport Bonds, Series 1992A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2006, \$725,000 of these refunding bonds remained outstanding.

- 7 On June 5, 2002, the County issued \$62,950,000 General Obligation Refunding Bonds, Series 2002A, to refund certain maturities totaling \$61,065,000 of the County's outstanding General Obligation Refunding Bonds, Series 1992A. The refunding bonds are included in this figure for total general obligation debt, and the refunded bonds are excluded. As of year-end 2006, \$31,450,000 of these refunding bonds remained outstanding.
- 8 On July 1, 2003, the County issued \$100,025,000 General Obligation Refunding Bonds, Series 2003A, to restructure the County's debt service payment schedule and allow the County to meet other budgetary demands. The refunding bonds are included in this figure for total general obligation debt, and the refunded bonds are excluded. The outstanding bonds are equal to the par amount of the bonds. The first principal payment on the bonds is due August 1, 2010.
- 10 On October 1, 2003, the County issued \$33,550,000 General Obligation Refunding Bonds, Series 2003B, to refund certain maturities totaling \$33,305,000 of the County's outstanding General Obligation Refunding Bonds, Series 1993A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2006, \$12,955,000 of these refunding bonds remained outstanding.
- 11 On November 1, 2005, the County issued \$63,025,000 General Obligation Refunding Bonds, Series 2005A, to refund certain maturities totaling \$63,865,000 of the County's outstanding General Obligation Building Bonds, Series 1997A, General Obligation Corporate Purpose Bonds, Series 1997A, General Obligation Corporate Purpose Bonds, Series 1998A, General Obligation Corporate Purpose Bonds, Series 1999A, and General Obligation Corporate Purpose Bonds, Series 2000A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2006, \$62,700,000 of these refunding bonds remained outstanding.

Other County Obligations

In addition to issuing general obligation debt as described above, the County has undertaken other obligations in the form of financial guarantees for other entities. These include the following:

Midwest Airlines, Inc. Pursuant to a Credit Assistance Agreement dated as of October 1, 2003, between the County and Midwest Airlines, Inc. and Skyway Airlines, Inc., the County entered into a Standby Reimbursement Agreement with U.S. Bank National Association ("U.S. Bank") to provide for the guarantee of the obligations of Midwest and Skyway with respect to the letters of credit issued by U.S. Bank to support the \$8,300,000 City of Milwaukee Wisconsin Variable Rate Demand Industrial Revenue Bonds, Series 1998 (Midwest Express Airlines, Inc. Project) and the \$7,000,000 City of Milwaukee, Wisconsin Variable Rate Demand Industrial Development Revenue Bonds, Series 2001 (Skyway Airlines Project).

PIC Services LLC. In June 2004, the County executed a guaranty in favor of JP Morgan Chase & Co., with respect to a construction and term loan made by JP Morgan Chase & Co. to PIC Services LLC to finance acquisition and improvement of a facility to be used by the Private Industry Council of Milwaukee County, Inc. The maximum amount of the County's liability under this guaranty is \$1 million plus interest.

City of Wauwatosa Redevelopment Authority. In August 2004, the County agreed to guarantee the payment of the principal and interest due on the \$24,500,000 of bonds issued by the City of Wauwatosa Redevelopment Authority to provide certain financial incentives totaling approximately \$27,610,000 to Irgens Development Partners, LLC, as managing member of a partnership named Edison Technology Center LLC in order to induce General Electric Healthcare - Information Technologies and affiliated companies to move to a building constructed in the Milwaukee County Research Park.

Milwaukee Public Museum, Inc. As described on pages 21-22 herein, the County has guaranteed the repayment of a working capital loan in the amount of \$6 million made to Milwaukee Public Museum, Inc. by M&I Marshall and Ilsley Bank and Chase Bank. As of January 2007, the outstanding amount of the working capital loan for which the County is liable with its guarantee is \$4.7 million. MPM made two payments totaling \$1,020,000 and has committed pledges exclusively for debt reduction at \$628,000.

Milwaukee County General Obligation Debt

Year	<u>Levy Supported Debt</u>		<u>Revenue Supported Debt</u>				Total Debt Service
	Corporate Purpose Debt (Excludes Airport Debt)		Airport Debt ¹		This Corporate Purpose Bond Issue		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	37,544,253	19,439,273	1,074,967	445,121			58,503,614
2008	45,432,755	17,170,659	1,074,357	397,433	525,000	1,978,763	66,578,968
2009	49,181,592	16,146,725	1,072,330	348,159	770,000	1,298,175	68,816,981
2010	46,641,562	14,348,819	1,093,184	298,310	2,020,000	1,267,375	65,669,251
2011	47,329,849	12,996,910	1,128,165	247,283	1,270,000	1,186,575	64,158,782
2012	47,601,338	9,451,795	1,383,662	202,792	1,420,000	1,135,775	61,195,363
2013	46,790,421	7,469,888	1,554,579	150,841	1,520,000	1,078,975	58,564,704
2014	44,146,844	5,572,010	1,558,156	92,943	2,420,000	1,018,175	54,808,128
2015	22,568,164	3,773,826	301,836	33,823	2,835,000	921,375	30,434,024
2016	19,641,294	2,755,203	298,706	22,957	2,835,000	807,975	26,361,135
2017	17,292,412	1,874,027	297,588	11,606	2,835,000	694,575	23,005,208
2018	8,590,000	1,102,800	-	-	2,835,000	581,175	13,108,975
2019	7,030,000	692,075	-	-	2,835,000	467,775	11,024,850
2020	4,680,000	361,750	-	-	2,835,000	354,375	8,231,125
2021	2,555,000	127,750	-	-	2,835,000	237,431	5,755,181
2022					2,835,000	120,488	2,955,488
Total	\$ 447,025,483	\$ 113,283,511	\$ 10,837,531	\$ 2,251,269	\$ 32,625,000	\$ 13,148,981	\$ 619,171,775
Less Sinking Funds	<u>(37,544,253)</u>	<u>(19,439,273)</u>	<u>(1,074,967)</u>	<u>(445,121)</u>	<u>-</u>	<u>-</u>	<u>(58,503,614)</u>
Total	\$ 409,481,231	\$ 93,844,238	\$ 9,762,564	\$ 1,806,148	\$ 32,625,000	\$ 13,148,981	\$ 560,668,161

¹ General Obligation debt supported by revenues from the Airport pursuant to a lease agreement with the airlines.
(See "DEBT STRUCTURE - Indebtedness of the County" herein.)

Indebtedness of the County

The schedule on page 37 shows the principal and interest payments due on existing County purpose obligations and debt service on the Bonds.

Approximately 88.3 percent of the County purpose obligations (including the Bonds) will be retired within ten years. The amount includes general obligation bonds issued by the County on behalf of the airports because this debt is general obligation debt of the County. County purpose obligations do not include revenue bonds issued by the County with respect to the airports. Approximately \$10.8 million or 2.21 percent of the County's outstanding debt is for the airports. Pursuant to the lease agreements with the airlines, signatory airlines are obligated to pay all principal and accrued interest payments on debt issued on behalf of the airports.

Interim Borrowing for Operations

Pursuant to Wisconsin State law, Milwaukee County has the authority to borrow monies on an interim basis for operations. Under Section 59.60(9), Wisconsin Statutes, the County Board may make supplemental appropriations of available revenue and surplus funds to meet a public emergency affecting life, health, property or the public welfare. To the extent that unappropriated funds or realized revenues in excess of anticipated revenues are unavailable to meet the emergency, the County Board may issue tax anticipation notes.

Under Section 67.12(1)(a), Wisconsin Statutes, the County also has the authority to borrow money and issue tax and revenue anticipation notes in anticipation of the receipt of Federal or State aid, levied taxes or deferred payments to which it is entitled. The County last sold revenue anticipation notes on June 16, 1994. These notes matured on June 30, 1995. The County has no plans to issue revenue anticipation notes in 2007.

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Indirect General Obligation Debt of the County

<u>Governmental Unit</u> ¹	<u>Outstanding Debt</u> <u>12/31/2006</u>	<u>% Debt</u> <u>Within County</u>	<u>Amount of Debt</u> <u>Within County</u>
Villages:			
Bayside	\$9,930,000	96.18%	\$9,550,495
Brown Deer	\$17,576,594	100.00%	\$17,576,594
Fox Point	\$13,470,000	100.00%	\$13,470,000
Greendale	\$3,359,406	100.00%	\$3,359,406
Hales Corners	\$4,795,067	100.00%	\$4,795,067
River Hills	\$1,505,000	100.00%	\$1,505,000
Shorewood	\$16,564,798	100.00%	\$16,564,798
West Milwaukee	\$9,640,000	100.00%	\$9,640,000
Whitefish Bay	<u>\$14,020,000</u>	100.00%	<u>\$14,020,000</u>
Subtotal	\$90,860,865		\$90,481,360
Cities:			
Cudahy	\$29,471,682	100.00%	\$29,471,682
Franklin	\$41,600,000	100.00%	\$41,600,000
Glendale	\$38,270,063	100.00%	\$38,270,063
Greenfield ⁴	\$15,256,878	100.00%	\$15,256,878
Milwaukee	\$678,333,475	100.00%	\$678,311,947
Oak Creek	\$12,619,987	100.00%	\$12,619,987
Saint Francis	\$0	100.00%	\$0
South Milwaukee	\$29,290,000	100.00%	\$29,290,000
Wauwatosa	\$31,995,556	100.00%	\$31,995,556
West Allis	<u>\$77,386,446</u>	100.00%	<u>\$77,386,446</u>
Subtotal	\$954,224,087		\$954,202,559
School Districts:			
Brown Deer	3,015,000	100.00%	\$3,015,000
Cudahy	17,234,391	100.00%	\$17,234,391
Fox Point-Bayside	3,745,000	97.94%	\$3,667,694
Franklin	19,545,000	100.00%	\$19,545,000
Glendale-River Hills	340,000	100.00%	\$340,000
Greendale	6,745,937	100.00%	\$6,745,937
Greenfield	14,350,000	100.00%	\$14,350,000
Maple Dale-Indian Hill	975,000	100.00%	\$975,000
Milwaukee	119,128,610	99.93%	\$119,049,363
Milwaukee Area Tech. College	65,035,000	82.45%	\$53,622,960
Nicolet High School	1,700,000	99.41%	\$1,690,001
Oak Creek-Franklin	37,545,000	100.00%	\$37,545,000
St. Francis	9,455,000	100.00%	\$9,455,000
Shorewood	52,760,000	100.00%	\$52,760,000
South Milwaukee	3,711,064	100.00%	\$3,711,064
Wauwatosa	3,240,000	100.00%	\$3,240,000
West Allis-West Milwaukee	36,195,000	96.13%	\$34,794,797
Whitefish Bay	4,610,000	100.00%	\$4,610,000
Whitnall	<u>\$6,515,000</u>	100.00%	<u>\$6,515,000</u>
Subtotal	405,845,002		392,866,208
Metropolitan Sewerage District	<u>\$741,994,272</u>	99.93%	<u>\$741,459,757</u>
Total Overlapping Debt	\$2,192,924,226		\$2,179,009,883

1. The proportion of indirect debt attributable to Milwaukee County was determined by calculating the ratio of equalized value (with TID) located within Milwaukee County to city, village and school district totals. For the City of Milwaukee, property values located in Waukesha County are included in the allocation of City debt burdens. Milwaukee Public Schools does not have the ability to issue GO debt. The amount shown is broken out from the City of Milwaukee that was issued for school purposes.

Source: Milwaukee County Department of Administration, February 2007 survey of taxing jurisdictions.

Trend of Direct Debt and Indirect Debt at December 31

<u>Year</u>	<u>County</u>	<u>Milwaukee Metropolitan Sewerage District (MMSD)</u>	<u>Cities/Villages/Schools Debt</u>	<u>Total Direct and Indirect Year-End Debt</u>
2006	\$457,863,014	\$741,759,757	\$1,437,550,126	\$2,637,172,897
2005	469,707,711	724,497,964	1,297,421,778	2,491,627,453
2004	488,900,532	692,009,192	1,238,077,578	2,418,987,302
2003	468,897,238	659,419,334	1,171,067,871	2,299,384,443
2002	489,152,001	550,785,413	1,163,882,914	2,203,820,328

1 Direct Debt reflects all general obligation debt of the County, including general obligation debt supported by Airport revenues. Airport revenue bond debt is excluded from this presentation of outstanding direct and indirect debt.

Debt as a Percent of Equalized Value and Per Capita Debt

<u>Year</u>	<u>Population</u>	<u>(Includes TID) Equalized Value</u>	<u>DIRECT DEBT¹</u>			<u>TOTAL DIRECT AND INDIRECT DEBT</u>		
			<u>Total Direct Debt</u>	<u>Percent of Equalized Value</u>	<u>Per Capita Debt</u>	<u>Total Direct and Indirect Debt</u>	<u>Percent of Equalized Value</u>	<u>Per Capita Debt</u>
2006	915,097	\$61,640,021,100	\$457,863,014	0.74%	\$500	\$2,637,172,897	4.30%	\$2,881
2005	936,892	54,893,559,000	469,707,711	0.86	501	2,491,627,453	4.60	2,659
2004	939,358	51,153,360,200	488,900,532	0.96	520	2,418,987,302	4.73	2,575
2003	941,301	47,266,665,200	468,897,238	0.99	498	2,299,384,443	4.86	2,443
2002	941,091	44,279,623,800	489,152,001	1.10	520	2,203,820,328	4.98	2,342

1 Direct Debt reflects all general obligation debt of the County, including general obligation debt supported by Airport revenues. Airport revenue bond debt is excluded from this presentation of outstanding direct and indirect debt.

FINANCIAL INFORMATION

Tax Assessment

The valuation of all real and personal property is the responsibility of the 19 city and village assessors within Milwaukee County with the exception of real and personal manufacturing property. The valuation of manufacturing property is the responsibility of the Wisconsin Department of Revenue.

Assessments are made as of January 1st of each year in accordance with the provisions of Wisconsin Statutes. The law requires that all property subject to assessment be valued in accordance with procedures set forth in the Wisconsin Property Assessment Manual. Assessments must be based on actual view or from the best information that the assessor can practicably obtain, and be at the full value, which could ordinarily be obtained at private sale.

Wisconsin courts have determined that the constitutional requirement for uniformity of assessment is met even though the assessment in question may be less than full value, provided all property within the tax district is assessed at the same proximate level. Beginning in 1986, all municipalities were required to assess taxable property at a minimum of 90 percent of State equalized values at least once every five years.

The assessment of a class of property may also be lowered to obtain uniformity. This procedure is also utilized by the Wisconsin Department of Revenue to equate full value assessments of manufacturing property to the local level of all taxable non-manufacturing assessments.

The State of Wisconsin equalizes local assessments to full values. This equalized valuation is the basis used in computing the five-percent State constitutional debt limitation.

Equalized Values 2001-2006 (In Millions of Dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential	\$28,941	\$31,166	\$34,014	\$37,975	\$42,355
Commercial	12,197	13,013	14,182	15,642	\$18,063
Manufacturing	1,415	1,405	1,394	1,405	1,439
Agriculture	<u>34</u>	<u>34</u>	<u>35</u>	<u>34</u>	<u>34</u>
Total Real Estate	\$42,587	\$45,618	\$49,625	\$55,056	\$61,891
Personal Property	<u>1,693</u>	<u>1,649</u>	<u>1,528</u>	<u>1,625</u>	<u>1,718</u>
Total Real Estate and Personal Property	\$44,280	\$47,267	\$51,153	\$56,681	\$63,609
Adjustment for TID (Tax Incremental Districts)	<u>(963)</u>	<u>(1,159)</u>	<u>(1,428)</u>	<u>(1,787)</u>	<u>(1,969)</u>
Net Real Estate and Personal Property	\$43,317	\$46,108	\$49,725	\$54,894	\$61,640
Population	941,091	941,301	939,358	936,892	915,097
Equalized Value Per Capita (In Dollars)	\$46,028	\$48,983	\$52,935	\$58,591	\$67,359

Source: Wisconsin Department of Revenue, Statistical Report of Property Valuations.

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**Property Tax Levies and Collections Last Five Years
(In Millions of Dollars) 1,2**

Levy For Budget Year	Fiscal Year				
	Taxes Collectible By County	Collection of Current Year Levy as of December 31	Percent of Current Year Levy Collected as of December 31	Total Tax Collections During the Year	Delinquent Taxes Outstanding at Year-end
2001	\$614.8	\$609.7	99.18%	\$617.9	\$7.7
2002	\$642.9	\$634.3	98.66%	\$650.3	\$8.7
2003	\$685.0	\$679.7	99.24%	\$686.8	\$8.9
2004	\$715.4	\$710.9	99.37%	\$719.0	\$7.9
2005	\$727.7	\$718.2	98.69%	\$726.2	\$9.2

Sources: Milwaukee County Treasurer's Office, Municipal Statement of Taxes.

1. Tax levy amounts include taxes for each school district, city or village, sewerage district, technical college and Milwaukee County for the 18 suburban municipalities. See Property Tax Levies and Collections Last Five Years - City of Milwaukee taxation.

2. Total Tax Collections During the Year includes collections for the current fiscal year and delinquent collections from any year during the past ten years.

Total taxes levied include municipal levies, assessments and charges. The individual municipalities collect these taxes until July 31 of the budget year. The portion of the total levy strictly for County purposes is approximately 17.7 percent of Total Taxes (column two) for the 2007 budget year.

Property Tax Levies and Collections Last Five Years – City of Milwaukee (in millions of dollars) 1

Year	Total Taxes Levied	Collection of Current Year Levy	Percent of Levy Collected	Total Tax Collections During Year	Delinquent Taxes Outstanding at Year-end
2001	\$368.4	\$355.6	96.5%	\$370.3	\$22.0
2002	\$382.8	\$369.1	96.4%	\$383.0	\$21.9
2003	\$398.2	\$383.0	96.2%	\$395.4	\$24.6
2004	\$404.8	\$390.9	96.6%	\$405.6	\$23.9
2005	\$436.4	\$421.6	96.6%	\$435.6	\$24.7

Source: City of Milwaukee Comprehensive Annual Financial Report (CAFR), 2005

1. Total Tax Collections During the Year includes collections for the current fiscal year and delinquent collections from any year during the past ten years.

The City of Milwaukee and Milwaukee County have entered into an intergovernmental cooperation agreement, whereby the City collects all delinquent County real estate taxes in the City of Milwaukee. The agreement was subsequently revised beginning with the collection of 1990 property taxes whereby the City purchases all unpaid County taxes in February of the first collection year, but periodically remits taxes until the end of July that are considered on time through the installment payment plan. The City also collects delinquent Metropolitan Sewerage District and State taxes levied in the City of Milwaukee.

Property Tax Rates for County Levies

In November of each year, the County Board adopts an annual budget for the ensuing calendar year. At that time levies on real and personal property are set. The information provided below reflects the budget year for which

taxes are to be used, not the year in which taxes are levied. For example, information listed below 2006 represents the 2006 property tax levy used to finance the County's 2007 budget. The County Board adopted the 2007 budget on November 16, 2006. The levies summarized below include the state forestry tax and other administrative levies used for regional planning and other non-general County purposes.

(In Millions of Dollars)	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General County Purposes	\$276.4	\$278.7	\$288.3	\$297.3	\$307.0
County Sales Tax Credit	(56.9)	(59.3)	(62.4)	(64.7)	(65.9)
State Forestry Taxes/Other Administrative Levies	9.7	10.3	11.1	11.5	12.0
Total Net County Taxes	\$229.2	\$229.7	\$237.0	\$244.1	\$253.1
General County Purposes	6.38	6.05	5.80	5.42	4.98
County Sales Tax Credit	(1.32)	(1.29)	(1.26)	(1.18)	(1.07)
Net General County Purposes	5.06	4.76	4.54	4.24	3.91
State Forestry Taxes/Other Administrative Levies	0.22	0.22	0.22	0.20	0.19
Total Net County Taxes	5.28	4.98	4.76	4.44	4.10

Levy Limits

Property Tax Rate Limit

Section 59.605, Wis. Stats., imposed a property tax rate limit on Wisconsin counties, effective August 12, 1993. Separate limits were imposed for operating levy rates and the debt service levy rates. Initially, the baseline for the rate limit was the 1992 actual tax rate adopted for 1993 budget purposes. The County may not exceed these operating levy rates and debt levy rate limits unless one or more specified conditions apply, as described below. The statute establishes specific penalties for failure to meet the limit requirements. Among the penalties for exceeding the limits are reductions in state shared revenues and transportation aids.

Operating Budget Levy Rate

The only conditions under which the maximum rate may be increased are if services are transferred between governmental units (transfers to other governmental units reduce the maximum rate) or if a referendum is approved by a majority of local electors to allow the maximum rate to be increased. The operating property tax levy rate limit is \$4.08 per \$1,000 equalized value. An operating property tax rate of approximately \$3.19 per \$1,000 of equalized value was established for the County's 2007 general-purpose budget. The tax rate for total operating purposes including the Southeastern Wisconsin Regional Planning Commission levy and other administrative levies was \$3.21 per \$1,000 of equalized value.

Debt Service Levy Rate

The conditions under which the debt service rate may be increased include: approval of issuance of debt at a referendum, adoption of a resolution by the County Board of Supervisors which sets forth its "reasonable expectation" that the issuance of the debt, will not cause the County to exceed its debt levy rate limit, actual authorization of the debt prior to the August 12, 1993 effective date of the rate limit, issuance of debt for regional projects as described in Section 67.05(7)(f), Wisconsin Statutes, issuance of debt to refund outstanding municipal obligations, or, adoption of a resolution to issue debt which is approved by a 3/4 vote of the members-elect of the County Board. The debt property tax levy rate limit is \$1.42 per \$1,000 equalized value. In conformance with the conditions outlined above, the County levied a debt levy rate of \$.72 per \$1,000 of equalized value for the 2007 budget.

The Bonds were authorized by a ¾ vote of the members-elect of the County Board. Therefore, the debt service levy rate allowed for the repayment of these Bonds is not limited under current law.

Levy Limit Legislation

Proposed Change to Levy Limits

Senate Bill 40 reinstates the levy limit for the 2007 and 2008 levies and modifies the calculation of the limit. The bill changes the definition of the evaluation factor to be the greater of either 4 percent or the percentage change in the political subdivision's equalized value due to new construction, less improvements removed. The bill also creates several new exceptions to the levy limit, including levies for certain bridge and culvert construction and repairs; creating levies related to jointly provided fire protection services; and county levies for payments to adjacent counties for library services.

Under the bill, DOR may not reduce a political subdivision's aid payments unless the amount of the excess levy is at least \$500, but if the amount exceeds a political subdivision's aid payments in the following year, DOR must reduce local aid payments in future years until the amount is fully deducted. Also under the bill, a political subdivision is not penalized for an excess levy if DOR determines that the excess is directly caused by DOR assessment errors or because of an error in preparing or delivering the tax roll by the taxation district clerk or county clerk.⁹

Property Tax Credits

School Tax Credit - Wisconsin Statutes provide for a school tax credit, which is a direct payment by the State to the municipalities. This tax credit is used to reduce the public schools tax levy reflected on individual property tax bills. The school tax credit decreased two percent between 2003 and 2004. The 2003 net tax decreased 1.2 percent in the City of Milwaukee. The calculation of the net rate after the school tax credit excludes other tax credits identified below.

Lottery and Gaming Tax Credit - Wisconsin Statutes provide for a lottery and gaming tax credit financed with proceeds from the state lottery and other gaming revenues. This tax credit is also shown on individual property tax bills. Each taxpayer was required to own the home described on the tax bill and use it as a primary residence to qualify for the credit between 1991 and 1997. The Governor's 1997-1999 budget modifies the credit to provide tax relief to all property taxpayers. In April of 1999, voters approved a change in the state constitution that again limited the lottery tax credit to homeowners' primary residence. For 2006, the statewide average credit was \$96, and the average credit in Milwaukee County was \$99.

Homestead Credit - Indirectly related to property taxes, Wisconsin Statutes provide for a Homestead Credit. This is a direct claim by the taxpayer to the State whereby households with income of less than \$24,500 may qualify for a State income tax credit. This credit is based on the amount of property taxes paid. Renters are also eligible for this credit. Approximately 24 percent of claimants who utilized the Homestead Credit in fiscal year 2006 were from Milwaukee County. The average claim made by a Milwaukee County resident was \$556. The maximum credit is \$1,160 for those with household income of no more than \$8,000 and property taxes of \$1,450.

County Sales and Use Tax Credit - For Milwaukee County property taxpayers, the December 1992 local property tax bill was modified to reflect property tax relief attributable to the local 0.5 percent County sales and use tax. For the homeowner of a typical \$150,000 home in Milwaukee County, property tax savings due to enactment of the sales and use tax totaled approximately \$160 for the 2007 budget.

Property Tax Collections

Real estate and personal property taxes become due as of January 31 of each year. Taxpayers may pay their property taxes in installments. The number of installment payments varies for each individual municipality. Municipalities initially collect all property taxes including county and school taxes. On or before January 15 and February 15, the city or village treasurer settles with other taxing jurisdictions including the County for all

⁹ Legislative Reference Bureau, 2007-2008 Legislature, Senate Bill 40, page 38

collections through December and January respectively. In municipalities, which have authorized the payment of real property taxes in three or more installments, the city or village treasurer additionally settles with the other taxing jurisdictions including the County on the 15th day of each month following the month in which an installment payment is required. The County subsequently has a tax settlement with the municipalities in August of each year. The County exclusively purchases all uncollected real property taxes from the municipality, issues a tax certificate and assumes the collection responsibility. As a last resort, the County Treasurer can foreclose after approximately two years. Tax liens are the first liens against real estate and remain valid for eleven years. The County maintains a Reserve for Taxes Receivable equal to all non-current taxes remaining due.

The tax collection procedure within the City of Milwaukee is substantially different than the procedure outlined above. The City has ten installments with the County portion being collected by the seventh payment. The City and the County entered into an intergovernmental cooperation agreement, whereby the City collected all delinquent County real estate taxes in the City of Milwaukee. The agreement was subsequently revised beginning with the collection of 1990 property taxes. The City now purchases all unpaid County taxes in February of the first collection year and retains the interest and penalty collected. Interest on delinquent taxes is charged at a rate of one percent per month from the preceding February. In addition, a penalty of one-half of one percent is also charged each month.

Other Major County Revenues

State Shared Revenues

The State of Wisconsin distributes revenues collected from state taxes to municipal and county governments. These revenues can be used at the discretion of local governments to finance local services. Sections 79.03 and 79.04 of Wisconsin Statutes outline a formula to allocate these revenues to local government units. The allocation formula for counties was based on a number of variables including taxable property values, utility property values, population, property tax levies and certain user fees. The State has modified the State Shared Revenue formula so that the previous year's base, plus the utility payment, determines the budgeted amount. Shared revenue payments are made by the State on the fourth Monday in July (15 percent) and the third Monday in November (85 percent). The 2007 Adopted Budget includes approximately \$37.1 million in anticipated net State Shared Revenues.

Beginning in 1999, in accordance with Wisconsin State Statute 48.561(3), the Wisconsin Department of Administration reallocates \$20,101,300 in State Shared Revenue to the State's Child Welfare Program to be used to defray State administrative costs for the program. Previously, this allocation was taken from Community Aids revenue in the Department of Human Services and DHS-Behavioral Health Division (previously Mental Health Division) budgets. All future budgets, including the 2007 Budget, have been modified to reflect the allocation.

County Sales and Use Tax

Beginning April 1, 1991, a 0.5 percent sales and use tax was enacted by Milwaukee County. The tax, which is authorized under Section 77.70 of Wisconsin Statutes, is administered by the State of Wisconsin and is imposed on goods and services, which are currently subject to a 5.0 percent State sales tax. The State distributes payments to the County seven to 11 weeks after the taxes are collected by retailers. Based on generally accepted accounting principles, fiscal year revenues are based on March through February payments from the State of Wisconsin. Existing County Ordinances require that sales tax revenue not budgeted for debt service payments are used to directly finance capital improvements. On June 18, 2003, the County modified the ordinance to allow for the use of sales tax revenue to pre-fund employee benefit costs or fund anticipated or extraordinary annual increases in such costs or supplement the Appropriation for Contingencies. The ordinance change remains in effect through calendar year 2007. At this time, there has been no decision to extend the sunset date.

In 2005, the State of Wisconsin, Department of Revenue contacted counties to notify them of software glitches detected in the computer program used to distribute sales and use tax to Wisconsin counties. There were five categories of software defects that resulted in the system over or under distributing sales tax revenues to counties for the years 2002-2005.

- Treat sales tax receipts on certain private party sales (occasional sales) of motor vehicles;
- Calculate fee discounts received when returns are filed on time and round numbers on certain sales tax receipts transactions;
- Handle adjustments necessary to correct tax return errors;
- Calculate tax abatements (forgiveness of liability, penalty and/or interest); and
- Transfer negative revenue entries from the system into checks distributed to counties.

According to the State, Milwaukee County received an over distribution of sales tax revenue that totaled approximately \$1.8 million that the State will capture in equal increments over a three year period from 2008 to 2010. Therefore, sales tax revenue for Milwaukee will be reduced by approximately \$600,000, starting with the 2008 Budget.

The State also informed the County of an under distribution of approximately \$800,000 for private party sale of motor vehicles. The County received repayment for the under distribution in December 2005.

The County budgeted net sales tax collections, including amounts allocated to the capital improvements budget, of approximately \$65.4 million for 2006 and \$65.9 million for 2007. Sales tax revenues collected from Milwaukee County retailers for 2006 total approximately \$63.7 million.

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COUNTY OF MILWAUKEE
FIVE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2001 THROUGH 2005
(In Thousands of Dollars)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues:					
Intergovernmental Revenue	\$ 274,646	\$ 251,202	\$ 266,101	\$ 276,179	\$ 275,467
Sales Taxes	57,941	55,450	57,115	58,834	61,646
Property Taxes	209,178	220,430	221,265	220,612	228,628
Interest on Investment & Rents	17,503	14,390	9,789	6,974	7,657
Charges for Services	88,000	132,324	157,025	180,925	213,361
Fines and Forfeitures	3,660	3,276	2,909	3,129	2,823
Licenses and Permits	440	399	413	443	442
Other	30,206	24,756	26,309	26,133	30,205
Total Revenues	<u>\$ 681,574</u>	<u>\$ 702,227</u>	<u>\$ 740,926</u>	<u>\$ 773,229</u>	<u>\$ 820,229</u>
Expenditures					
Legislative, Executive and Staff	\$ 32,577	\$ 39,462	\$ 39,257	\$ 38,246	\$ 38,774
Courts and Judiciary	39,753	50,889	52,862	55,748	57,456
General Governmental Services	4,267	6,662	6,775	6,608	8,203
Public Safety	100,006	122,089	126,758	135,596	136,397
Public Works and Highways	10,370	13,008	13,489	16,553	16,532
Human Services	261,443	283,815	322,013	345,157	362,756
Parks, Recreation and Culture	52,351	66,921	65,749	61,640	55,810
Other	51,091	462	(880)	11,254	15,981
Total Expenditures	<u>\$ 551,858</u>	<u>\$ 583,308</u>	<u>\$ 626,023</u>	<u>\$ 670,802</u>	<u>\$ 691,909</u>
Excess of Revenues Over Expenditures	\$ 129,716	\$ 118,919	\$ 114,903	\$ 102,427	\$ 128,320
Other Financing Sources (Uses): ¹					
Operating Transfers From Other Funds	\$ 24,832	\$ -	\$ -	\$ 5,538	\$ -
Operating Transfers To Other Funds	(148,968)	(110,184)	(116,698)	(112,548)	(123,437)
Operating Transfers To Components Units	(8,010)	(7,910)	(7,639)	(6,359)	(6,216)
Residual Equity Transfers (To) From Other Funds	1,427	(924)	4,538	5,504	16,383
Total Other Financing Uses	<u>\$ (130,719)</u>	<u>\$ (119,018)</u>	<u>\$ (119,799)</u>	<u>\$ (107,865)</u>	<u>\$ (113,270)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (1,003)</u>	<u>\$ (99)</u>	<u>\$ (4,896)</u>	<u>\$ (5,438)</u>	<u>\$ 15,050</u>
Fund Balance-January 1	\$ 20,420	\$ 19,417	\$ 19,318	\$ 14,422	\$ 8,984
Fund Balance-December 31	<u>\$ 19,417</u>	<u>\$ 19,318</u>	<u>\$ 14,422</u>	<u>\$ 8,984</u>	<u>\$ 24,034</u>

Source: Derived from audited financial statements included in the Milwaukee County Comprehensive Annual Financial Reports, 1999-2005, 2005 included herein.

¹ "Operating Transfers from," "Operating Transfers To" and "Residual Equity" have been combined in 2004 into "Operating Transfers To Other Funds."

COUNTY OF MILWAUKEE
FIVE-YEAR SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUNDS (ENTERPRISE & INTERNAL SERVICE FUND)
FOR THE YEARS ENDED DECEMBER 31, 2001 THROUGH 2005
(In Thousands of Dollars)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenues					
Charges for Services	\$ 151,950	\$ 154,442	\$ 163,749	\$ 180,953	\$ 186,047
Other	13,766	16,753	18,126	15,204	17,651
Total Operating Revenues	<u>\$ 165,716</u>	<u>\$ 171,195</u>	<u>\$ 181,875</u>	<u>\$ 196,157</u>	<u>\$ 203,698</u>
Operating Expenses					
Personnel Services	\$ 197,574	\$ 197,987	\$ 207,138	\$ 218,733	\$ 224,083
Contractual Services	94,414	52,108	54,022	53,583	56,690
Intra County Services	19,071	14,775	15,027	15,312	16,475
Commodities	22,128	18,799	19,010	20,742	25,610
Depreciation	28,686	30,738	35,168	35,757	35,801
Maintenance	2,456	2,958	2,010	2,033	2,739
Insurance	5,036	-	-	-	5,533
Other ¹	4,223	65,341	65,995	70,354	74,463
Total Operating Expenses	<u>\$ 373,588</u>	<u>\$ 382,706</u>	<u>\$ 398,370</u>	<u>\$ 416,514</u>	<u>\$ 441,394</u>
Operating Income (Loss)	<u>\$ (207,872)</u>	<u>\$ (211,511)</u>	<u>\$ (216,495)</u>	<u>\$ (220,357)</u>	<u>\$ (237,696)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	\$ 121,863	\$ 132,221	\$ 134,482	\$ 133,543	\$ 141,291
Net Interest Expense	<u>(6,123)</u>	<u>(5,963)</u>	<u>(9,470)</u>	<u>(9,207)</u>	<u>(7,814)</u>
Total Nonoperating Revenues	<u>115,740</u>	<u>126,258</u>	<u>125,012</u>	<u>124,336</u>	<u>133,477</u>
Income (Loss) Before Operating Transfers and Discontinued Operations	\$ (92,132)	\$ (85,253)	\$ (91,483)	\$ (96,021)	\$ (104,219)
Discontinued Operations					
Disposal of Hospital	\$ -	\$ -	\$ -	\$ -	\$ -
Disposal of Power Plant	-	-	-	-	-
Total Discontinued Operations	<u>\$ -</u>				
Income (Loss) Before Operating Transfers	\$ (92,132)	\$ (85,253)	\$ (91,483)	\$ (96,021)	\$ (104,219)
Net Capital Contributions	30,456	25,454	19,345	29,802	10,537
Net Operating Transfers From Other Funds	<u>82,285</u>	<u>75,362</u>	<u>75,296</u>	<u>76,433</u>	<u>80,160</u>
Net Income (Loss)	<u>\$ 20,609</u>	<u>\$ 15,563</u>	<u>\$ 3,158</u>	<u>\$ 10,214</u>	<u>\$ (13,522)</u>
Add Depreciation on Fixed Assets Acquired by Capital Grants that Reduces Contributed Capital from Capital Grants	11,306	-	-	-	-
Fund Equity/Retained Earnings-Jan. 1²	<u>5,828</u>	<u>219,404</u>	<u>234,967</u>	<u>238,125</u>	<u>248,339</u>
Fund Equity/Retained Earnings-Dec. 31	<u>\$ 37,743</u>	<u>\$ 234,967</u>	<u>\$ 238,125</u>	<u>\$ 248,339</u>	<u>\$ 234,817</u>

Source: Derived from audited financial statements included in the Milwaukee County Comprehensive Annual Financial Reports, 2001-2005, 2005 included herein.

¹ Reclassification from Other to Contractual Services in 2001

² Restated the beginning balance for 2002 for implementation of GASB #34.

**Milwaukee County
2006 Adopted and 2007 Adopted Budgets**

	<u>2006 Adopted Budget</u>	<u>2007 Adopted Budget</u>
<u>Expenditures</u>		
Legislative & Executive	9,229,874	10,034,636
Staff	54,954,645	52,707,881
Courts & Judiciary	56,121,272	63,589,442
Public Safety	137,635,196	148,857,045
General Government	5,949,492	6,587,728
Transportation and Public Works	230,499,460	236,654,827
Health & Human Services	570,347,886	604,434,357
Parks, Recreation & Culture	65,587,788	68,950,867
Debt Service *	55,832,752	54,286,355
County-Wide Revenue	1,388,523	0
County-Wide Non-Departmentals	(16,447,777)	(27,274,321)
Capital Improvements	86,741,136	63,544,728
Trust Funds	1,034,751	1,049,251
Total Expenditures	\$ 1,258,874,998	\$ 1,283,422,797
 <u>Revenues</u>		
Operating		
Sales Tax	64,678,600	65,921,500
Other Direct Revenue	374,581,636	403,974,553
State Shared Revenue	37,098,572	37,082,280
Remaining State Revenue	355,309,994	376,977,062
Total Federal Revenue	62,392,321	57,366,381
Indirect Revenue	47,770,974	32,844,167
Prior Year Surplus (Deficit)	(1,573,366)	4,664,280
Operating Revenue Subtotal	\$ 940,258,731	\$ 978,830,223
 Capital Improvement		
Sales Tax	750,000	632,039
Bond Proceeds	34,503,412	35,880,614
Other Direct Revenue	34,932,782	17,292,950
Remaining State Revenue	877,433	1,781,225
Total Federal Revenue	14,960,123	7,957,900
Capital Improvement Revenue Subtotal	\$ 86,023,750	\$ 63,544,728
 Total Revenue	 \$ 1,026,282,481	 \$ 1,042,374,951
 Property Tax Levy	 \$ 232,592,517	 \$ 241,047,846

* Includes interest allocation credit of \$5,060,456 in 2006 and \$4,217,258 in 2007 to Proprietary Fund departments for interest costs, which reduces Debt Retirement and Interest by a like amount.

Summary of 2007 Adopted Capital Improvements Budget
November 16, 2006

Adopted County Financing

Project	Description	Capitalized Interest	2007 Adopted	Reimbursement Revenue	Net County Contribution	Sales Tax Revenue	Investment Earnings	Misc. Rev.	PFC	
									Revenue/Airport Reserve	Bonds
TRANSPORTATION AND PUBLIC WORKS										
Highways and Bridges										
WH010	County Highway Action Program	\$18,200	\$1,483,200	\$922,000	\$561,200	\$0	\$14,600	\$0	\$0	\$546,600
WH020	Mill Rd 91st to STH 45	\$7,500	\$442,500	\$210,000	\$232,500	\$0	\$6,000	\$0	\$0	\$226,500
WH030	Bridge Replacement Program	\$14,000	\$2,102,000	\$1,670,400	\$431,600	\$0	\$11,300	\$0	\$0	\$420,300
WH080	Bridge Rehabilitation Program	\$10,000	\$1,660,000	\$1,320,000	\$340,000	\$0	\$8,000	\$0	\$0	\$332,000
WH082	National Highway System	\$18,800	\$2,158,000	\$1,578,560	\$579,440	\$0	\$15,100	\$0	\$0	\$564,340
WH083	W. Silver Spring Drive-N 124th St. to N 69th St.	\$3,600	\$343,700	\$234,090	\$109,610	\$0	\$2,900	\$0	\$0	\$106,710
WH084	S. 76th St. W. Parkview Dr. to W. Oklahoma Ave.	\$68,700	\$3,922,200	\$1,794,105	\$2,128,095	\$0	\$55,000	\$0	\$0	\$2,073,095
WH086	West Good Hope Road Reconstruction	\$2,600	\$360,600	\$280,500	\$80,100	\$0	\$2,100	\$0	\$0	\$78,000
WH	Total Highways and Bridges	\$143,400	\$12,472,200	\$8,009,655	\$4,462,545	\$0	\$115,000	\$0	\$0	\$4,347,545
Mass Transit										
WT036	Replace Voice Response Unit MCTS Info Center		\$178,400	\$142,720	\$35,680	\$0			\$0	\$35,680
WT300	Roof top air handling unit - FDL		\$130,000	\$104,000	\$26,000	\$0			\$0	\$26,000
WT301	Diesel pump and UST piping - FBZ		\$150,000	\$120,000	\$30,000	\$0			\$0	\$30,000
WT303	HVAC Control System		\$320,000	\$256,000	\$64,000	\$0			\$0	\$64,000
WT306	Oil interceptor - FBZ washhouse		\$235,000	\$188,000	\$47,000	\$0			\$0	\$47,000
			\$0	\$0	\$0				\$0	\$0
WT	Total Mass Transit		\$1,013,400	\$810,720	\$202,680	\$0		\$0	\$0	\$202,680
Airport										
WA044	GMIA - Enhanced Security Post	\$361,800	\$11,214,800	\$0	\$11,214,800	\$0	\$289,500	\$0	\$0	\$10,925,300
WA082	Firehouse Road Replacement	\$0	\$980,000	\$857,500	\$122,500	\$0	\$0	\$0	\$122,500	\$0
WA089	Air Cargo Building Roof Replacement	\$29,500	\$914,500	\$0	\$914,500	\$0	\$23,600	\$0	\$0	\$890,900
WA091	Mall Level Restroom Renovations	\$0	\$150,000	\$0	\$150,000	\$0	\$0	\$0	\$150,000	\$0
WA093	GMIA - South Maintenance Road Rehabilitation	\$0	\$1,515,000	\$0	\$1,515,000	\$0	\$0	\$0	\$1,515,000	\$0
WA098	GMIA Equipment Storage Building	\$0	\$70,000	\$61,250	\$8,750	\$0	\$0	\$0	\$8,750	\$0
WA100	GMIA - Security System Fiber Optic Cable Repl	\$0	\$324,000	\$0	\$324,000	\$0	\$0	\$0	\$324,000	\$0
WA104	GMIA-Southside Trituration Building	\$0	\$35,000	\$0	\$35,000	\$0	\$0	\$0	\$35,000	\$0
WA107	GMIA-Terminal Road Reconstruction	\$0	\$493,000	\$0	\$493,000	\$0	\$0	\$0	\$493,000	\$0
WA108	Terminal HVAC Replacements	\$58,400	\$1,808,400	\$0	\$1,808,400	\$0	\$46,700	\$0	\$0	\$1,761,700
WA122	GMIA-Airfield Pavement Rehabilitation	\$0	\$740,000	\$0	\$740,000	\$0	\$0	\$490,000	\$250,000	\$0
			\$0	\$0	\$0					
WA	Total Airport	\$449,700	\$18,244,700	\$918,750	\$17,325,950	\$0	\$359,800	\$490,000	\$2,898,250	\$13,577,900
Environmental										
WV009	County-wide Sanitary Sewers	\$75,000	\$2,325,000	\$0	\$2,325,000	\$0	\$60,000	\$0	\$0	\$2,265,000
WV011	Bradford Outfall	\$43,100	\$1,334,900	\$0	\$1,334,900	\$0	\$34,500	\$0	\$0	\$1,300,400
WV012	Pond and Lagoon Demonstration Project	\$10,100	\$312,100	\$0	\$312,100	\$0	\$8,100	\$0	\$0	\$304,000
			\$0	\$0	\$0				\$0	\$0
WV	Total Environmental	\$128,200	\$3,972,000	\$0	\$3,972,000	\$0	\$102,600	\$0	\$0	\$3,869,400
			\$0	\$0	\$0				\$0	\$0
	Total Transportation and Public Works	\$721,300	\$35,702,300	\$9,739,125	\$25,963,175	\$0	\$577,400	\$490,000	\$2,898,250	\$21,997,525
PARKS, RECREATION AND CULTURE										
Parks, Recreation and Culture										
WP017	Countywide Trail and Hard Surface Renovation	\$8,400	\$258,400	\$0	\$258,400	\$0	\$6,700	\$0	\$0	\$251,700
WP028	Dineen & Grobschmidt	\$16,900	\$523,150	\$0	\$523,150	\$0	\$13,500	\$0	\$0	\$509,650
WP042	McCarty Park Changing Room	\$0	\$400,000	\$0	\$400,000	\$0	\$0	\$0	\$0	\$400,000
WP049	Boerner Irrigation	\$3,100	\$96,100	\$0	\$96,100	\$0	\$2,500	\$0	\$0	\$93,600
WP050	Brown Deer Asphalt Construction		\$138,000	\$0	\$138,000					\$138,000
WP050	Dretzka Golf Course		\$150,000	\$0	\$150,000					\$150,000

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Summary of 2007 Adopted Capital Improvements Budget
November 16, 2006

Adopted County Financing

Project	Description	Capitalized Interest	2007 Adopted	Reimbursement Revenue	Net County Contribution	Sales Tax Revenue	Investment Earnings	Misc. Rev.	PFC Revenue/Airport Reserve	Bonds
WP050	Oakwood, Whitnall and Brown Deer Irrigation Control Systems		\$126,000	\$0	\$126,000					\$126,000
WP069	County-wide Play Area Redevelopment Program	\$15,300	\$471,570	\$0	\$471,570	\$0	\$12,200	\$0	\$0	\$459,370
WP070	Parks Infrastructure Improvements	\$3,400	\$1,601,990	\$0	\$1,601,990	\$0	\$2,700	\$0	\$0	\$1,599,290
WP081	Grant and Whitnall Park Golf Tee Renovation	\$0	\$216,780	\$0	\$216,780	\$0	\$0	\$0	\$0	\$216,780
WP085	Wilson Park Recreation Center Improvements	\$0	\$990,000	\$0	\$990,000	\$0	\$0	\$0	\$0	\$990,000
WP089	Bender Park Boat Launch Dredging		\$300,000	\$0	\$300,000					\$300,000
WP090	Aquatics Capital Improvements	\$0	\$1,000,000	\$0	\$1,000,000	\$0	\$0	\$0	\$0	\$1,000,000
WP105	Family Aquatic Center Development	\$36,700	\$1,136,700	\$0	\$1,136,700	\$0	\$29,400	\$0	\$0	\$1,107,300
WP128	O'Donnell Park Structure - Gating	\$5,000	\$155,000	\$0	\$155,000	\$0	\$4,000	\$0	\$0	\$151,000
WP447	South Shore Breakwater/Shoreline Protection/Bike Trail	\$70,600	\$2,187,100	\$0	\$2,187,100	\$0	\$56,500	\$0	\$0	\$2,130,600
			\$0							
WP	Total Parks, Recreation and Culture	\$159,400	\$9,750,790	\$0	\$9,750,790	\$0	\$127,500	\$0	\$0	\$9,623,290
	Museum									
WM003	Electrical Distribution Replacement	\$33,800	\$1,046,800	\$0	\$1,046,800	\$0	\$27,100	\$0	\$0	\$1,019,700
WM564	Alcohol Specimen Storage Relocation	\$9,000	\$279,000	\$0	\$279,000	\$0	\$7,200	\$0	\$0	\$271,800
WM	Total Musuem	\$42,800	\$1,325,800	\$0	\$1,325,800	\$0	\$34,300	\$0	\$0	\$1,291,500
	Zoo									
WZ014	Zoo Infrastructre Improvements	\$31,000	\$949,783	\$0	\$949,783	\$0	\$25,000	\$0	\$0	\$924,783
WZ015	Electrical Distribution System Upgrade	\$24,100	\$746,600	\$0	\$746,600	\$0	\$19,300	\$0	\$0	\$727,300
WZ	Total Zoo	\$55,100	\$1,696,383	\$0	\$1,696,383	\$0	\$44,300	\$0	\$0	\$1,652,083
	Total Parks, Recreation and Culture	\$257,300	\$12,772,973	\$0	\$12,772,973	\$0	\$206,100	\$0	\$0	\$12,566,873
	HEALTH AND HUMAN SERVICES									
	Department of Health and Human Services									
WS005	Vliet Exterior Improvement		\$900,200	\$0	\$900,200	\$0			\$0	\$900,200
WS016	Senior Center Infrastructure Improvements	\$35,300	\$1,088,300	\$0	\$1,088,300	\$0	\$28,300	\$0	\$0	\$1,060,000
WS	Total Department of Health and Human Services	\$35,300	\$1,988,500	\$0	\$1,988,500	\$0	\$28,300	\$0	\$0	\$1,960,200
	County Grounds									
WG003	County Grounds Water Tower Rehabilitation	\$25,300	\$784,300	\$0	\$784,300	\$0	\$20,300	\$0	\$0	\$764,000
WG010	CATC "F" Building Roof	\$30,700	\$950,230	\$0	\$950,230	\$0	\$24,600	\$0	\$0	\$925,630
WG	Total County Grounds	\$56,000	\$1,734,530	\$0	\$1,734,530	\$0	\$44,900	\$0	\$0	\$1,689,630
	Total Health and Human Services	\$91,300	\$3,723,030	\$0	\$3,723,030	\$0	\$73,200	\$0	\$0	\$3,649,830
	GENERAL GOVERNMENT									
	Courthouse Complex									
WC014	Courthouse HVAC System	\$5,000	\$155,000	\$0	\$155,000	\$0	\$4,000	\$0	\$0	\$151,000
WC023	CH Complex Automation & Access Control Update	\$10,200	\$313,865	\$0	\$313,865	\$0	\$8,100	\$0	\$0	\$305,765
WC025	Courthouse Restroom Renovation	\$5,000	\$155,000	\$0	\$155,000	\$0	\$4,000	\$0	\$0	\$151,000
			\$0							
	Total Courthouse Complex	\$20,200	\$623,865	\$0	\$623,865	\$0	\$16,100	\$0	\$0	\$607,765
			\$0							
	House of Correction									
WJ014	HOC Infrastructure Improvements	\$2,700	\$80,941	\$0	\$80,941	\$0	\$2,200		\$0	\$78,741
WJ031	Laundry Equipment Replacement	\$7,700	\$235,878	\$0	\$235,878	\$0	\$6,100		\$0	\$229,778

Summary of 2007 Adopted Capital Improvements Budget
November 16, 2006

Adopted County Financing

Project	Description	Capitalized Interest	2007 Adopted	Reimbursement Revenue	Net County Contribution	Sales Tax Revenue	Investment Earnings	Misc. Rev.	PFC	
									Revenue	Reserve
WJ	Total House of Correction	\$10,400	\$316,819	\$0	\$316,819	\$0	\$8,300	\$0	\$0	\$308,519
	General Government		\$0	\$0						
WO021	Public Art	\$2,700	\$106,857	\$0	\$106,857	\$26,039	\$2,100	\$0	\$0	\$78,718
WO043	Milwaukee County Inclusive Housing Fund	\$0	\$1,000,000	\$0	\$1,000,000	\$0	\$0	\$0	\$0	\$1,000,000
WO044	Wii-O-Way Grant Floor Replacement	\$4,000	\$124,000	\$0	\$124,000	\$0	\$3,200	\$0	\$0	\$120,800
WO045	Wii-O-Way Underwood Roof Replacement	\$4,300	\$139,300	\$0	\$139,300	\$6,000	\$3,500	\$0	\$0	\$129,800
WO112	Fleet Equipment Acquisition	\$41,900	\$3,220,000	\$0	\$3,220,000	\$0	\$33,500	\$0	\$1,922,000	\$1,264,500
WO205	Capital Monitoring Database	\$0	\$350,000	\$0	\$350,000	\$350,000	\$0	\$0	\$0	\$0
WO209	Connect Computer Room UPS to CH Generator	\$7,200	\$223,200	\$0	\$223,200	\$0	\$5,800	\$0	\$0	\$217,400
WO411	Upgrade 64 Mobile Data Computers	\$1,800	\$54,600	\$0	\$54,600	\$0	\$1,500	\$0	\$0	\$53,100
WO423	Security Cameras in CJF	\$4,400	\$186,400	\$0	\$186,400	\$0	\$3,600	\$0	\$0	\$182,800
WO425	Remodel Electronics Room in Comm Center	\$3,400	\$103,400	\$0	\$103,400	\$0	\$2,700	\$0	\$0	\$100,700
WO500	War Memorial HVAC Replacement	\$60,100	\$1,861,300	\$0	\$1,861,300	\$0	\$48,100	\$0	\$0	\$1,813,200
WO503	Charles Allis Art Museum Water Pipe Replacement	\$9,000	\$276,999	\$0	\$276,999	\$0	\$7,200	\$0	\$0	\$269,799
WO601	Technical Infrastructure Improvements	\$18,400	\$567,885	\$0	\$567,885	\$0	\$14,700	\$0	\$0	\$553,185
WO606	Rewire County Facilities	\$17,500	\$542,500	\$0	\$542,500	\$0	\$14,000	\$0	\$0	\$528,500
WO608	Fiber Backbone	\$16,800	\$520,800	\$0	\$520,800	\$0	\$13,500	\$0	\$0	\$507,300
WO609	Centralized Disc to Disc Backup	\$4,900	\$149,900	\$0	\$149,900	\$0	\$3,900	\$0	\$0	\$146,000
WO611	Server Virtualization	\$6,700	\$206,700	\$0	\$206,700	\$0	\$5,400	\$0	\$0	\$201,300
WO612	Citrix Implementation pilot for App Deployment	\$2,900	\$87,900	\$0	\$87,900	\$0	\$2,300	\$0	\$0	\$85,600
WO870	County Special Assessments	\$0	\$250,000	\$0	\$250,000	\$250,000	\$0	\$0	\$0	\$0
WO887	Marcus Center T.W. Theater Elec/Lighting Upgrd	\$4,400	\$136,400	\$0	\$136,400	\$0	\$3,600	\$0	\$0	\$132,800
WO888	Todd Wehr Elevator Modernization	\$9,600	\$297,600	\$0	\$297,600	\$0	\$7,700	\$0	\$0	\$289,900
WO	Total Other Agencies	\$220,000	\$10,405,741	\$0	\$10,405,741	\$632,039	\$176,300	\$0	\$1,922,000	\$7,675,402
	Total General Government	\$250,600	\$11,346,425	\$0	\$11,346,425	\$632,039	\$200,700	\$0	\$1,922,000	\$8,591,686
	Grant Total 2007 Adopted Capital Improvements	\$1,320,500	\$63,544,728	\$9,739,125	\$53,805,603	\$632,039	\$1,057,400	\$490,000	\$4,820,250	\$46,805,914
	Total Excluding Airports	\$870,800	\$45,300,028	\$8,820,375	\$36,479,653	\$632,039	\$697,600	\$0	\$1,922,000	\$33,228,014

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Milwaukee County
 Five-Year Capital Improvement Program
 2007 - 2011
 Expenditure Appropriations

FUNCTIONAL SUMMARY OF FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

Total Category Cost	Prior Year Appropriations	2006 Adopted		2007 Adopted	2008 Requested	2009 Requested	2010 Requested	2011 Requested
TRANSPORTATION AND PUBLIC WORKS								
\$93,702,880	\$17,527,060	\$8,395,200	Highways and Bridges	\$12,472,200	\$11,828,000	\$17,984,920	\$13,449,500	\$12,046,000
\$65,124,175	\$14,315,775	\$4,460,000	Mass Transit	\$1,013,400	\$2,435,000	\$700,000	\$21,100,000	\$21,100,000
\$193,584,862	\$28,893,212	\$40,830,450	Airports	\$18,244,700	\$27,386,000	\$8,791,500	\$10,938,000	\$58,501,000
\$14,277,494	\$230,000	\$2,275,494	Environmental	\$3,972,000	\$3,250,000	\$3,250,000	\$1,100,000	\$200,000
\$366,689,411	\$60,966,047	\$55,961,144	Total Transportation & Public Works	\$35,702,300	\$44,899,000	\$30,726,420	\$46,587,500	\$91,847,000
PARKS, RECREATION AND CULTURE								
\$53,084,523	\$10,433,790	\$6,061,058	Department of Parks, Recreation and Culture	\$9,750,790	\$5,727,207	\$6,782,747	\$6,024,051	\$8,304,880
\$0	\$0	\$0	Stadium	\$0	\$0	\$0	\$0	\$0
\$2,517,295	\$1,043,020	\$475,000	McKinley Marina	\$0	\$999,275	\$0	\$0	\$0
\$6,338,080	\$1,388,280	\$258,000	Museum	\$1,325,800	\$2,330,000	\$1,036,000	\$0	\$0
\$31,075,917	\$7,883,690	\$1,495,844	Zoo	\$1,696,383	\$1,500,000	\$1,500,000	\$5,500,000	\$11,500,000
\$93,015,815	\$20,748,780	\$8,289,902	Total Parks, Recreation and Culture	\$12,772,973	\$10,556,482	\$9,318,747	\$11,524,051	\$19,804,880
HEALTH AND HUMAN SERVICES								
\$2,889,249	\$1,190,909	\$1,274,585	DHS-Behavioral Health Division	\$0	\$233,280	\$125,475	\$65,000	\$0
\$9,969,074	\$6,493,950	\$1,177,054	Department of Human Services	\$1,988,500	\$206,380	\$103,190	\$0	\$0
\$5,325,135	\$1,354,000	\$670,395	DPW County Grounds	\$1,734,530	\$352,210	\$1,034,000	\$180,000	\$0
\$18,183,458	\$9,038,859	\$3,122,034	Total Health and Human Services	\$3,723,030	\$791,870	\$1,262,665	\$245,000	\$0
GENERAL GOVERNMENT								
\$19,368,302	\$3,560,028	\$7,760,242	Courthouse Complex	\$623,865	\$1,618,245	\$2,150,422	\$2,190,000	\$1,465,500
\$6,792,301	\$1,820,690	\$1,280,827	House of Correction	\$316,819	\$623,505	\$1,210,460	\$750,000	\$790,000
\$85,366,616	\$18,470,818	\$10,326,986	Other County Agencies	\$10,405,741	\$11,736,863	\$10,984,861	\$11,115,188	\$12,326,159
\$111,527,219	\$23,851,536	\$19,368,055	Total General Government	\$11,346,425	\$13,978,613	\$14,345,743	\$14,055,188	\$14,581,659
\$589,415,903	\$114,605,222	\$86,741,135	TOTAL CAPITAL IMPROVEMENTS	\$63,544,728	\$70,225,965	\$55,653,575	\$72,411,739	\$126,233,539

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[PROPOSED FORM OF OPINION OF BOND COUNSEL]

(To Be Dated the Date of Issuance)

Milwaukee County, Wisconsin
 County Courthouse
 901 North 9th Street
 Milwaukee, Wisconsin 53233

Re: Milwaukee County, Wisconsin
 \$32,625,000 General Obligation Corporate Purpose
 Bonds, Series 2007A

The General Obligation Corporate Purpose Bonds, Series 2007A (the "Bonds") of Milwaukee County, Wisconsin (the "County") are in fully registered form; are dated June 1, 2007 are in denominations of \$5,000 each and integral multiples thereof; are appropriately lettered and numbered; mature serially on December 1 of each of the years and in the principal amounts as set forth below, and bear interest, payable on June 1 and December 1 of each year, commencing on June 1, 2008 at the interest rates per annum, as follows:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE	YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2008	\$525,000	4.000%	2016	\$2,835,000	4.000%
2009	770,000	4.000	2017	2,835,000	4.000
2010	2,020,000	4.000	2018	2,835,000	4.000
2011	1,270,000	4.000	2019	2,835,000	4.000
2012	1,420,000	4.000	2020	2,835,000	4.125
2013	1,520,000	4.000	2021	2,835,000	4.125
2014	2,420,000	4.000	2022	2,835,000	4.250
2015	2,835,000	4.000			

The Bonds maturing on and after December 1, 2017, are subject to redemption prior to maturity on December 1, 2016, and on any date thereafter, at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest to the date fixed for redemption.

We have examined the documents which we deem pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the County Board of Supervisors of the County. On the basis of such examination, we are of the opinion that the Bonds have been lawfully authorized and issued under the laws of the State of Wisconsin; that they are the lawful and enforceable obligations of the County in accordance with their terms, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be

limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; that they are payable from taxes to be levied on all taxable property in the County, without limitation as to rate or amount; and that the form of Bond prescribed for said issue is proper.

It is our opinion that, subject to the compliance by the County and others with certain covenants, under present law, interest on the Bonds is excludible from gross income of the owners thereof for Federal income tax purposes, and is not included as an item of tax preference in computing the Federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "*Code*"), but is taken into account, in computing an adjustment used in determining the Federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants of the County and others could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactively to the date of the issuance of the Bonds. Ownership of the Bonds may result in other Federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement or any other information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the County and others with respect to certain material facts solely within the respective knowledge of the County and such other persons. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of result. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

CLJarik/dlt

ANNUAL FINANCIAL STATEMENTS

The County is audited annually by an independent public accounting firm. This appendix presents the County's audited Basic Financial Statements for the fiscal year ended December 31, 2005. Copies of the County's Comprehensive Annual Financial Report (CAFR) are available on-line: <http://www.milwaukeecounty.org/ComprehensiveAnnualF12237.htm>.



INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
of the County of Milwaukee, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of and for the year ended December 31, 2005, which collectively comprise the County of Milwaukee's basic financial statements. These financial statements are the responsibility of the County of Milwaukee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Milwaukee County War Memorial Center, Inc., the Private Industry Council of Milwaukee County Inc., A Workforce Development Board and the Milwaukee County Research Park Corporation, which represent 20 percent and 60 percent, respectively, of the assets and the operating revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Milwaukee County War Memorial Center, Inc., the Private Industry Council of Milwaukee County Inc., A Workforce Development Board and the Milwaukee County Research Park Corporation, 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 County of Milwaukee, Wisconsin, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Supervisors
of the County of Milwaukee, Wisconsin

The management's discussion and analysis and schedules of funding progress and employer contributions – Employees' Retirement System on pages 26 through 45 and pages 128 through 129, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors 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 and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Virehow, Krause & Company, LLP

Milwaukee, Wisconsin
June 19, 2006

Management's Discussion and Analysis

Required Supplementary Information

This section of the County of Milwaukee's comprehensive annual financial report provides a narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS:

Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The County's assets exceeded its liabilities by \$ 447,824 on a government-wide basis as of December 31, 2005. The unrestricted net assets of the County were a negative \$ 18,306.
- For the fiscal year, taxes and other revenues of the County's governmental activities amounted to \$ 888,280. Expenses amounted to \$ 884,469 (includes operating transfers out of \$ 52,809).
- For the fiscal year, revenues of the County's business-type activities were \$ 311,966, and expenses were \$ 373,750. The Behavioral Health Division and the Transit System are budgeted to receive and then are provided annually operating transfers from the General Fund to offset the shortfall between revenues and expenses. Operating transfers to these funds were \$ 52,809 for 2005.

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- As of December 31, 2005, the County's governmental funds reported combined ending fund balances of \$71,468, as compared to \$ 52,619 for the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS (continued)

Highlights for Fund Financial Statements (continued)

- At the end of the 2005 fiscal year, unreserved fund balance for the General Fund was \$4,404 or 0.6% of total General Fund expenditures. At the end of the 2004 fiscal year the unreserved fund balance of the General Fund was \$ 3,692.
- The County's enterprise funds had combined net assets of \$213,757, as of December 31, 2005, compared to \$ 222,732, as of December 31, 2004.

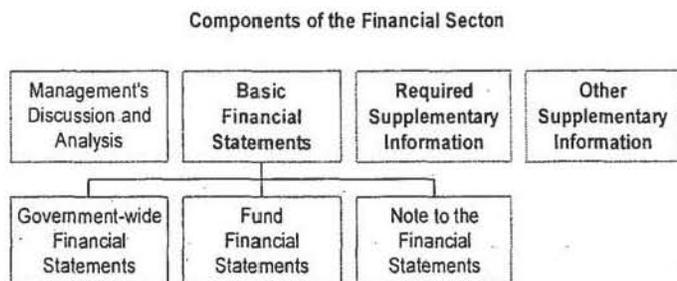
General Financial Highlights

- In November 2005, the County issued \$ 24,610 of General Obligation Bonds to finance various capital needs. The County also issued \$63,025 of General Obligation Refunding Bonds to refund portions of the County's General Obligation Corporate Purpose Bonds and General Obligation Building Bonds.
- In December 2005, the Airport, an enterprise fund of the County, issued \$ 29,010 of revenue bonds for improvements to two concourses at General Mitchell International Airport. The Airport also issued \$7,755 of Airport Revenue Refunding Bonds to refund certain general obligations bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The financial section of this annual report consists of four parts: (1) management's discussion and analysis (presented here), (2) basic financial statements that includes the government-wide financial

statements, fund financial statements and notes to the financial statements, (3) required supplementary information, and (4) other supplementary information.



The County's basic financial statements consist of two kinds of statements each with a different view of the County's finances. The government-wide financial statements provide both long- and short-term information about the County's overall financial status. The fund statements focus on major aspects of the County's operations, reporting those operations in more detail than the government-wide statements. The

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains the trend data pertaining to the retirement systems. Directly following this information is other supplementary information with combining and individual fund statements and schedules to provide details about the governmental, internal service, and fiduciary funds.

Government-wide Financial Statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of Milwaukee County's finances in a manner similar to a private-sector business.

The first government-wide statement- *the statement of net assets*- presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The second statement- *the statement of activities*- presents information showing how the County's net assets changed during 2005. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for not only current uses of cash flow but also for items that will result in cash flows in a future fiscal period (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of Milwaukee County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Milwaukee County include legislative, executive and staff, general government, courts and judiciary services, public safety, public works and highways, human services, parks, recreation and culture. The business-type activities of Milwaukee County include the General Mitchell International Airport, Behavioral Health Division, and the Transit System.

The government-wide financial statements include the County's governmental and business-type activities (collectively referred to as the primary government), but also legally separate entities (known as discretely presented component units) for which the County is financially accountable. Together, the primary government and its discretely presented component units are referred to as the reporting entity. The Milwaukee Public Museum, the Milwaukee County Research Park, the Milwaukee County War Memorial Center and the Private Industry Council of Milwaukee County are the County's

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements (continued)

discretely presented component units. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 47-48 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Milwaukee County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Milwaukee County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 9 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in other supplementary financial information.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental funds (continued)

The County adopts an annual appropriated budget for its general fund, debt service fund, and its capital projects funds. A budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance in the basic financial statements. Budgetary comparisons for other funds with adopted budgets have been included in other supplementary financial information. In addition, a general fund budgetary comparison by department is also included in other supplementary information.

The governmental fund financial statements can be found on pages 49-53 of this report.

Proprietary funds

The County maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities of the Airports, DHHS-Behavioral Health Division, and the Transit System. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its public works services, information management services, and its risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The financial statements of the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airports, DHHS-Behavioral Health Division and the Transit System, which are considered to be major funds of the County. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the other supplementary financial information.

The proprietary fund financial statements can be found on pages 54-56 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Fiduciary funds (continued)

statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, the economic resources measurement focus and the accrual basis of accounting

The County's fiduciary funds consist of a pension trust fund and agency funds. The pension trust fund is used to account for the assets held in trust by the County for the employees and beneficiaries of its defined pension plan- the Employees' Retirement System, and the OBRA Retirement System. The agency funds are used to account for monies received, held, and disbursed on behalf of the State of Wisconsin Court System located in the County; fee collections, as mandated by the State; social service clients; and certain other local governments.

The fiduciary fund financial statements can be found on pages 57-58 of this report.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 61-126 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 128-129 of this report.

Other Supplementary Information.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions as other supplementary information. Budgetary comparison for the major funds is also provided in this section. Combining and individual fund statements and schedules can be found on pages 132-147 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements are provided as part of the new approach mandated by the Governmental Accounting Standards Board (GASB). GASB sets the uniform standards for presenting government financial reports. Complete comparative information is provided in this Management's Discussion and Analysis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Milwaukee County, assets exceeded liabilities by \$ 447.8 million at the close of the fiscal year. The County's decrease in net assets for this fiscal year amounts to \$ 5.2 million.

County of Milwaukee, Wisconsin

Net Assets

(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 449,346	\$ 406,133	\$ 136,295	\$ 119,560	\$ 585,641	\$ 525,693
Long-Term Assets	5,541	10,568	-	-	5,541	10,568
Capital Assets	632,613	639,931	350,629	345,522	983,242	985,453
Total Assets	1,087,500	1,056,632	486,924	465,082	1,574,424	1,521,714
Current Liabilities	420,512	394,305	59,783	51,856	480,295	446,161
Long-term Liabilities	432,921	432,071	213,384	190,494	646,305	622,565
Total Liabilities	853,433	826,376	273,167	242,350	1,126,600	1,068,726
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	239,957	252,316	174,016	206,060	413,973	458,376
Restricted	38,415	8,130	13,742	13,404	52,157	21,534
Unrestricted	(44,305)	(30,190)	25,999	3,268	(18,306)	(26,922)
Total Net Assets	\$ 234,067	\$ 230,256	\$ 213,757	\$ 222,732	\$ 447,824	\$ 452,988

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The largest portion of the County's net assets (92.4%) reflects its investment in capital assets (e.g. land, land improvements, buildings, vehicles, equipment and infrastructure, net of depreciation and amortization) less the outstanding debt that was used to acquire those assets. For 2005, the balance of capital assets net of related debt was \$ 414 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Indirectly, the depreciation of capital assets is an expense for proprietary funds and therefore, as an expense, is available to be reimbursed through user fees of those funds.

The restricted net assets portion represents resources that are subject to external restriction on how they may be used. Restricted net assets of \$ 52.2 million of the County's net assets represent resources that are subject to external restrictions some of which include debt service, airport PFC revenue and the airports capital projects. The restricted net assets have increased for 2005 due to the reserve for airport PFC revenue of \$34.2 million being classified as a restricted net asset. The airport PFC revenue is restricted for airport bond repayment and future airport capital needs. Unrestricted net assets represent the remaining amount of net assets that are neither related to capital assets nor are restricted for specific purposes. The unrestricted net assets were a negative \$ 18.3 million as of the end of 2005.

Composition of Net Assets of the Primary Government As of December 31, (In Thousands)

	Primary Government Total	
	2005	2004
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	\$ 413,973	\$ 458,376
Restricted	52,157	21,534
Unrestricted	(18,306)	(26,922)
Total Net Assets	\$ 447,824	\$ 452,988

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities

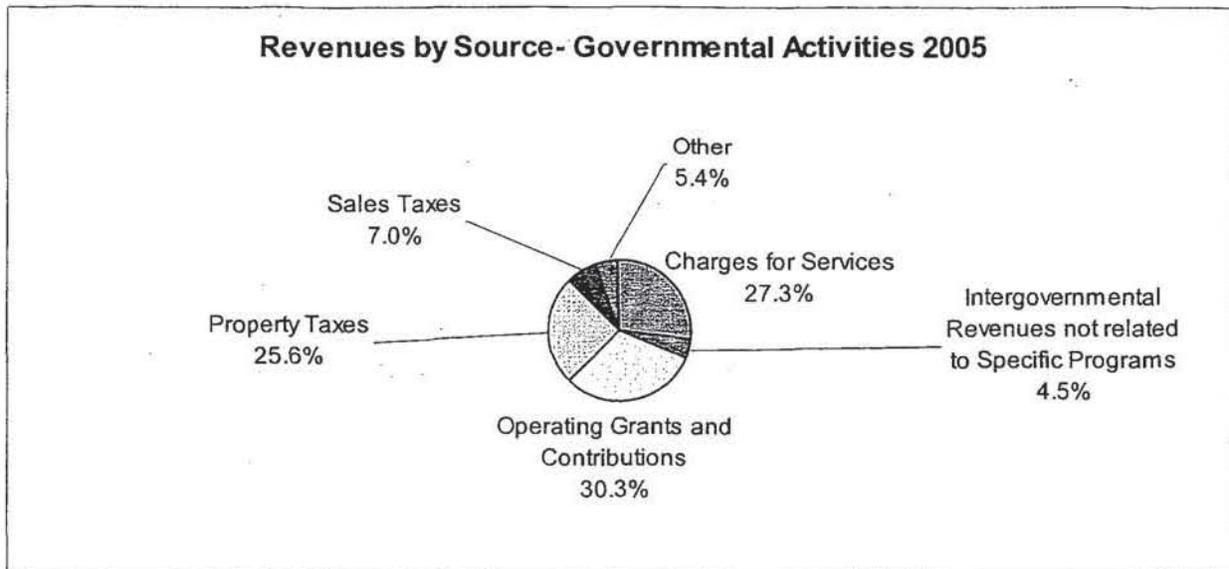
The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2005 and 2004:

County of Milwaukee, Wisconsin
Summary of Changes in Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 243,880	\$ 211,687	\$ 163,226	\$ 156,232	\$ 407,106	\$ 367,919
Operating Grants and Contributions	270,785	251,906	140,581	133,046	411,366	384,952
Capital Grants and Contributions	3,410	39,702	7,127	-	10,537	39,702
General Revenues:						
Property Taxes	228,628	220,612	-	-	228,628	220,612
Sales Taxes	62,673	60,498	-	-	62,673	60,498
Investment Income and Rents	4,839	4,444	1,001	794	5,840	5,238
Intergovernmental Revenues not Related to Specific Programs	40,242	40,472	-	-	40,242	40,472
Gain on Sale of Capital Assets	93	725	31	32	124	757
Other-Revenue	33,730	26,654	-	-	33,730	26,654
Total Revenues	888,280	856,700	311,966	290,104	1,200,246	1,146,804
Expenses:						
Legislative, Executive, and Staff	70,546	65,142	-	-	70,546	65,142
Courts and Judiciary	56,517	54,715	-	-	56,517	54,715
General Governmental Services	8,152	8,992	-	-	8,152	8,992
Public Safety	138,885	136,896	-	-	138,885	136,896
Public Works and Highways	88,133	82,543	-	-	88,133	82,543
Human Services	363,558	345,251	-	-	363,558	345,251
Parks, Recreation, and Culture	69,150	69,861	-	-	69,150	69,861
Other	19,222	9,086	-	-	19,222	9,086
Interest	17,497	17,502	-	-	17,497	17,502
Airport	-	-	58,894	54,720	58,894	54,720
Behavioral Health	-	-	157,233	147,055	157,233	147,055
Transit	-	-	157,623	154,003	157,623	154,003
Total Expenses	831,660	789,988	373,750	355,778	1,205,410	1,145,766
Change in Net Assets Before Transfers	56,620	66,712	(61,784)	(65,674)	(5,164)	1,038
Transfers	(52,809)	(74,739)	52,809	74,739	-	-
Change in Net Assets	3,811	(8,027)	(8,975)	9,065	(5,164)	1,038
Net Assets- Beginning of the Year	230,256	238,283	222,732	213,667	452,988	451,950
Net Assets- End of the Year	\$ 234,067	\$ 230,256	\$ 213,757	\$ 222,732	\$ 447,824	\$ 452,988

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities



Revenues for the County's governmental activities were \$ 888,280 for the fiscal year 2005, representing an increase of \$ 31,580 over fiscal year 2004. Sources of revenue for 2005 as a percentage of total revenues are shown above. Taxes, both property and sales constitute the largest source of County revenues, amounting to \$ 291,301 for fiscal year 2005, an increase of \$ 10,191 over the fiscal year 2004. Real property taxes of \$ 228,628 represent over 78.5% of total taxes, but only 25.7% of all revenues combined. Sales taxes provided tax revenue of \$ 62,673.

Some of the cost of governmental activities was paid for by those who directly benefited from the programs, as a charge for services [\$ 243.9 million] and from governments and non-profit organizations as operating and capital grants and contributions [\$ 274.2 million].

Charges for services increased to \$ 243,880 in 2005, an increase of \$ 32,193 over the 2004 fiscal year. This increase in charges for services represent the payments that are being received on behalf of participants in the family care program in the Department on Aging established by the State in recent years. Operating grants and contributions continue to be support for the majority of the social services with \$ 270,785 of governmental activity funding. This revenue increased by \$ 18,879 over the 2004 fiscal year.

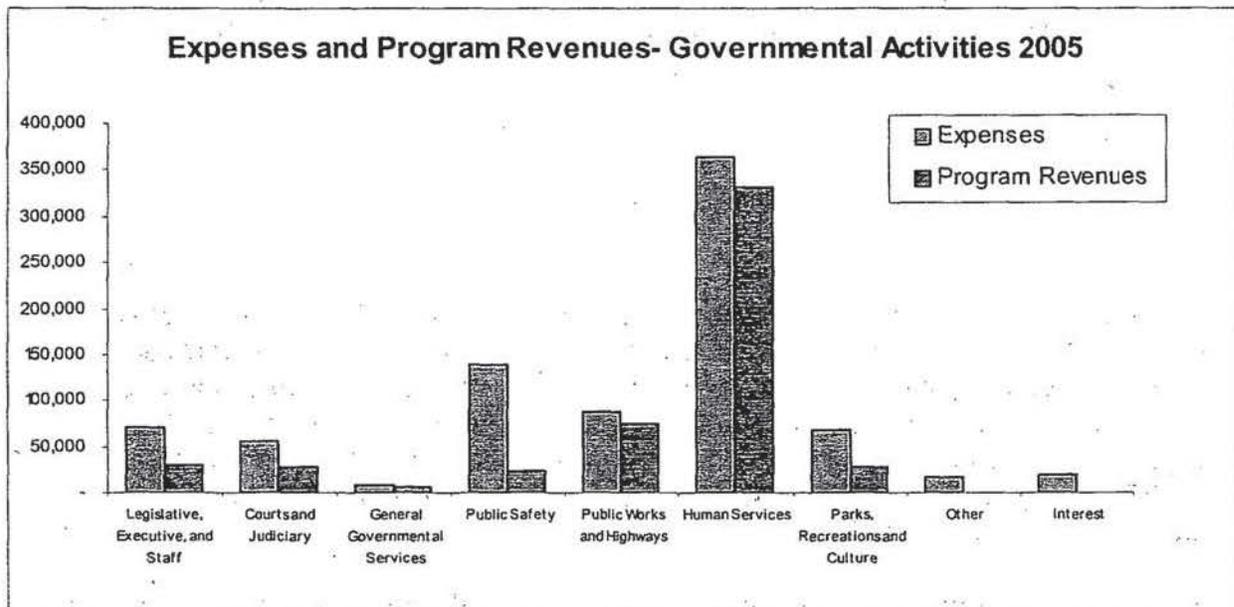
Total cost of all of the County's governmental activities for the fiscal year 2005 was \$ 831,660, representing an increase of \$ 41,672 over 2004 activity. As the chart indicates below, human services continue to be the County's largest program. Human services cost was \$ 363,558, an increase of \$ 18,307 over the prior year, due primarily

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities (continued)

to the continued growth of family care program, in the Department on Aging. This program was established for the elderly in place of normal Medicare funding. The net tax contribution for human services was \$ 30,237.

Public safety represents the second largest expense totaling \$ 138,885 for the operation of correctional facilities, pre-trial holding facilities and county sheriff services. Public safety expenses increased by \$ 1,989 compared to prior year expenses. The net tax levy cost for public safety for 2005 was \$ 115,814.



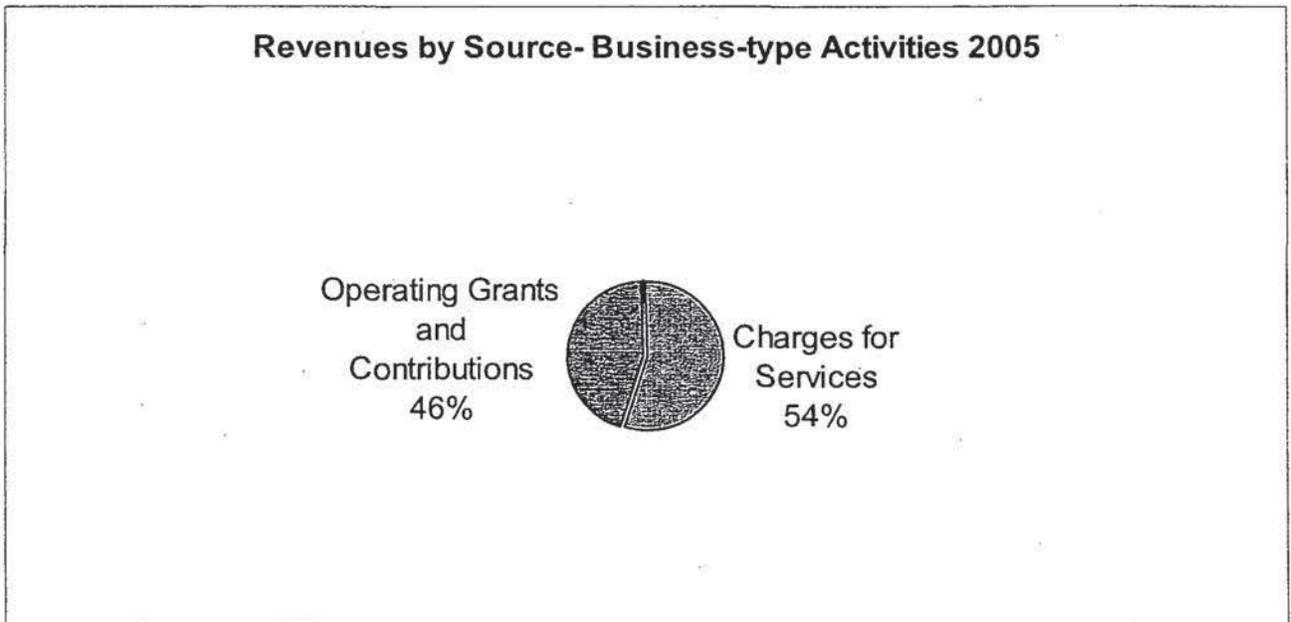
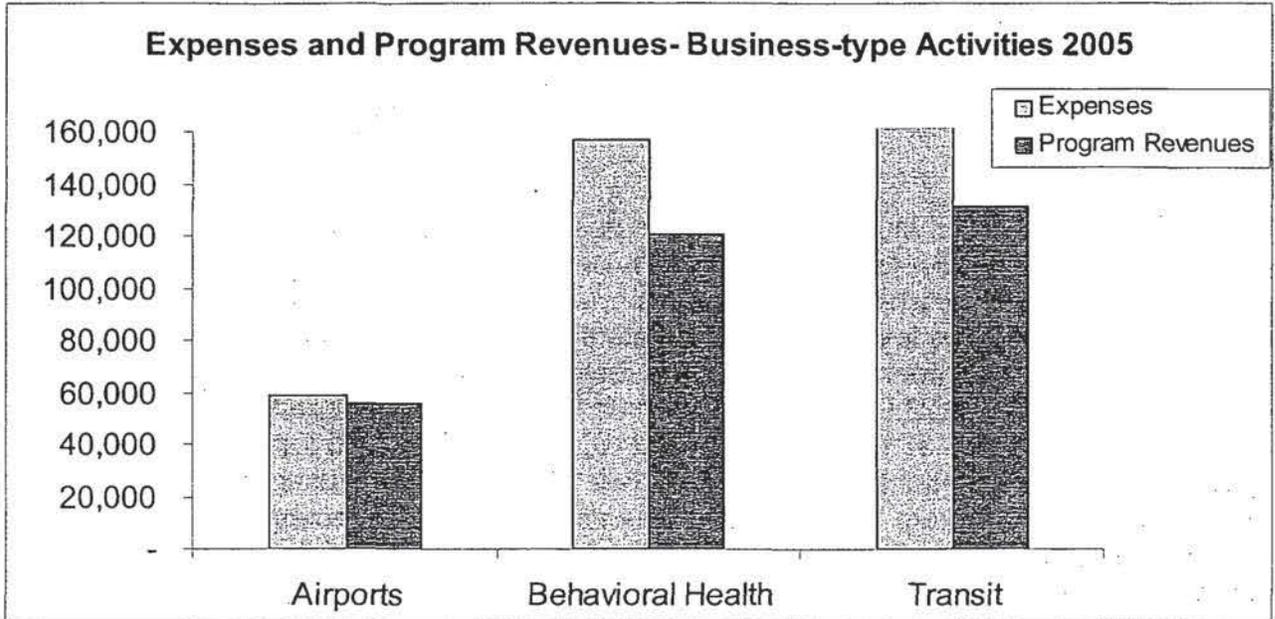
Business-type activities

The Airports recover 94% of all costs of operation from fees charged to airlines for use of the airports, including fees received from ancillary services of the airports. Operating transfers are negligible for the Airports. The DHHS Behavioral Health Division, and Transit System require operating transfers from the governmental activities funds for support of their operation. Total governmental activity operating support through operating transfers for Behavioral Health and the Transit System was \$ 35,607 and \$18,464, respectively, for fiscal year 2005. Total state and federal grants and contributions for the Transit System was \$ 79,133 for 2005. This is an increase of \$2,025 over the 2004 fiscal year. Direct support from users of the Transit System was \$42,854 or 27% of total expenses. The Transit System uses federal grant funds to purchase capital assets, plus pay for maintenance parts and tires. State funding is available to cover general operating costs, but this grant funding has been fixed in

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-type activities (continued)

recent years. Operating grants and contributions, and charges for services for the DHHS Behavioral Health Division was \$ 61,136, and \$ 59,870, respectively



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, the County's governmental funds reported combined ending fund balances of \$ 71,468. Approximately 0.6% of this amount or \$ 4,404 constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has been committed. The reserved fund balance consists of \$ 1,023 for inventories, \$ 23,971 for encumbrances, \$ 2,979 for debt service, \$ 4,664 for 2007 appropriations, (\$ 1,573) for 2006 appropriations, and \$ 36,000 for endowments, bequests, restricted donations, and restricted user fees. Restricted user fees (public facilities charges) (PFC) are fees collected by Airlines that are restricted for revenue bond debt and or future capital needs of the Airports. These fees are recorded in the non-major governmental funds. The general, debt service, and capital projects funds are reported as major funds.

The general fund is the chief operating fund of the County. At December 31, 2005, unreserved fund balance of the general fund was \$ 4,404 while total fund balance reached \$ 24,034. As a measure of the General Fund's liquidity, it may be useful to compare both *unreserved fund balance* and *total fund balance* to *total fund expenditures*. *Unreserved fund balance* represents 0.6% of total fund expenditures, while *total fund balance* represents 3.4% of that same amount.

The fund balance of the County's general fund increased by, \$15,050 during the 2005 fiscal year. Cost saving measures and an increase in the reserve for encumbrances led to this increase.

The debt service fund has a total fund balance of \$ 2,979 all of which is reserved for the payment of debt service. The net decrease in the debt service reserve for the current year was \$ 5,151. The reserve was scheduled to be used in 2005, for debt service interest costs.

The capital projects fund has a total fund balance of \$ 8,455 all of which is reserved for commitments made on capital projects in progress. The net decrease in fund balance during the current year in the capital projects fund was \$ 3,847. The fund balance decreased due to the County's continuing goal of completing projects sooner,

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

Governmental funds (continued).

and due to reduced capital funding.

Proprietary funds.

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the three major funds, which include the Airports, Behavioral Health Division, and the Transit System at the end of the year were \$ 25,999. Total net assets of these same three major funds were \$213,757 as of the end of 2005 and \$ 222,732 as of the end of 2004. The total growth/(decline) in net assets for these three funds were \$ 4,127, \$ (1,446), and \$ (11,656), respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary Basis
For the Year Ending December 31, 2005
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues and Other Sources</u>				
Taxes	\$ 289,765	\$ 289,765	\$ 290,274	\$ 509
Intergovernmental Revenue	280,033	288,381	275,467	(12,914)
Charges for Services	206,998	216,361	213,361	(3,000)
Other	42,572	42,390	41,127	(1,263)
Total	\$ 819,368	\$ 836,897	\$ 820,229	\$ (16,668)
<u>Expenditures and Other Uses</u>				
Expenditures	\$ 703,248	\$ 731,466	\$ 699,445	\$ 32,021
Transfers	116,120	105,431	116,804	(11,373)
Total	\$ 819,368	\$ 836,897	\$ 816,249	\$ 20,648
Change in Fund Balance	\$ -	\$ -	\$ 3,980	\$ 3,980

As shown above, revenues and other financing sources exceeded expenditures and other financing uses by \$ 4.0 million in the General Fund for the year ended December 31, 2005. This is a variance from budget of \$ 4.0 million. This table is based on a budgetary basis presentation. The budgetary basis of actual revenues and expenditures presented above differs from the combined statement of revenues, expenditures, and changes in net assets by the inclusion of encumbrances of

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

\$ 7.5 million in expenditures offset by the inclusion of a negative contribution from reserves for 2005 appropriations of (\$ 3.5) million.

Actual General Fund revenues were less than budgeted revenues by \$ 16.7 million during fiscal year 2005. These decreases in revenues are due to lower inter-governmental revenue of \$ 12.9 million, lower charges for services of \$ 3.0 million and lower other revenue of \$1.3 million. The reduction in intergovernmental revenue is primarily from the Courts-Children's Division (\$ 1.1 million), Public Works and Highways (\$ 1.8 million), and Human Services (\$ 9.0 million). The lower revenue in Courts-Children's Division reflects revenue shortfalls in court provided counsel reimbursement from the State. It was budgeted that the State would increase these reimbursements; however, this was not accomplished. Public Works and Highways lower revenue of \$1.8 million is due to the State of Wisconsin highway maintenance agreements being capped at a funding level lower than anticipated. The lower revenue in Human Services of \$9.0 million is due to; a reduction in long-term support clients, transfer of general state aids (Basic Community Aids) to support programs at Behavioral Health, and the reduction in youth aid revenue associated with prior year claims. The lower revenue in all of these departments was offset by reduced expenditures in these same departments. Lower revenue in charges for services of \$3.0 million consists primarily of reduced concession and activities revenue in the Parks Recreation and Culture area. Lower revenue from other sources of \$ 1.3 million is primarily related to less than budgeted investment income.

Actual General Fund expenditures were lower than amended budget expenditures by \$32.0 million. This variance is mainly due to departments that receive outside revenues lowering their costs to offset reduced revenues. Reduced expenditures are primarily associated with grant expenditures, and personnel costs including fringe benefits.

There are three basic reasons for increases between the original budget and the amended budget: fund transfer requests from departments, carryover of capital outlay and the associated revenue from the prior year, and carryover of encumbrances from the prior year. The encumbrance carryover process is automatic each year, and is authorized by Wisconsin State statute and Milwaukee County ordinance. The carryover of capital outlay and the associated revenue is also authorized by State statute and is approved by the County Board on a preliminary basis in March and finalized in April. During the fiscal year, the County Board receives fund transfer requests from departments. These transfer requests are reviewed and approved by the County Board.

The increase between the original budget for revenue of \$ 819,368 and the final budget for revenue of \$ 836,897 was \$ 17,529 and was due to the following reasons:

- The net carryover of revenue associated with capital outlay budgets and certain grants of (\$ 2,366).

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

- Fund transfers of \$19,895 including:
 - Net revenue increase of \$ 9,187 in the State of Wisconsin 2005 Care Management Organization (CMO) for Family Care costs.
 - \$ 1,990 million carryover grants to 2005 for the programs and projects pursuant to the federally funded Community Development Block Grant and Home programs.
 - \$ 1,312 million for an increase in the State of Wisconsin Area Agency Nutrition Program, including a projected increase in meals purchased by the Family Care Program in the Department on Aging.
 - \$ 1,293 million for the Milwaukee Metropolitan Drug Enforcement Group Grant from the Office of the Sheriff and the District Attorney's Office.
 - \$ 4,833 million fund transfer to align the Department of Health and Human Services 2005 Adopted Budget with the actual 2005 State/County Contract for the provision of various human services.

The increase between the original budget for expenditure appropriations of \$ 703,248 (before transfers) and the final budget for expenditure appropriations of \$ 731,466 (before transfers) of \$ 28,218 was due to the following reasons:

- The net carryover of revenue associated with capital outlay budgets and certain grants of \$ 5,755.
- Fund transfers of \$ 22,463 including:
 - Expenditures increase \$9,186 million for the Department on Aging CMO (Family Care Program), including \$4,350 for repayment of contributions made by Milwaukee County, \$1,784 for establishment of reserve, \$750 to establish a capital reserve account for technology maintenance and upgrade, and \$2,302 for direct member services.
 - \$1,990 million in additional expenditure authority to reestablish federally funded Community Development Block Grant and Home programs from 2004.
 - \$1,312 million for nutrition program expenditure in Family Care Program.
 - \$3,821 million to align the Department of Health and Human Services 2005 Adopted Budget with the actual 2005 State/County Contract for the provision of various human services.
 - \$ 966 to establish operating expenditures authority for maintenance, and enhancement of the Milwaukee County Automated Land Information System. Funding was from restricted reserve.
 - A net transfer to the general contingency fund of \$3,499 provided from expenditure cuts in the proprietary funds plus additional revenues. The contingency fund budget was increased to offset midyear projected deficits.

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Transfers represent the net budgeted funds to be provided by the General Fund to breakeven the remaining governmental fund departments, proprietary fund departments, and component units (original budget of \$ 116,120 and amended budget of \$ 105,431). The net contribution actually made by the General Fund to other funds was \$ 116,804. The General Fund collects all of the property tax and sales tax revenues of the County \$ 290,274, plus intergovernmental revenues not related to a specific program of \$ 40,242. These revenues are then transferred at the end of the year to the other governmental funds and the proprietary funds to offset any shortfalls between revenues and expenditures. Any gains in these same funds are returned to the General Fund, except for the Airport, who is required to maintain any gains or losses as part of its lease agreements and revenue bond agreements. The change in transfers between the original budget and the amended budget is due to the net changes in carryovers and encumbrances between years, and any net transfers made from the general fund to proprietary fund departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Milwaukee County's investment in capital assets for its governmental and business-type activities as of December 31, 2005 amounts to \$ 983,242 (net of accumulated depreciation of \$ 848,306). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure. All infrastructure assets of the County are included in this report. The total increase in the County's investment in capital assets for the current fiscal year was 0.33% (a 1.15% decrease in governmental activities and a 1.48% increase for business-type activities). Major capital asset events in the current year included the following:

- Continuation of roadway-related projects, include reconstruction of a portion of North Port Washington Road for a cost of \$ 5,265.
- Bridge replacement on County highways continued in 2005. Reconstruction work was done on the Forest Home Bridge for \$1,127 and the West Hampton Avenue Bridges over the Union Pacific Railway for \$2,520.
- The Airport continued several capital projects, including the D Concourse improvements to increase the area for airline activities, the C Concourse gate expansion, and the Cessna Apron addition. The cost of these projects for 2005 is \$9,566, \$17,027, and \$10, respectively. All three of these projects are funded with Airport revenue bonds and passenger facility charge (PFC) revenues. Revenue bonds for these projects were issued in 2005.
- Other Airport capital improvements include the security system upgrade for \$1,828, and the concession mall renovation for \$1,050.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

- Airport major maintenance projects for a total cost of \$1,773 included the runway and taxiway pavement repair and centerline work, the elevator control upgrades, and the resurfacing of one-third the employee parking lot.
- The airport continues to work on programs to address noise in the surrounding neighborhoods with a noise mitigation program. This program is funded both by Federal dollars and PFC revenues. Total capitalized cost in 2005 was \$ 1,540.
- Parks and Zoo continued several projects during 2005, the feline building renovation for \$ 2,303, various infrastructure improvements to the Zoo and Parks for \$ 1,274, and, the Park trail hard surface replacement for \$ 850.
- The South Shore breakwater shoreline protection project cost was \$ 1,763.
- Milwaukee County Historical Society renovation cost was \$ 1,392.
- Continuation of upgrading the County's fleet equipment for a cost of \$ 1,694.
- Continuation of upgrading the County's radio and information system for \$ 2,107.
- The Courthouse roof replacement project was completed. The 2005 cost was \$ 2,032.

Milwaukee County's Capital Assets (Net)

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Land	\$ 59,520	\$ 60,269	\$ 22,441	\$ 20,759	81,961	\$ 81,028
Construction in Progress	72,831	53,950	70,610	51,637	143,441	105,587
Land Improvements	88,414	-	43,244	-	131,658	-
Building and Improvements	291,233	404,412	137,057	188,687	428,290	593,099
Furniture, Vehicles & Equipment	43,043	48,451	77,277	84,439	120,320	132,890
Infrastructure	77,572	72,849	-	-	77,572	72,849
Total	\$ 632,613	\$ 639,931	\$ 350,629	\$ 345,522	\$ 983,242	\$ 985,453

Additional information on the County's capital assets can be found in Note 5 on pages 94-99 of this report.

Long-term debt

At December 31, 2005, the County had total debt outstanding of \$ 626,578. Of this amount, \$ 473,723 comprised of general obligation bonds and \$ 152,855 of airport revenue bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-term debt (continued)

**Milwaukee County's Outstanding Debt
General Obligation and Revenues Bonds**

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 420,674	\$ 425,707	\$ 53,049	\$ 57,152	\$ 473,723	\$ 482,859
Revenue Bonds	-	-	152,855	120,737	152,855	120,737
Totals	\$ 420,674	\$ 425,707	\$ 205,904	\$ 177,889	\$ 626,578	\$ 603,596

The County's total debt increased by \$ 23.0 million during the year ended December 31, 2005. This increase was the result of a new revenue bond issue. General obligation bonds principal payments exceeded the proceeds received from new general obligation bonds issued for capital projects. New general obligation bonds were issued for \$ 24,610 to finance the following capital projects: highways and bridges \$ 1,565, mass transit \$ 22,970, and parks, recreational, and cultural facilities \$ 75. New airport revenue bonds were issued in December 2005 for \$ 29,010 to finance the C Concourse expansion for \$ 17,026, D Concourse security improvements for \$ 9,566, Cessna Apron addition for \$10, debt service reserve deposit of \$2,609 and capitalized interest of \$ 510.

Additional information on the County's long-term debt can be found in Note 8 on pages 101-111 of this report.

Economic Factors and Next Year's Budget and Rates

- Milwaukee County unemployment rate decreased for 2005 to 5.9% the national average unemployment rate decreased to 5.1%.
- Equalized value of taxable property increased to \$ 56.7 billion in 2005 from \$ 51.1 billion in 2004.
- Health care costs in the Milwaukee area are increasing faster than any other metro area in Wisconsin in the last year, according to a study of costs in Wisconsin.

All of these factors were considered in preparing the County's budget for the 2006 fiscal year. The deficit from 2004 of \$ 1,573, which is identified on the Governmental Funds balance sheet as Reserved for 2006 Appropriations, was included in the 2006 budget, as required by state statute, and covered by available funds.

Economic Factors and Next Year's Budget and Rates (continued)

During the 2005 fiscal year, the County had a net excess of revenues over expenditures of \$ 4,664 after considering net revenue from operations and changes in reserve balances. This excess is identified on the governmental funds balance sheet as a Reserved for 2007 Appropriations, and will be added to the revenue of the 2007 budget.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Milwaukee County Court House, 901 North 9th Street, Room 308, Milwaukee, WI 53233.



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BASIC FINANCIAL STATEMENTS



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COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2005
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 91,354	\$ 61,907	\$ 153,261	\$ 3,308
Cash and Investments -- Restricted	36,405	43,493	79,898	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	1,928	19,694	21,622	1,612
Property Taxes:				
Current Levy	233,430	-	233,430	-
Delinquent	7,988	-	7,988	-
Accrued Interest and Dividends	4,157	-	4,157	-
Notes	3,410	-	3,410	-
Other	8,339	2,329	10,668	-
Due From Other Governments	57,527	4,853	62,380	-
Inventories	1,700	3,425	5,125	109
Prepaid Items	3,108	347	3,455	218
Other Assets	-	247	247	-
Total Current Assets	449,346	136,295	585,641	5,247
Noncurrent Assets:				
Contributions Receivable	-	-	-	34
Notes Receivable	5,135	-	5,135	-
Deferred Charges	406	-	406	-
Other Assets	-	-	-	1,347
Capital Assets (Net)				
Land	59,520	22,441	81,961	513
Construction in Progress	72,831	70,610	143,441	580
Land Improvements	195,883	124,102	319,985	-
Buildings and Improvements	555,254	323,919	879,173	21,633
Machinery, Vehicles and Equipment	115,080	163,619	278,699	5,978
Infrastructure	128,289	-	128,289	-
Less: Accumulated Depreciation	(494,244)	(354,062)	(848,306)	(8,333)
Total Capital Assets (Net)	632,613	350,629	983,242	24,371
Total Noncurrent Assets	638,154	350,629	988,783	25,752
Total Assets	\$ 1,087,500	\$ 486,924	\$ 1,574,424	\$ 30,999
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 37,455	\$ 9,230	\$ 46,685	\$ 3,176
Accrued Liabilities	41,256	3,926	45,182	1,500
Accrued Interest Payable	5,461	1,158	6,619	69
Accrued Pension Payable	35,735	-	35,735	-
Due to Other Governments	1,006	3,066	4,072	-
Unearned Revenues	235,367	10,760	246,127	843
Bonds and Notes Payable	34,923	17,692	52,615	406
Unfunded Claims and Judgments	3,874	-	3,874	-
Landfill Postclosure Costs	1,569	-	1,569	-
Compensated Absences Payable	23,865	10,482	34,347	-
Other Current Liabilities	1	3,469	3,470	318
Total Current Liabilities	420,512	59,783	480,295	6,312
Noncurrent Liabilities:				
Bonds and Notes Payable	385,751	41,225	426,976	23,009
Bonds and Notes Payable -- Revenue Bonds	-	146,987	146,987	-
Unfunded Claims and Judgments	9,250	-	9,250	-
Landfill Postclosure Costs	12,210	-	12,210	-
Compensated Absences Payable	25,710	15,434	41,144	-
Capital Leases	-	-	-	651
Accrued Pension and Postretirement Benefits	-	9,738	9,738	7,712
Total Noncurrent Liabilities	432,921	213,384	646,305	31,372
Total Liabilities	853,433	273,167	1,126,600	37,684
NET ASSETS				
Unrestricted (Deficit)	(44,305)	25,999	(18,306)	(10,529)
Restricted for:				
Debt Service	2,415	10,328	12,743	-
Capital Asset Needs	-	3,414	3,414	-
Airport PFC	34,155	-	34,155	-
Other	1,845	-	1,845	3,308
Invested in Capital Assets, Net of Related Debt	239,957	174,016	413,973	538
Total Net Assets	234,067	213,757	447,824	(6,685)
Total Liabilities and Net Assets	\$ 1,087,500	\$ 486,924	\$ 1,574,424	\$ 30,999

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



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COUNTY OF MILWAUKEE
Statement of Activities
For The Year Ended December 31, 2005
(In Thousands)

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative, Executive and Staff	\$ (70,546)	\$ 10,494	\$ 19,733	\$ 3,484	\$ (36,835)	\$ -	\$ (36,835)	\$ -
Courts and Judiciary	(56,517)	3,527	23,272	-	(29,718)	-	(29,718)	-
General Governmental Services	(8,152)	7,144	100	-	(908)	-	(908)	-
Public Safety	(138,885)	3,938	19,133	-	(115,814)	-	(115,814)	-
Public Works and Highways	(88,133)	29,524	37,612	(74)	(21,071)	-	(21,071)	-
Human Services	(363,558)	163,613	169,708	-	(30,237)	-	(30,237)	-
Parks, Recreation and Culture	(69,150)	25,639	1,227	-	(42,284)	-	(42,284)	-
Other	(19,222)	-	-	-	(19,222)	-	(19,222)	-
Interest	(17,497)	-	-	-	(17,497)	-	(17,497)	-
Total Governmental Activities	(831,660)	243,880	270,785	3,410	(313,585)	-	(313,585)	-
Business-Type Activities:								
Airport	(58,894)	55,599	312	7,371	-	4,388	4,388	-
Behavioral Health	(157,233)	59,870	61,136	(826)	-	(37,053)	(37,053)	-
Transit	(157,623)	47,757	79,133	582	-	(30,151)	(30,151)	-
Total Business-Type Activities	(373,750)	163,226	140,581	7,127	-	(62,816)	(62,816)	-
Total Primary Government	\$ (1,205,410)	\$ 407,106	\$ 411,366	\$ 10,537	(313,585)	(62,816)	(376,401)	-
Component Units:								
Museum	\$ (26,267)	\$ 7,556	\$ 3,598	\$ -	-	-	-	(15,113)
War Memorial Center	(7,022)	2,010	2,858	-	-	-	-	(2,154)
Private Industry Council	(15,399)	118	15,129	-	-	-	-	(152)
Research Park Corporation	(1,452)	743	-	-	-	-	-	(709)
Total Component Units	\$ (50,140)	\$ 10,427	\$ 21,585	\$ -	-	-	-	(18,128)
General Revenues:								
Property Taxes					228,628	-	228,628	-
Sales Taxes					62,673	-	62,673	-
Intergovernmental Revenues Not Related to Specific Program					40,242	-	40,242	-
Investment Income					4,839	1,001	5,840	4,611
Gain on Sale of Capital Assets					93	31	124	-
Other -- Revenue					33,730	-	33,730	1,992
Transfers					(52,809)	52,809	-	-
Total General Revenues and Transfers					317,396	53,841	371,237	6,603
Change in Net Assets					3,811	(8,975)	(5,164)	(11,525)
Net Assets -- Beginning					230,256	222,732	452,988	4,840
Net Assets -- Ending					\$ 234,067	\$ 213,757	\$ 447,824	\$ (6,585)

COUNTY OF MILWAUKEE
Balance Sheet
Governmental Funds
December 31, 2005
(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 56,485	\$ 4,357	\$ 10,964	\$ 1,607	\$ 73,413
Cash and Investments -- Restricted	2,250	-	-	34,155	36,405
Receivables:					
Accounts (Net of Allowances for Doubtful Accounts)	1,209	187	-	-	1,396
Property Taxes:					
Current Levy	233,430	-	-	-	233,430
Delinquent	7,988	-	-	-	7,988
Accrued Interest	4,157	-	-	-	4,157
Notes Receivable	4,100	4,445	-	-	8,545
Other	7,988	-	109	243	8,340
Due From Other Governments	54,086	-	3,161	-	57,247
Inventories	1,023	-	-	-	1,023
Prepaid Items	2,978	-	-	31	3,009
Total Assets	<u>\$ 375,694</u>	<u>\$ 8,989</u>	<u>\$ 14,234</u>	<u>\$ 36,036</u>	<u>\$ 434,953</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 29,422	\$ 831	\$ 5,773	\$ 35	\$ 36,061
Accrued Liabilities	39,647	734	-	-	40,381
Accrued Pension Payable	35,735	-	-	-	35,735
Other Liabilities	-	-	-	1	1
Due to Other Governments	1,006	-	-	-	1,006
Deferred Revenues	245,850	4,445	6	-	250,301
Total Liabilities	<u>351,660</u>	<u>6,010</u>	<u>5,779</u>	<u>36</u>	<u>363,485</u>
Fund Balance:					
Reserved for 2006 Appropriations	(1,573)	-	-	-	(1,573)
Reserved for 2007 Appropriations	4,664	-	-	-	4,664
Reserved for Debt Service	-	2,979	-	-	2,979
Reserved for Encumbrances	15,516	-	8,455	-	23,971
Reserved for Inventories	1,023	-	-	-	1,023
Reserved for Health and Safety	-	-	-	46	46
Reserved for Zoo	-	-	-	541	541
Reserved for Parks	-	-	-	658	658
Reserved for Persons with Disabilities	-	-	-	122	122
Reserved for Behavioral Health Division	-	-	-	478	478
Reserved for Airport PFC	-	-	-	34,155	34,155
Unreserved -- Designated for Delinquent Property Tax	3,999	-	-	-	3,999
Unreserved -- Designated for Economic Development	138	-	-	-	138
Unreserved -- Designated for Housing	267	-	-	-	267
Total Fund Balance	<u>24,034</u>	<u>2,979</u>	<u>8,455</u>	<u>36,000</u>	<u>71,468</u>
Total Liabilities and Fund Balance	<u>\$ 375,694</u>	<u>\$ 8,989</u>	<u>\$ 14,234</u>	<u>\$ 36,036</u>	<u>\$ 434,953</u>

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

COUNTY OF MILWAUKEE
 Reconciliation of the Balance Sheet
 of Governmental Funds
 to the Statement of Net Assets
 For the Year Ended December 31, 2005
 (In Thousands)

Total Fund Balances for Governmental Funds as of 12/31/05 \$ 71,468

Total net assets reported for governmental activities in the statement of net assets is different because of the following:

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

Land	58,138
Land Improvements	184,961
Buildings and Improvements	462,914
Machinery, Vehicles and Equipment	46,716
Infrastructure	128,289
Construction in Progress	54,689
Less: Accumulated Depreciation	(365,297)

Internal service funds are used by management to charge costs associated with risk management, data processing services and public works services including fleet management and facilities management. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:

21,061

Amounts to be collected under long-term receivables are not available to pay for the current period expenditures, and therefore are reported as deferred in the funds.

15,194

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate liabilities. These liabilities, except internal service fund liabilities, consist of:

Bonds Payable	(377,570)
Unamortized Debt Issue Costs	406
Compensated Absences -- Long-Term	(34,991)
Landfill Postclosure Costs	(13,779)
Unfunded Claims and Judgments	(13,124)

Interest on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due. These liabilities are reported in the statement of net assets.

(5,008)

Total Net Assets of Governmental Activities as of 12/31/05

\$ 234,067

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

COUNTY OF MILWAUKEE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended December 31, 2005
(In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental	\$ 275,467	\$ -	\$ 23,712	\$ -	\$ 299,179
Property Taxes	228,628	-	-	-	228,628
Sales Taxes	61,646	-	1,027	-	62,673
Investment Income and Rents	7,657	484	52	548	8,741
Charges for Services	213,361	-	-	727	214,088
Fines and Forfeits	2,823	-	-	-	2,823
Licenses and Permits	442	-	-	-	442
PFC Revenues	-	-	-	9,917	9,917
Other	30,205	7,300	-	383	37,888
Total Revenues	<u>820,229</u>	<u>7,784</u>	<u>24,791</u>	<u>11,575</u>	<u>864,379</u>
Expenditures:					
Current:					
Legislative, Executive and Staff	38,774	-	-	-	38,774
Courts and Judiciary	57,456	-	-	-	57,456
General Governmental Services	8,203	-	-	-	8,203
Public Safety	136,398	-	-	-	136,398
Public Works and Highways	16,532	-	-	-	16,532
Human Services	362,755	-	-	15	362,770
Parks, Recreation and Culture	62,026	-	-	958	62,984
Other	15,981	527	1,581	648	18,737
Capital Outlay	-	-	48,182	-	48,182
Debt Service:					
Principal Retirement	-	24,657	-	-	24,657
Interest	-	16,232	-	-	16,232
Total Expenditures	<u>698,125</u>	<u>41,416</u>	<u>49,763</u>	<u>1,621</u>	<u>790,925</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>122,104</u>	<u>(33,632)</u>	<u>(24,972)</u>	<u>9,954</u>	<u>73,454</u>
Other Financing Sources (Uses):					
General Obligation Bonds Issued	-	-	24,610	-	24,610
Premium on Debt Issued	-	-	518	-	518
Refunding Bonds Issued	-	55,248	-	-	55,248
Payment to Refunded Bond Escrow Agent	-	(54,821)	-	-	(54,821)
Transfers In	23,294	32,835	-	2,843	58,972
Transfers Out	(130,348)	(4,781)	(4,003)	-	(139,132)
Total Other Financing Sources (Uses)	<u>(107,054)</u>	<u>28,481</u>	<u>21,125</u>	<u>2,843</u>	<u>(54,605)</u>
Net Change in Fund Balances	15,050	(5,151)	(3,847)	12,797	18,849
Fund Balances - Beginning	8,984	8,130	12,302	23,203	52,619
Fund Balances - Ending	<u>\$ 24,034</u>	<u>\$ 2,979</u>	<u>\$ 8,455</u>	<u>\$ 36,000</u>	<u>\$ 71,468</u>

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

COUNTY OF MILWAUKEE
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance
 of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2005
 (In Thousands)

Net change in fund balances -- total governmental funds \$ 18,849

**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 these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements	48,182
Items reported as capital outlay that were not capitalized	(21,796)
Depreciation reported in the government-wide statements	(27,496)
Net book value of assets retired	(2,871)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (156)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued	(73,285)
Principal repaid	79,478

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (4,547)

Principal payments reduce notes receivable on the Statement of Net Assets but are reported as revenues in the funds. (3,397)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued Interest Payable	(97)
Amortization of Bond Costs	(1,122)
Pension Obligations	(2,000)
Unfunded Claims and Judgments	(100)
Landfill Postclosure Costs	(2,079)
Compensated Absences	(3,752)
Change in net assets of governmental activities	\$ 3,811

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

COUNTY OF MILWAUKEE
 Statement of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 (Non-GAAP Budgetary Basis)
 General Fund
 For the Year Ended December 31, 2005
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 280,033	\$ 288,381	\$ 275,467	\$ (12,914)
Property Taxes	227,334	227,334	228,628	1,294
Charges for Services	206,998	216,361	213,361	(3,000)
Sales Taxes	62,431	62,431	61,646	(785)
Investment Income and Rents	9,690	9,690	7,657	(2,033)
Fines and Forfeits	3,189	2,769	2,823	54
Licenses and Permits	500	500	442	(58)
Other	29,193	29,431	30,205	774
Total Revenues	<u>819,368</u>	<u>836,897</u>	<u>820,229</u>	<u>(16,668)</u>
Expenditures:				
Current:				
Legislative, Executive and Staff	38,375	42,218	40,890	1,328
Courts and Judiciary	57,521	59,885	58,040	1,845
General Governmental Services	6,426	8,969	8,737	232
Public Safety	138,144	139,996	136,844	3,152
Public Works and Highways	18,752	18,428	16,571	1,857
Human Services	371,129	386,756	365,899	20,857
Parks, Recreation and Culture	57,192	57,832	56,035	1,797
Other	15,709	17,382	16,429	953
Total Expenditures	<u>703,248</u>	<u>731,466</u>	<u>699,445</u>	<u>32,021</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,120</u>	<u>105,431</u>	<u>120,784</u>	<u>15,353</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2005 Appropriations	(3,534)	(3,534)	(3,534)	-
Transfers In	-	-	23,294	23,294
Transfers Out	(106,370)	(95,681)	(130,348)	(34,667)
Transfers To Component Units	(6,216)	(6,216)	(6,216)	-
Total Other Financing Sources (Uses)	<u>(116,120)</u>	<u>(105,431)</u>	<u>(116,804)</u>	<u>(11,373)</u>
Net Change in Fund Balance	-	-	3,980	3,980
Fund Balances -- Beginning	8,984	8,984	8,984	-
Fund Balances -- Ending	<u>\$ 8,984</u>	<u>\$ 8,984</u>	<u>\$ 12,964</u>	<u>\$ 3,980</u>

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



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COUNTY OF MILWAUKEE
Balance Sheet
Proprietary Funds
December 31, 2005
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Assets					
Current Assets:					
Cash and Investments	\$ 29,614	\$ 6,560	\$ 25,733	\$ 61,907	\$ 17,941
Cash and Investments -- Restricted	43,493	-	-	43,493	-
Receivables:					
Accounts (Net of Allowances for Uncollectible Accounts and Contractual Adjustments)	8,093	11,435	166	19,694	532
Other	-	-	2,329	2,329	-
Due From Other Governments	-	-	4,853	4,853	280
Inventories	-	385	3,040	3,425	677
Prepaid Items	-	-	347	347	99
Other Assets	-	-	247	247	-
Total Current Assets	81,200	18,380	36,715	136,295	19,529
Capital Assets:					
Land	19,669	-	2,772	22,441	1,382
Construction in Progress	63,527	1,439	5,644	70,610	18,142
Land Improvements	116,418	1,626	6,058	124,102	10,922
Building and Improvements	229,515	36,245	58,159	323,919	92,340
Furniture, Vehicles and Equipment	7,768	4,691	151,160	163,619	68,364
Total Capital Assets	436,897	44,001	223,793	704,691	191,150
Less Accumulated Depreciation	(209,872)	(34,152)	(110,038)	(354,062)	(128,947)
Net Capital Assets	227,025	9,849	113,755	350,629	62,203
Total Assets	\$ 308,225	\$ 28,229	\$ 150,470	\$ 486,924	\$ 81,732
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 1,392	\$ 4,277	\$ 3,561	\$ 9,230	\$ 1,396
Accrued Liabilities	922	462	3,700	5,084	9,763
Due To Other Governments	-	3,066	-	3,066	-
Deferred Revenues	8,678	113	1,969	10,760	260
Bonds Payable-Current Portion	16,222	316	1,154	17,692	6,483
Compensated Absences	614	3,783	6,085	10,482	1,827
Other Liabilities	58	543	2,868	3,469	-
Total Current Liabilities	27,886	12,560	19,337	59,783	19,729
Long-Term Liabilities:					
Bonds Payable -- Long-Term	12,390	5,351	23,486	41,227	36,621
Bonds Payable -- Revenue Bonds	146,985	-	-	146,985	-
Compensated Absences	1,749	5,686	7,999	15,434	4,321
Accrued Pension and Postretirement Benefits	-	-	9,738	9,738	-
Total Long-Term Liabilities	161,124	11,037	41,223	213,384	40,942
Total Liabilities	189,010	23,597	60,560	273,167	60,671
Net Assets					
Unrestricted	24,754	450	795	25,999	1,962
Restricted for:					
Debt Service	10,328	-	-	10,328	-
Capital Asset Needs	3,414	-	-	3,414	-
Invested in Capital Assets, Net of Related Debt	80,719	4,182	89,115	174,016	19,099
Total Net Assets	119,215	4,632	89,910	213,757	21,061
Total Liabilities and Net Assets	\$ 308,225	\$ 28,229	\$ 150,470	\$ 486,924	\$ 81,732

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

COUNTY OF MILWAUKEE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities -- Enterprise Funds			Total	Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System		
Operating Revenues:					
Charges for Services:					
Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances	\$ -	\$ 47,777	\$ -	\$ 47,777	\$ -
Net Patient Service Revenues	-	47,777	-	47,777	-
Rentals and Other Service Fees	44,793	39	119	44,951	39,713
Admissions and Concessions	10,744	8	-	10,752	-
Transit Fares	-	-	42,854	42,854	-
Total Charges for Services	55,537	47,824	42,973	146,334	39,713
Other Revenues	62	12,046	4,815	16,923	728
Total Operating Revenues	55,599	59,870	47,788	163,257	40,441
Operating Expenses:					
Personnel Services	14,082	69,121	105,718	188,921	35,162
Contractual Services	12,200	8,914	23,051	44,165	12,525
Intra-County Services	9,207	3,792	793	13,792	2,683
Commodities	1,763	7,290	12,131	21,184	4,426
Depreciation and Amortization	13,751	730	13,083	27,564	8,237
Maintenance	549	151	1,015	1,715	1,024
Insurance and Claims	-	-	-	-	5,533
Client Payments	1,254	67,027	807	69,088	1,249
Total Operating Expenses	52,806	157,025	156,598	366,429	70,839
Operating Income (Loss)	2,793	(97,155)	(108,810)	(203,172)	(30,398)
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	312	61,136	79,133	140,581	710
Loss on Disposal of Capital Assets	-	-	-	-	(4,126)
Investment Income	1,001	-	-	1,001	-
Interest Expense	(6,088)	(208)	(1,025)	(7,321)	(1,494)
Total Nonoperating Revenues (Expenses)	(4,775)	60,928	78,108	134,261	(4,910)
Income (Loss) Before Contributions and Transfers	(1,982)	(36,227)	(30,702)	(68,911)	(35,308)
Capital Contributions	7,371	(826)	582	7,127	3,410
Transfers In	39	36,226	23,619	59,884	34,786
Transfers Out	(1,301)	(619)	(5,155)	(7,075)	(7,435)
Changes in Net Assets	4,127	(1,446)	(11,656)	(8,975)	(4,547)
Net Assets -- Beginning	115,088	6,078	101,566	222,732	25,608
Net Assets -- Ending	\$ 119,215	\$ 4,632	\$ 89,910	\$ 213,757	\$ 21,061

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

COUNTY OF MILWAUKEE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities – Enterprise Funds				Governmental Activities – Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Cash Flows Provided (Used) by Operating Activities:					
Receipts from Customers and Users	\$ 52,971	\$ 56,662	\$ 61,999	\$ 171,632	\$ 40,381
Payments to Suppliers	(15,050)	(80,136)	(39,765)	(134,951)	(25,404)
Payments to Employees	(14,076)	(69,708)	(106,858)	(190,642)	(36,535)
Payments for Interfund Services Used	(9,207)	(3,792)	(793)	(13,792)	(2,683)
Net Cash Flows Provided (Used) by Operating Activities	<u>14,638</u>	<u>(96,974)</u>	<u>(85,417)</u>	<u>(167,753)</u>	<u>(24,241)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:					
Intergovernmental Revenues	312	61,136	79,133	140,581	710
Transfers From Other Funds	39	36,226	23,619	59,884	34,786
Transfers (To) Other Funds	(1,301)	(1,445)	(5,155)	(7,901)	(7,435)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(950)</u>	<u>95,917</u>	<u>97,597</u>	<u>192,564</u>	<u>28,061</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:					
Principal Payment on Bonds	(10,063)	(218)	(904)	(11,185)	(5,447)
Interest Paid on Bonds	(5,634)	(205)	(992)	(6,831)	(1,516)
Proceeds from Bonds	36,652	1,065	993	38,710	5,522
Acquisition of Capital Assets	(23,408)	(253)	(1,057)	(24,718)	(5,615)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(2,453)</u>	<u>389</u>	<u>(1,960)</u>	<u>(4,024)</u>	<u>(7,056)</u>
Cash Flows Provided (Used) by Investing Activities:					
Investment Income	1,001	-	-	1,001	-
Net Cash Flows Provided (Used) by Investing Activities	<u>1,001</u>	<u>-</u>	<u>-</u>	<u>1,001</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,236	(668)	10,220	21,788	(3,236)
Cash and Cash Equivalents at Beginning of Year	60,871	7,228	15,513	83,612	21,177
Cash and Cash Equivalents at End of Year	<u>\$ 73,107</u>	<u>\$ 6,560</u>	<u>\$ 25,733</u>	<u>\$ 105,400</u>	<u>\$ 17,941</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 2,793	\$ (97,155)	\$ (108,810)	\$ (203,172)	\$ (30,396)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:					
Depreciation and Amortization	13,751	730	13,083	27,564	8,237
(Increase) Decrease in Assets:					
Accounts Receivable	(4,494)	(5,351)	18	(9,827)	(11)
Other Receivables	-	(2)	180	178	-
Due From Other Governments	-	2,474	13,679	16,153	(58)
Inventories	-	30	(1,345)	(1,315)	195
Prepaid Items	-	-	(45)	(45)	11
Other Assets	-	-	(91)	(91)	-
Increase (Decrease) in Liabilities:					
Accounts Payable	716	(84)	437	1,069	(842)
Accrued Liabilities	(1,086)	(5,824)	(4,519)	(11,429)	(4,426)
Due To Other Governments	(40)	3,066	-	3,026	-
Deferred Revenues	1,868	(329)	425	1,964	(2)
Compensated Absences	1,092	5,237	3,379	9,708	3,053
Other Liabilities	38	234	(1,808)	(1,536)	-
Total Adjustments	<u>11,845</u>	<u>181</u>	<u>23,393</u>	<u>35,419</u>	<u>6,157</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 14,638</u>	<u>\$ (96,974)</u>	<u>\$ (85,417)</u>	<u>\$ (167,753)</u>	<u>\$ (24,241)</u>
Noncash investing, financing, and related activities:					
Capital assets contributed from/(to) the general government	\$ 7,371	\$ -	\$ 582	\$ 7,953	\$ 3,484

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



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COUNTY OF MILWAUKEE
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 December 31, 2005
 (In Thousands)

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and Investments:		
US Government Securities	\$ 58,113	\$ -
Notes and Bonds	495,958	-
Federal Agency and Mortgage	46,208	-
Real Estate Investments Trust	59,304	-
Common and Preferred Stocks	834,802	-
Venture Capital Investments	20,094	-
Deposits	8,704	23,524
Total Cash and Investments	1,523,183	23,524
Receivables:		
Pension Trust Fund Contribution	35,738	-
Accrued Interest and Dividends	6,245	-
Other	5,357	-
Securities Lending	126,947	-
Total Assets	1,697,470	23,524
<u>Liabilities</u>		
Accounts Payable	-	1,144
Agency Deposits	-	22,380
Securities Lending	126,947	-
Other Liabilities	10,746	-
Total Liabilities	137,693	23,524
<u>Net Assets</u>		
Held in Trust for Pension Benefits	\$ 1,559,777	\$ -

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

COUNTY OF MILWAUKEE
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended December 31, 2005
(In Thousands)

	Total
Additions:	
Contributions:	
County of Milwaukee	\$ 35,415
Plan Participants	361
	35,776
Investment Income	
Net Appreciation in Fair Value	96,871
Interest and Dividends	30,461
Other Income	879
Total Investment Income	128,211
Security Lending Income	4,140
Less: Security Lending Rebates and Fees	(3,822)
Net Security Lending Activity	318
Investment Expense	(4,138)
Net Investment Income	124,391
Total Additions	160,167
Deductions:	
Benefits Paid to Retirees and Beneficiaries	(148,308)
Administrative Expenses	(2,157)
Withdrawal of Membership Accounts	(37)
Total Deductions	(150,502)
Change In Plan Net Assets	9,665
Plan Net Assets Held In Trust for Pension Benefits	
Beginning of Year	1,550,112
End of Year	\$ 1,559,777

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

COUNTY OF MILWAUKEE
Combining Statement of Net Assets
Component Units
December 31, 2005
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
Assets					
Current Assets:					
Cash and Investments	\$ 1,676	\$ 69	\$ 193	\$ 1,370	\$ 3,308
Accounts Receivable	480	-	1,025	107	1,612
Inventories	109	-	-	-	109
Prepaid Items	210	-	2	6	218
Total Current Assets	<u>2,475</u>	<u>69</u>	<u>1,220</u>	<u>1,483</u>	<u>5,247</u>
Noncurrent Assets:					
Contributions Receivable	34	-	-	-	34
Capital Assets (Net of Accumulated Depreciation)	21,561	-	2,810	-	24,371
Other	728	-	167	452	1,347
Total Other Assets	<u>22,323</u>	<u>-</u>	<u>2,977</u>	<u>452</u>	<u>25,752</u>
Total Assets	<u>\$ 24,798</u>	<u>\$ 69</u>	<u>\$ 4,197</u>	<u>\$ 1,935</u>	<u>\$ 30,999</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 2,350	\$ -	\$ 641	\$ 185	\$ 3,176
Accrued Liabilities	1,117	-	380	3	1,500
Accrued Interest Payable	69	-	-	-	69
Deferred Revenues	764	-	73	6	843
Notes Payable	100	-	232	74	406
Other Liabilities	228	-	-	90	318
Total Current Liabilities	<u>4,628</u>	<u>-</u>	<u>1,326</u>	<u>358</u>	<u>6,312</u>
Noncurrent Liabilities:					
Capital Leases -- Long-term	651	-	-	-	651
Accrued Pension and Postretirement Benefits	7,712	-	-	-	7,712
Bonds and Financing Charges Payable	19,967	-	2,885	157	23,009
Total Noncurrent Liabilities	<u>28,330</u>	<u>-</u>	<u>2,885</u>	<u>157</u>	<u>31,372</u>
Total Liabilities	<u>32,958</u>	<u>-</u>	<u>4,211</u>	<u>515</u>	<u>37,684</u>
Net Assets					
Unrestricted	(12,171)	33	293	1,316	(10,529)
Restricted	3,168	36	-	104	3,308
Invested in Capital Assets, Net of Related Debt	843	-	(307)	-	536
Total Net Assets	<u>(8,160)</u>	<u>69</u>	<u>(14)</u>	<u>1,420</u>	<u>(6,685)</u>
Total Liabilities and Net Assets	<u>\$ 24,798</u>	<u>\$ 69</u>	<u>\$ 4,197</u>	<u>\$ 1,935</u>	<u>\$ 30,999</u>

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

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Component Units
For the Year Ended December 31, 2005
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
Revenues:					
Intergovernmental	\$ 217	\$ -	\$ 15,129	\$ -	\$ 15,346
Interest on Investments and Rents	2,459	2,079	-	73	4,611
County Program Support	3,381	2,858	-	-	6,239
Charges for Services:					
Contributions and memberships	4,819	127	51	743	5,740
Other	2,737	1,883	67	-	4,687
Other	1,894	98	-	-	1,992
Total Revenues	<u>15,507</u>	<u>7,045</u>	<u>15,247</u>	<u>816</u>	<u>38,615</u>
Expenses:					
Human Services	-	-	15,399	-	15,399
Public Works and Highways	-	-	-	1,452	1,452
Parks, Recreation and Culture	26,267	7,022	-	-	33,289
Total Expenses	<u>26,267</u>	<u>7,022</u>	<u>15,399</u>	<u>1,452</u>	<u>50,140</u>
Changes in Net Assets	(10,760)	23	(152)	(636)	(11,525)
Net Assets -- Beginning	2,600	46	138	2,056	4,840
Net Assets -- Ending	<u>\$ (8,160)</u>	<u>\$ 69</u>	<u>\$ (14)</u>	<u>\$ 1,420</u>	<u>\$ (6,685)</u>

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



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Milwaukee County
Notes to the Financial Statements
December 31, 2005
(Amounts Expressed in Thousands)

Note 1-Summary of Significant Accounting Policies

The County of Milwaukee, Wisconsin (the "County") incorporated in 1835, is a governmental entity established by laws of the State of Wisconsin and has the power of a body corporate, as defined by s. 59.01 of the statutes of the State of Wisconsin. The Board of County Supervisors (the "Board") governs the County. The Board consists of nineteen members who are elected by the citizens of Milwaukee County. The County also elects seven principal officials who are the County Executive, the County Treasurer, the District Attorney, the County Clerk, the Clerk of Courts, the Sheriff and the Register of Deeds.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In 2005, the County adopted Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures- an amendment of GASB Statement No. 3". This statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Adopting GASB Statement No. 40 did not have an impact on the County's financial statements for the year ended December 31, 2005, but it does require additional disclosures (See Note 3) related to deposits and investment risks.

Also in 2005, the County adopted Governmental Accounting Standards Board Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting

Note 1-Summary of Significant Accounting Policies (Continued)

requirements for insurance recoveries. Adopting GASB Statement No. 42 did not have a significant impact on the County's financial statements for the year ended December 31, 2005.

A. The Reporting Entity

The County complies with the provisions of GASB Statement No. 14 and GASB Statement No. 39 in defining the reporting entity and its component units. As defined by GASB Statement No. 14, component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County is financially accountable for the organization if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County may also be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. In addition, GASB Statement No. 39 states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents, (2) the primary government, or its component units, is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization, and (3) the economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

As required by generally accepted accounting principles (GAAP) and based on the criteria stated in the above paragraph, the financial statements of the reporting entity include those of Milwaukee County, the primary government, and its four major component units, which are discretely presented.

Component Units

There are two ways to report component units; blended component units and discretely presented component units. Blended component units are legally separate entities that are in substance part of government operations, as they either have governing bodies that are substantively the same as the board or

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

they provide their services exclusively or almost exclusively to the government. There are no blended component units reported by Milwaukee County.

Discretely presented component units are legally separate entities, which do not meet the criteria for blending. Discretely presented component units are presented as a separate column in the government-wide financial statements and individually in the combining statements for component units in the fund financial statements to emphasize that they are legally separate. As stated above, the County has four major discretely presented component units, which are described below.

The Milwaukee County War Memorial Center, Inc ("The Center") is a non-profit organization organized to operate and maintain the War Memorial Center, the Charles Allis/Villa Terrace Art Museums, and the Marcus Center for the Performing Arts. The Center also provides services to the Milwaukee Art Museum. The governing board of the Center consists of fifteen members who oversee the day-to-day operations. The County Executive appoints four board members. The Board of County Supervisors appoints four other board members. The War Memorial Center is presented as a discretely presented component unit of the County because the County appoints the voting majority of the Center's governing body and therefore has the ability to impose its will on the Center and because the County provides the majority of the Center's financial support it has the ability to impose specific financial burdens on the County. The Center has a December 31st year-end.

The Milwaukee Public Museum, Inc ("The Museum"), is a non-profit natural history museum, whose purpose is to preserve and protect the collections of the museum and to educate the public through exhibits and research into natural history. The governing body of the Museum consists of a twenty-seven member Board of Directors who oversees the day-to-day operations. The Museum Board appoints 18 members, the County Executive appoints five members, and the County Board Chairman appoints four members. The Museum is presented as a discretely presented component unit of the County because the County owns the majority of the economic resources available to the Museum (the building and the artifacts) and because the County provides a significant amount of financial support to the Museum, the Museum has the ability to impose specific financial burdens on the County. The Museum has a fiscal year ending August 31st.

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

The Private Industry Council of Milwaukee County Inc., A Workforce Development Board, ("The PIC"), is a workforce development board that is a public/private partnership between government and business that plans, administers, and coordinates employment and training programs for adults and youth in Milwaukee County. The County Executive appoints the thirty-two-member board of directors, which is comprised of representatives from various segments of business, education, labor, and community-based organizations. A majority of the board members must be from the private sector. The PIC is presented as a discretely presented component unit because the County appoints all of the members of the governing body and therefore has the ability to impose its will on the PIC and because the economic resources held by the PIC are accessible to the County and benefit the County's constituents. The PIC has a fiscal year ending June 30th.

The Milwaukee County Research Park Corporation, ("The Corporation") is a non-stock, non-profit organization whose purpose is to advance the economic and social interest of the community. The Corporation was formed solely for the purpose of developing a research and technology park on parts of the Milwaukee County Institution Grounds that are not required for medical or health institution purposes. The governing body of the Corporation consists of a fifteen-member board. The County Executive appoints ten of the members and the County Board Chairman appoints five members. The Corporation is presented as a discretely presented component unit because the County appoints all of the members of the governing board and therefore has the ability to impose its will on the Corporation and because the economic resources held by the Corporation were contributed to the Research Park by the County for the direct benefit of the County and its constituents. The Corporation has a fiscal year ending December 31st.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices listed below.

Milwaukee County War Memorial Center
750 North Lincoln Memorial Drive
Milwaukee, WI 53202

Milwaukee Public Museum, Inc
800 West Wells Street
Milwaukee, WI 53233

The Private Industry Council of
Milwaukee County
2338 N. 27th Street
Milwaukee, WI 53210

Milwaukee County Research
Park Corporation
10437 Innovation Drive
Wauwatosa, WI 53226

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Related Organizations

The County Executive of the County is responsible for appointing the members of the board of the following organization, but the County's accountability for this organization does not extend beyond making the appointments.

Milwaukee County Federated Library System- The County Executive appoints the seven-member board. One board member is required to be a county board supervisor. Created according to state statute s. 43.15, it is a co-operative of the fifteen public libraries within Milwaukee County, who allow cross border borrowing, in exchange for technological services.

B. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the primary government and its discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

and other items not properly included among program revenues are reported instead as general revenues. The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds, proprietary funds, component units, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County applies GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," when accounting for and reporting intergovernmental revenue transactions. The governmental fund financial statements report these revenues when entitlements to those resources have occurred and all grant requirements have been met. In the government-wide and proprietary fund financial statements these revenues are recognized when entitlement to the resources have occurred and grant requirements have been met, regardless of the timing of the revenues. State shared revenues are recognized as revenues in the governmental funds when the County is entitled to these funds. Intergovernmental grants received for proprietary fund operating purposes, or which may be utilized for either operations or capital expenditures at the discretion of the County, are recognized as non-operating revenues in the accounting period in which they are earned. Intergovernmental grants restricted for the acquisition or construction of capital assets in the proprietary funds are recorded as a component of income.

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

All Financial Statements

The preparation of financial statements in conformity with 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Governmental Funds

Governmental fund financial statements 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. The County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. The County considers intergovernmental revenues to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes, intergovernmental revenues, sales taxes, investment income, rents, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, fines and forfeitures and all other revenue items are considered to be measurable and available only when the county receives cash. Uncollected property taxes of municipalities within the County are purchased and then collected by the County. There is no recourse to the municipalities for the collection of these taxes. The County uses a seven-month availability period for these receivables of approximately \$ 6.6 million.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The County's enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds (Continued)

the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The enterprise fund activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Proprietary funds separate all activity into two categories: operating and non-operating revenues and expenses. 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. Proprietary fund operating expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and noncapital financing activities and investing activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt is recorded as a liability in the fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Fiduciary Funds

The County uses fiduciary funds to account for assets held in a trustee or agency capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Agency funds report only assets and liabilities and therefore do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

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Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation

The County has presented the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund accounts for the resources segregated for the acquisition or construction of major capital facilities.

The County has presented the following major proprietary funds:

The Airports Fund accounts for the operations of General Mitchell International and Timmerman Airports. Airport passenger facility charges and related capital expenditures are not accounted for in the airport's enterprise fund but are accounted for as a special revenue fund.

Behavioral Health Fund accounts for the operation and activities of behavioral health services that provides care and treatment to emotionally and mentally ill adults, children and adolescents on an outpatient, partial hospitalization and inpatient basis.

The Transit System Fund accounts for the activities of the Milwaukee County Transit System and the Paratransit System. The Transit System provides public transportation in the Milwaukee metropolitan area and is managed by Milwaukee Transit Services, Inc.; a private non-profit corporation. The Paratransit System is also operated by Milwaukee Transport Services, Inc., to provide transportation, using private vendors, for passengers who meet the paratransit eligibility requirements.

The County has presented the following non-major funds and other fund types:

Special Revenue Funds account for endowments, bequests and restricted donations to the County and passenger facility charges of the Airport, where the principal may be expended in the course of their designated operations. The specific purpose of each fund is as follows:

Zoo- Purchase of animals and maintenance of the miniature passenger railroad.

Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Parks- Enhancement of the Todd Wehr Nature Center and maintenance of parks and pathways.

Persons with Disabilities- Special projects to help free disabled persons from environmental and attitudinal barriers.

Behavioral Health Division- Mental health research, patient activities and special events.

Airport PFC- (Passenger Facility Charge)-collection of Federal Aviation Administration (FAA) approved passenger charges for capital projects at the Airport.

Health and Safety- established for Risk Management to work with the countywide safety committee to address safety issues countywide. It also funds costs associated with new employee screenings.

Internal Service Funds account for services provided to other departments and agencies of the government. Information Management Services, Public Works Services, and Risk Management are the County's internal service funds.

The Pension Trust Fund accounts for activities of the Employees' Retirement System and OBRA 1990 Retirement System of the County of Milwaukee. This fund accumulates resources for pension benefit payments to qualified Milwaukee County employees. Substantially all full and part-time employees of the County participate in these single-employer defined benefit plans.

Agency Funds are custodial in nature and are used to account for resources held by the County as an agent for individuals, private organizations and other governmental units. The significant agency fund within the County is the Civil Court-ordered Family Support/ Payments.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

To facilitate cash management of the County's resources, cash and investments are pooled in common accounts. All cash and investments pooled in common accounts are considered cash equivalents for the purposes of the statements of cash flows. The cash and investment balance in each fund, except for certain Special Revenue, and Agency Funds, and certain cash accounts of the Airport Fund and Transit Fund represent the equity in these pooled resources. Substantially all of the deposits and investments of the Agency Funds are

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

1. Deposits and Investments (Continued)

held separately from those of other County funds. The Airport Fund holds certain reserves under Revenue Bond restrictions separately. A portion of cash and investments in the Transit Fund are held in a separate account with Milwaukee County Transport Services, a non-profit corporation. The resources of the Special Revenue and Agency funds are restricted and are not available to the County to finance its operations.

Statutes authorize the County to invest in State-authorized financial institution time deposits that mature in not more than three years, bonds or securities issued or guaranteed as to principal and interest by the Federal government, bonds or securities of any municipality of the State, securities that mature not more than ten years from the date on which the security was acquired and which has a rating in one of the two highest categories assigned by a nationally-recognized rating agency, repurchase agreements secured by funds or securities issued or guaranteed as to principal and interest by the Federal government, and local government pooled investment funds. In addition, the Pension Board, as administrator of the Pension Trust Fund, is authorized to invest in all types of investments deemed appropriate.

All investments are stated at fair value including investments in the Pension Trust fund.

2. Receivables

Activity between funds that are representative of lending /borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Milwaukee County has no "Advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds".

Amounts due from private individuals, organizations or other governments, which pertain to charges for services rendered by County departments are reported as accounts receivable. Receivables are reviewed periodically to establish or update the allowance for doubtful amounts. All trade receivables for the Business-type funds are shown net of an allowance for uncollectibles.

Property tax receivables represent the taxes levied on or before December 31; the lien date. Taxes are recognized in the governmental funds as revenue in the year when they are available to finance county services. Since these property

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Receivables (Continued)

tax receivables are not available for the current fiscal year, they are fully reflected as deferred revenues.

Property taxes are levied based on the equalized value, which is computed from January 1, the assessment date, of all general property located in the County. The equalized value excludes tax incremental financing districts. The taxes are due on the last day of January but may be paid in two or more installments, depending on local ordinance.

Delinquent property tax receivable is comprised of the unpaid property taxes the County purchases from other taxing authorities, except the City of Milwaukee, to facilitate the collection of taxes. The purchases are a financing arrangement and are reflected as a reservation of fund balance at year-end for amounts considered unavailable. The County's portion of uncollected property taxes within the boundaries of the City of Milwaukee is sold, at the unpaid balance, to the City each year.

Interest is earned on investments and delinquent property taxes. Accrued interest at the end of the year on delinquent taxes, that is not collectable within sixty days are reflected as deferred revenue in the governmental funds.

3. Inventory and Prepaid Items

Inventories are valued at average cost or current cost, which approximates the first-in/first-out (FIFO) method. Inventories in the governmental and proprietary funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the 2000, 2003, 2004, and 2005 Airport enterprise fund revenue bonds, as well as certain resources set aside for repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. As stated earlier (see item 1 under section D in the notes), the Special Revenue and Agency funds are also restricted resources and are not available to the County to finance its operations. The Airport Revenue Bond Interest and

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Restricted Assets (Continued)

Principal Account is used to segregate resources accumulated for the semi-annual debt service payments. The Airport Revenue Bond Debt Service Reserve Account is used to report resources set aside to make up for any future deficiencies that may occur in the Airport Revenue Bond Principal and Interest Account. In addition, the Airport Revenue Bonds require that fund equity be reserved for Debt Coverage, and Operations and Maintenance Reserves. The Debt Coverage Reserve Account and the Operations and Maintenance Reserve Account are used to report resources set aside to subsidize potential deficiencies from the Airport operation that could adversely affect debt service payments. When both restricted and unrestricted resources are available to make certain payments, the County uses unrestricted resources to liquidate payments.

In addition, at the end of 2005, the Airport had \$ 29,291 of 2004 and 2005 revenue bond proceeds that was unspent, and for purposes of this report, are considered restricted.

In addition, the County has restricted \$ 5,200 of contributed assets for a \$ 14,400 debt guarantee made by the County on behalf of a local company.

The County provided the guarantee in return for a mortgage on specific assets of the company plus \$ 5,000 of cash provided by the company and the State of Wisconsin. These funds act as a debt reserve, and are included in the Airport PFC's special revenue fund.

Under a contract agreement between the State of Wisconsin Department of Health and Family Services and the County's Department on Aging Care Management Organization, the County is required to restrict cash of \$ 2,250. This restricted cash is for both a restricted reserve and a solvency reserve under the contract.

5. Capital Assets

Government-wide Statements

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, drainage, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$ 2,500 (two thousand five

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Capital Assets (Continued)

Government-wide Statements (Continued)

hundred dollars) and an estimated useful life in excess of one year. The exception to this is for purchases of data processing equipment in which the initial individual cost has to be more than \$ 1,000 (one thousand dollars). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets received as gifts or donations are recorded at estimated fair market value at the time of receipt.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized at cost when purchased or constructed and updated for the cost of additions and retirements during the year.

Property, plant, equipment, and infrastructure of the primary government and its component units are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Land Improvements	20-25
Vehicles	5-12
Office Equipment	5-10
Building Improvements	20
Infrastructure	20
Computer Equipment	5

The County owns a collection of zoo animals and a collection of museum historical artifacts. The County's collection of zoo animals and museum historical artifacts meet the definition of a capital asset and normally should be capitalized and reported in the financial statements. However, the requirement of capitalization is waived for collections meeting all of the following conditions, 1) the collection is held for reasons other than financial gain. 2) The collection is protected, kept unencumbered, cared for, and preserved. 3) The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Capital Assets (Continued)

Government-wide Statements (Continued)

With regard to the collection of zoo animals and in accordance with industry practice, animal collections are recorded at the nominal amount of \$ 1 (one dollar), as there is no objective basis for establishing value. Additionally, animal collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Acquisitions are recorded as expenditures in the period of acquisition. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the County shares animals with other organizations. Consistent with industry practice, the County does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

The County has elected not to capitalize the collection of museum historical artifacts because these assets meet the criteria stated above that qualify the collections for exemption from the capitalization requirement.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Compensated Absences

County employees are granted sick and annual vacation leave in varying amounts in accordance with administrative policies and union contracts. County employees are requested to use all accumulated vacation time earned before the end of the subsequent calendar year. In the event of termination or retirement, the employees are paid for accumulated vacation days.

Generally, accumulated sick pay is forfeited upon termination other than retirement. When an employee retires, accumulated sick leave benefits vest. Most represented employees are entitled to full payment for accumulated sick pay upon retirement. Non-represented employees who retire are entitled to payment for accumulated sick leave up to a maximum of 400 hours plus 16 hours per 100 hours, or fraction thereof, of accrued sick leave in excess of the 400 hours, instead of full payment for all accumulated sick leave. Payments for sick

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. Compensated Absences (Continued)

pay benefits for retirement were approximately \$ 13,214 in 2004 and \$ 1,248 in 2005.

Amounts of vacation and sick pay earned and vested by employees have been accrued in the government-wide and proprietary fund financial statements. The short-term portions of compensated absences are classified as current liabilities. For the business-type activities and governmental activities the short-term portion is \$ 10,482 and \$ 22,038, respectively. The long-term portion of compensated absences, generally for sick leave payable upon retirement, is classified as compensated absences. Amounts paid to employees in the governmental fund types within 60 days of year-end have been recorded in the governmental funds.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Gains and losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. Bonds payable are reported net of the applicable bond premium or discount and gains or losses, as applicable. 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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The 1993 Refunding Bonds included zero coupon bonds, which were sold at a deep discount. These zero coupon bonds mature in the last three years of the bond issue beginning in 2009. The discount on the 1993 zero coupon bonds are amortized as accretion (interest expense) over the life of the bonds in the government-wide and in the proprietary fund type financial statements.

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets- Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicated it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

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 use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Statutes of the State of Wisconsin require that the surplus/deficit of all departments of the County be determined in accordance with GAAP based on fund financial statements. The amount of any surplus/deficit of the current year is reserved by County Ordinance 32.91(4) a (4) and is used to reduce/increase property tax levy in the subsequent budget period.

The Board of Supervisors may by two-thirds vote, adopt a resolution prior to the adoption of the tax levy authorizing the use of the surplus in whole

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. Equity Classifications (Continued)

Fund Statements (Continued)

retire outstanding general obligation bonds of the County. The Board of Supervisors may also by two-thirds vote adopt a resolution authorizing the surplus to be used to provide funds for emergency needs, as defined under the Statutes. The surplus cannot be used for any other purposes except those stated above.

9. Allowance for Doubtful Accounts

The County's Behavioral Health Fund provides an allowance for all third-party payers such as Medicare, Medicaid, HMO's, and other types of health insurance. For all third-party payers a contractual revenue adjustment is accrued in the current year of operations for the difference between billed charges and expected reimbursement. In as much as the adjustment is an estimate, any difference between the amount accrued and the amount settled is recorded in operations in the year of settlement. At December 31, 2005, this allowance was \$ 5,915. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at December 31, 2005. All allowances are netted against receivables for financial statement presentation.

10. Capitalization of Interest

Interest is capitalized on business-type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During 2005, the amount of capitalized interest was \$ 1,600.

11. Obligation for Bond Arbitrage Rebate

Pursuant to Section 148(f) of the U. S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. The County uses the "revenue reduction" approach in accounting for rebateable arbitrage. This approach treats excess earnings as a reduction of revenue. The liability for rebateable arbitrage was \$ 702 as of December 31, 2005 and is recorded in the Debt Service Fund.

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

12. Landfill Post-Closure Costs

Under the terms of current state and federal regulations, the County is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The County recognizes these costs of closure and post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for closure and post-closure costs are recognized in the governmental activities.

13. Capital Contributions

The capital contributions accounted for in the proprietary fund types represent contributions from other funds and state and federal grant programs. The contributions amount is reported after non-operating revenues and expenses on the statement of revenues, expenses, and changes in fund net assets in accordance with GASB Statement 33.

14. Deferred Revenues

Deferred revenues reported in the government-wide and proprietary financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

15. Pension Obligations

Pension expenditures of governmental fund types are recognized on the modified accrual basis; which means that the amount of pension expense recognized is equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. In the government-wide and proprietary financial statements, pension expense is recognized on the accrual basis; which means that the amount recognized in the current period is equal to annual pension cost. The pension obligation/asset represents the difference between the annual required contribution plus interest net of payments.

16. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances of purchase orders, contracts and other commitments for the expenditure of funds

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

16. Encumbrances (Continued)

are recorded as reservation of fund balance until expended. Encumbrances are not reflected as expenditures. Encumbrance appropriations are recorded as reservations of fund balance and are liquidated in subsequent years. Every appropriation lapses at December 31, to the extent that it has not been expended or encumbered. Expenditures are recorded and encumbrances are liquidated when the services or materials are received.

17. Claims and Judgments

Claims and judgments are recorded as liabilities when the conditions of Statement of Financial Accounting Standards No. 5 have been met. Claims and judgments are liquidated with expendable available financial resources and are recorded during the year as expenditures in the governmental funds. If they are not liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

Note 2- Stewardship, Compliance, and Accountability

Budgetary Information

All County departments are required to submit their annual budget requests for the ensuing year to the County Executive by June 15. The Department of Administration, acting as staff for the County Executive, reviews the requests in detail with the departments during June, July and August. After all of the requests have been reviewed, the County Executive submits his proposed Executive Budget to the Board of Supervisors. County Ordinance requires that this be done on or before October 1. The Board of Supervisors must complete its review and adopt the budget on or before the first Tuesday after the second Monday in November.

All adopted budgets for the governmental funds are prepared in accordance with the modified accrual basis of accounting, except for the treatment of the fund balance- reserve for 2005 appropriations and encumbrances. For budget purposes, fund balance-reserved for 2005 appropriations – is reflected as other financing sources whereas, for accounting purposes, it is reflected as part of fund balance. For budget purposes, encumbrances are recorded as expenditures as opposed to a reservation of fund balance.

Note 2- Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

The Board of Supervisors legally adopts annual budgets for the general, debt service, capital projects, enterprise and internal service funds. The legal level of budgetary control is by department. For budget purposes, the Debt Service and Capital Projects Funds are considered departments. Once the budget is adopted, transfers of appropriations among departments require approval by the board of supervisors and are permitted only during the last three months of the year. Supplemental appropriations for the purpose of public emergencies may be made from unanticipated revenues received or surplus earned, as defined by resolution adopted by a vote of two-thirds of the members of the board of supervisors. Supplemental appropriations from the issuance of tax anticipation notes require an affirmative vote of three-fourths of the members of the board of supervisors. During the 2005 fiscal year, the Board of Supervisors adopted no supplemental appropriations.

Budgetary Basis of Accounting

The "Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis)- General Fund " is prepared on a basis consistent with the legally adopted budget. Under this method, encumbrances outstanding are charged to budgetary appropriations and considered as expenditures of the current period. In addition, Fund Balance Reserved for 2005 Appropriations is available for financial expenditures and is reflected as other financing sources (uses). The "Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds" is prepared on a basis consistent with GAAP. Under this method, encumbrances are considered a reservation of fund balance and charged to expenditures in the period in which goods or services are received. Encumbrance amounts at year-end are reflected as a component of the Fund Balance titled "Fund Balance (Deficit) Reserved for Encumbrances". A reconciliation for the General Fund follows:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 698,125	\$ (107,054)
Encumbrances	7,536	-
Reserved for 2005 Appropriation	-	(3,534)
Transfers to Component Units	(6,216)	(6,216)
Non-GAAP Budgetary Basis	<u>\$ 699,445</u>	<u>\$ (116,804)</u>

Appropriations lapse at year-end except for capital projects, which are carried forward to the subsequent year.

Note 2- Stewardship, Compliance, and Accountability (Continued)

County Tax Rate Limit (Amounts Expressed in Dollars)

Section 59.605 of the Wisconsin Statutes imposes a limit on the property tax rate that the County can impose upon its citizens. Separate limits were imposed for operating levy rates and debt service levy rates of \$ 4.08 per \$ 1,000 of equalized value and \$ 1.42 per \$ 1,000 of equalized value, respectively. For 2005, the County's actual operating and debt service levy rates were \$ 3.81 per \$ 1,000 of equalized value and \$.73 per \$ 1,000 of equalized value, respectively.

Note 3- Deposits and Investments

The majority of the deposits and investments of the Primary Government, excluding the Pension Trust Fund, are maintained in a pool of cash and investments in which each fund participates on a dollar equivalent basis. Interest is distributed monthly to certain trust and funds, which have been designated as interest earning funds. The remaining investment earnings are provided as an offset to costs for the government as a whole. A "zero balance account" mechanism provides for the sweep of deposits made to bank accounts and the payment for checks presented against accounts. The Primary Government, excluding the Pension Trust, then makes a decision to either transfer funds to an investment manager for the purchase of government securities, or to maintain the funds in the financial institution. Funds sent to the investment manager are used to purchase investments that meet the County's investment policy and State Statute requirements. The net funds maintained at the financial institution will earn a guaranteed rate of return set to the current market LIBOR rates. The funds maintained at the financial institution are secured by collateral in the County's name at a Federal Reserve Bank.

The following information presents the deposits and investments of the Primary Government, excluding the pension trust fund. The pension trust fund is presented at the end of the footnote, and will be designated as "Pension Trust Fund".

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Note 3- Deposits and Investments (Continued)

Reconciliation of Cash and Investments:

Statement of Net Assets:

Cash and Investments	\$ 153,261
Cash and Investments- Restricted	79,898
Subtotal	233,159

Statement of Fiduciary Net Assets:

Cash and Investments	
Pension Trust Fund	1,523,183
Agency Fund	23,524
Total	\$1,779,866

Deposits	\$ 87,473
Investments	169,210
Pension Deposits	8,704
Pension Investments	1,514,479
Total	\$1,779,866

Cash Deposits

The carrying amount of the County's deposits at December 31, 2005 was \$ 87,473 and the bank balance was \$ 94,957.

Custodial Credit Risk-Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to cover collateral securities that are in the possession of an outside entity. Deposits with banks are insured by the FDIC in the amount of \$ 100 and by the State Deposit Guarantee Fund in the amount of \$ 400. The County does not have a deposit policy for custodial credit risk. Of the \$ 94,957 deposits with financial institutions, \$ 4,516 was covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund, \$ 70,096 was collateralized with government securities held in a separate financial institution in the County's name, and \$ 20,345 was uninsured and uncollateralized and is exposed to custodial credit risk.

Investments

The County's investment policy applies to all financial assets held or controlled by Milwaukee County, other than pension fund assets, consistent with the intent of State of Wisconsin Statutes (S.66.0603(1m)) and Milwaukee County Ordinance.

Note 3- Deposits and Investments (Continued)

Investments (Continued)

The primary objectives of the County's Statement of Investment Policies is to preserve and protect investment principal, maximize the return on the investment portfolio, and to avoid assuming unreasonable investment risk. The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and liquidity needs. The County's investment portfolio will remain sufficiently liquid to enable the County to meet reasonably anticipated day-to-day operating requirements. The County will employ mechanisms to control risk and diversify its investments with respect to specific security types or individual security issuers.

As of December 31, 2005 the County had the following investments:

Investment Type	Fair Value
Government Guaranteed Adjustable Rate Securities	\$ 3,399
Government Agency Guaranteed Adjustable Rate Securities	133,098
AAA Municipal Bonds	5,045
Guaranteed Investment Contracts	7,599
Mutual Funds	6,602
Money Market/Cash Equivalents	12,465
Corporate Bonds	1,002
Total	\$ 169,210

Custodial Credit Risk-Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of investment securities that are in the possession of an outside party. Investments are held by the counterparty's trust department or with its agent in the County's name. The County's investment policy states that all securities shall be properly designated as an asset of Milwaukee County and held in safekeeping by a third-party custodial bank or other third-party custodial institution, chartered by the United States Government of the State of Wisconsin and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the County Treasurer or a designee. The County does not have any investments exposed to custodial credit risk.

Note 3- Deposits and Investments (Continued)

Interest Rate Risk-Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To the extent possible, the County attempts to match its investments with anticipated cash flow requirements. In the absence of individual security maturity limitations specified in the Wisconsin State Statutes, the County does not directly invest in securities maturing more than ten years from the date of purchase. For adjustable rate securities, the time to coupon reset is used as the effective maturity period.

As of December 31, 2005, the County had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Government Guaranteed Adjustable Rate Securities	\$ 3,399	\$ 3,399	\$ -	\$ -	-
Government Agency Guaranteed Adjustable Rate Securities	133,098	63,784	69,314	-	-
AAA Municipal Bonds	5,045	-	4,001	1,044	-
Guaranteed Investment Contracts	7,599	-	-	-	7,599
Money Market/Cash Equivalents	12,465	12,465	-	-	-
Corporate Bonds	1,002	-	1,002	-	-
Totals	\$ 162,608	\$ 79,648	\$ 74,317	\$ 1,044	\$ 7,599

The mutual funds with a fair value of \$ 6,602 at December 31, 2005 have an average maturity of nine days.

Credit Risk-Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality rating of a security (rated by Moody's Investor Service or Standard & Poor's) gives an indication of the degree of credit risk for that security. Listed below are the County's investments with the corresponding credit quality ratings: The County does not have an investment policy pertaining to credit risk.

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Note 3- Deposits and Investments (Continued)

Credit Risk-Investments (Continued)

Investment Type	Fair Value	Standard & Poor's	Moody's Investor Service
Government Guaranteed Adjustable Rate Securities	\$ 3,399	AAA	AAA
Government Agency Guaranteed Adjustable Rate Securities	133,098	AAA	AAA
AAA Municipal Bonds	5,045	AAA	AAA
Guaranteed Investment Contracts	7,599	N/A	N/A
Mutual Funds	6,602	AAA	AAA
Money Market/Cash Equivalents	12,465	N/A	N/A
Corporate Bonds	1,002	AAA	AAA
Total	\$ 169,210		

Concentration of Credit Risk-Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County's written investment policy states that investments held by the County shall be diversified to control the risk of loss resulting from over concentration of investments in a specific maturity, issuer, instrument/and or class of instrument(s), and dealers through whom securities are brought and sold. The County's written investment policy also places limits on the percentage of the portfolio that may be invested in each type of investment. The following percentage ranges of portfolio investments apply to the investment categories currently allowed by Wisconsin Statute:

- Time and other Money Market deposits of banks, savings banks, trust companies, savings and loans, credit unions, regulated by the Securities and Exchange Commission 0-50%
- U. S. Treasury and Other Federal agency/instrumentality securities 0-100%
- Corporate securities, including commercial paper 0-25%
- Municipal securities 0-25%
- Local Government Pooled Investment Fund of the State Investment Board 0-50%
- Repurchase agreements with public depository institutions (only) and where specific and appropriate collateral is provided 0-50%
- Securities of an open-end management investment company or investment trust, investing in statutorily allowed securities 0-25%
- All other security types, when and if authorized in the future by amendment to Wisconsin statute 0-25%

Note: It is understood that on an occasional and short-term basis, usually less than a month, it may be necessary to exceed the 50% maximum investment, per

Note 3- Deposits and Investments (Continued)

Concentration of Credit Risk-Investments (Continued)

institution in the Local Governmental Pooled Investment Fund of the State Investment Fund.

The County's investment policy also limits the use of reverse repurchase agreements to transactions with commercial banks located in the State of Wisconsin to a period of time no longer than 14 days. The County enters into reverse repurchase agreements for cash flow purposes only.

At December 31, 2005, the County is not exposed to concentration of credit risk.

Cash Deposits-Pension Trust Fund

The carrying amount of Pension Trust Fund deposits at December 31, 2005 was \$ 8,704 and the bank balance was \$ 11,525.

Custodial Credit Risk Deposits-Pension Trust Fund

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Pension Trust Fund will not be able to recover the value of its deposits. Deposits with banks are insured by the FDIC in the amount \$ 100 and in the amount of \$ 400 by the State Deposit Guarantee Fund. Deposits in excess of \$ 500 are uninsured and uncollateralized. As of December 31, 2005, the Pension Trust Fund was exposed to custodial credit risk for the uncollateralized deposits with banks that were not covered by federal depository insurance. Subsequent to year-end, deposits with banks were reduced to less than \$ 500. All deposits with banks are currently fully insured and no longer exposed to custodial credit risk. The Pension Trust Fund does not have a formal policy pertaining to custodial credit risk.

Investments-Pension Trust Fund

The Pension Board has exclusive control and management responsibility of the Pension Trust Funds and full power to invest the funds. In exercising its fiduciary responsibility, the Board is governed by the "prudent person" rule in establishing investment policy. The "prudent person" rule, requires the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income as well as the probable safety of the principal.

Note 3- Deposits and Investments (Continued)

Investments-Pension Trust Fund (Continued)

Investments in primarily stocks, bonds, certain government loans and mortgage-backed certificates, are stated at quoted fair value. Temporary cash investments are valued at cost, which approximated fair value. Investments in venture capital partnerships are valued at estimated fair value, as provided by the Pension Trust Fund's venture capital investment manager. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method.

As of December 31, 2005 the Pension Trust Fund had the following investments:

Investment Type	<u>Fair Value</u>
Domestic Common and preferred stocks	\$ 570,615
Corporate Bonds	460,758
International Common and preferred stocks	264,187
Federal Agency and Mortgage-Backed Certificates	46,208
International Fixed Income	35,200
US Government, State Obligations	58,113
Real Estate Investments Trusts	59,304
Venture Capital	20,094
Total	<u>\$ 1,514,479</u>

Custodial Credit Risk-Investments-Pension Trust Fund

Custodial credit risk for investments is the risk that, in the event a counterparty fails, the Pension Trust Fund will not be able to recover the value of investments or securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Pension Trust Fund's name and are held by the counterparty. Substantially all of the assets of the Pension Trust Fund are held in its name. Repurchase agreements held by the Pension Trust Fund are essentially collateralized overnight loans, with the securities held by the counterparty as collateral. These securities are held by the counterparty but not in the Pension Trust Fund's name. As of December 31, 2005, \$ 2,817 of the collateral for the repurchase agreements was exposed to custodial risk because it is held outside of the trust's name. The Pension Trust Fund does not have a formal policy for custodial credit risk.

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Note 3- Deposits and Investments (Continued)

Interest Rate Risk-Investments Pension Trust Fund

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of an investment's sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. The Option-Adjusted Duration method of measuring duration takes into effect the embedded options on cash flows. The Pension Trust Fund does not have a formal policy that limits investment maturities as a means of managing exposure to losses arising from increasing interest rates with the exception of the cash equivalent portfolio. The investment policy limits the duration of individual securities held in the cash equivalent portfolio to 2.5 years. In addition, the duration of the entire cash equivalent portfolio should be between 1 and 2 years.

As of December 31, 2005 the Pension Trust Fund had the following option-adjusted durations for the fixed income investment:

<u>Fixed Income Sector</u>	<u>Fair Value</u>	<u>Option-Adjusted Duration (In Years)</u>
Asset Backed Securities	\$ 11,948	1.07
CM Backed Securities	4,368	5.97
CMO Corporate	12,362	1.60
CMO Government Agencies	7,328	3.36
Corporate	160,132	5.76
Energy	1,439	2.41
Government	68,412	3.43
Health Care	3,314	3.16
Industrials	683	3.75
Information Technology	3,928	0.85
Other	61,766	0.08
U.S. Convertibles	2,880	0.84
U.S. Gov't Mortgages	25,412	3.63
U.S. Private Placements	11,451	6.30
Non U.S.	14,012	3.31
Other	273,085 *	N/A
Totals	<u>\$662,520</u>	

* Represents \$ 211,104 invested in bond mutual funds for which the duration was not available.

Credit Risk-Investments-Pension Trust Fund

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality rating of a security (rated by Moody's Investor Services (Moody's), Standard & Poor (S & P) and Fitch Ratings (Fitch's)

Note 3- Deposits and Investments (Continued)

Credit Risk-Investments-Pension Trust Fund (Continued)

gives an indication of the degree of credit risk for that security. With the exception of the Loomis Sayles-High Yield and the MCM Aggregate Bond portfolios, bonds purchased and owned in each portfolio must have a minimum quality rating of Baa3 (Moody's) or BBB- (S & P and Fitch's). The average quality of each portfolio must be A or better. For Loomis Sales-High Yield, bonds must have a minimum quality rating of B3 (Moody's) or B- (S & P and Fitch's) at the time of purchase. The fixed income securities for the MSM Aggregate Bond portfolio should have a minimum quality rating of A, with the exception of 15% of the portfolio, which may have a minimum quality rating of BBB.

As of December 31, 2005 the Pension Trust Fund had the following average credit quality ratings of investments in fixed income securities:

<u>Average Quality Ratings *</u>	<u>Fair Value</u>
AAA	\$ 37,187
AA1	4,225
AA2	1,735
AA3	476
A1	3,307
A2	63,197
A3	6,960
BAA1	11,018
BAA2	23,971
BAA3	16,685
BA1	25,054
BA2	26,289
BA3	15,624
B1	16,436
B2	12,756
B3	8,836
CAA1	5,731
CAA2	1,437
NR	5,944
Total Credit Risk Fixed Income Securities	286,868
U.S. Government and Agencies	104,321
Mutual Funds (Not Rated)	209,090
Total Investment in Fixed Income	<u>\$600,279</u>

*This represents the average rating of the Moody's, S & P and Fitch's rating services. The rating symbols are those used by Moody's.

Note 3- Deposits and Investments (Continued)

Concentration of Credit Risk-Investments-Pension Trust Fund

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Pension Trust Fund has no investments (other than those guaranteed by the U.S. Government and investments in mutual funds) that represent 5 percent or more of the plan net assets as of December 31, 2005.

Foreign Currency Risk Investments-Pension Trust Fund

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Pension Trust Fund's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments.

As of December 31, 2005 the Pension Fund had the following investments exposed to foreign currency risk:

Current Unit	Equity Incl Private Equity	Fixed Income Incl Conv Deb	Total
Australian Dollar	\$ 1,237	\$ -	\$ 1,237
Brazilian Real	-	1,146	1,146
British Pond Sterling	10,913	-	10,913
Canadian Dollar	3,233	3,879	7,112
Danish Krone	263	-	263
Euro Currency Unit	22,348	-	22,348
Hong Kong Dollar	1,028	-	1,028
Japanese Yen	25,084	-	25,084
Mexican New Paso	-	2,642	2,642
Norwegian Krone	220	941	1,161
S African Comm Rand	886	-	886
Singapore Dollar	725	2,035	2,760
South Korean Won	1,312	1,445	2,757
Swedish Krona	1,385	425	1,810
Swiss Franc	6,916	-	6,916
Thailand Baht	-	1,758	1,758
Totals	\$ 75,550	\$ 14,271	\$89,821

The Pension Trust Fund does not have a policy for foreign currency risk.

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Note 4- Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectibles accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 4,157	\$ -	\$ -	\$ -	\$ 4,157
Taxes:					
Current Levy	233,430	-	-	-	233,430
Delinquent	7,988	-	-	-	7,988
Accounts	1,209	187	-	-	1,396
Notes	4,100	4,445	-	-	8,545
Other	7,988	-	109	243	8,340
Due from Other Governments	<u>54,086</u>	<u>-</u>	<u>3,161</u>	<u>-</u>	<u>57,247</u>
Gross Receivables	312,958	4,632	3,270	243	321,103
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$312,958</u>	<u>\$ 4,632</u>	<u>\$ 3,270</u>	<u>\$ 243</u>	<u>\$321,103</u>

Of the delinquent taxes receivable of \$ 7,988, \$ 4,473 are not expected to be collected within one year.

At December 31, 2005 accounts receivable and the allowance for uncollectibles accounts of the Enterprise funds are as follows:

	<u>Airport</u>	<u>Behavioral Health Division</u>	<u>Transit System</u>	<u>Total</u>
Receivables:				
Accounts	\$ 8,093	\$ 17,350	\$ 166	\$ 25,609
Other	-	-	2,329	2,329
Due from Other Governments	<u>-</u>	<u>-</u>	<u>4,853</u>	<u>4,853</u>
Gross receivables	8,093	17,350	7,348	32,791
Less: Allowance for Uncollectibles	<u>-</u>	<u>(5,915)</u>	<u>-</u>	<u>(5,915)</u>
Net Total Receivables	<u>\$ 8,093</u>	<u>\$ 11,435</u>	<u>\$ 7,348</u>	<u>\$ 26,876</u>

All amounts are expected to be collected within one year.

Note 4- Receivables (Continued)

The gross amount of notes receivable consisted of the following at December 31, 2005:

General Fund	\$ 4,100
Debt Service Fund	4,445
Total	8,545
Less: Allowance for Uncollectible Accounts	-
Net	\$ 8,545
Amounts Due Within One Year	\$ 3,410
Amounts Due In More Than One Year	\$ 5,135

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental and proprietary funds were as follows:

Deferred Revenue - Governmental Activities:

2005 Property Tax Levy	\$232,593
Other Deferred Credits:	
Public Works Services	197
Risk Management	63
Other Deferred Revenue	2,514
Total	\$235,367

Deferred Revenue - Business-Type Activities:

Airport	\$ 8,678
Other Deferred Credits:	
Behavioral Health	113
Transit	1,969
Total	\$ 10,760

Note 5- Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2005.

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 60,269	\$ -	\$ (749)	\$ 59,520
Construction in progress	53,950	22,168	(3,287)	72,831
Total Capital Assets, not being Depreciated	114,219	22,168	(4,036)	132,351
Capital Assets, Being Depreciated				
Land Improvements	197,164	-	(1,281)	195,883
Buildings	549,893	-	(18,525)	531,368
Fixed Equipment Buildings	27,121	29	(3,264)	23,886
Infrastructure	117,874	11,175	(760)	128,289
Machinery and Equipment	79,976	486	(3,451)	77,011
Vehicles and related Equipment	37,764	2,868	(3,796)	36,836
Furniture and Fixtures	1,054	10	(53)	1,011
Capital Lease Equipment	828	-	(606)	222
Total Capital Assets, Being Depreciated	1,011,674	14,568	(31,736)	994,506
Less: Accumulated Depreciation				
Land Improvements	(103,282)	(5,440)	1,253	(107,469)
Buildings	(251,454)	(14,796)	15,141	(251,109)
Fixed Equipment Buildings	(15,030)	(1,097)	3,215	(12,912)
Infrastructure	(45,025)	(6,452)	760	(50,717)
Machinery and Equipment	(45,958)	(5,023)	3,279	(47,702)
Vehicles and related Equipment	(23,527)	(2,883)	3,144	(23,266)
Furniture and Fixtures	(858)	(42)	52	(848)
Capital Lease Equipment	(828)	-	607	(221)
Total Accumulated Depreciation	(485,962)	(35,733)	27,451	(494,244)
Net Capital Assets Being Depreciated	525,712	(21,165)	(4,285)	500,262
Governmental Activities Capital Assets- Net	\$ 639,931	\$ 1,003	\$ (8,321)	\$ 632,613

Governmental activities capital assets, net of accumulated depreciation, at December 31, 2005 are comprised of the following:

General Capital Assets, Net	\$570,410
Internal Service Fund Capital Assets, Net	62,203
Total	<u>\$632,613</u>

Note 5- Capital Assets (Continued)

Primary Government (Continued)

Depreciation was charged to governmental functions as follows:

Legislative and Executive, and Staff	\$	2,750
Courts and Judiciary		42
General Governmental Services		1,936
Public Safety		5,758
Public Works and Highways		12,209
Human Services		2,668
Parks, Recreation, and Culture		10,370
Total	\$	<u>35,733</u>

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2005.

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Business-type Activities				
Capital Assets, not being Depreciated				
Land	\$ 20,759	\$ 1,795	(113)	\$ 22,441
Construction in progress	51,638	31,784	(12,812)	70,610
Total Capital Assets, not being Depreciated	72,397	33,579	(12,925)	93,051
Capital Assets, Being Depreciated				
Land Improvements	121,903	2,200	(1)	124,102
Buildings	224,708	4,134	(7)	228,835
Fixed Equipment Buildings	94,297	790	(3)	95,084
Machinery and Equipment	14,475	848	(2,060)	13,263
Vehicles and related Equipment	156,636	4,178	(13,868)	146,946
Furniture and Fixtures	3,439	2	(31)	3,410
Total Capital Assets, Being Depreciated	615,458	12,152	(15,970)	611,640
Less: Accumulated Depreciation				
Land Improvements	(76,879)	(3,981)	2	(80,858)
Buildings	(157,022)	(7,202)	6	(164,218)
Fixed Equipment Buildings	(18,320)	(4,327)	3	(22,644)
Machinery and Equipment	(10,173)	(783)	2,049	(8,907)
Vehicles and related Equipment	(78,521)	(11,190)	13,751	(75,960)
Furniture and Fixtures	(1,418)	(87)	30	(1,475)
Total Accumulated Depreciation	(342,333)	(27,570)	15,841	(354,062)
Net Capital Assets Being Depreciated	273,125	(15,418)	(129)	257,578
Business-type Activities Capital Assets- Net	\$ 345,522	\$ 18,161	\$ (13,054)	\$ 350,629

Note 5- Capital Assets (Continued)

Primary Government (Continued)

Depreciation was charged to business-type activities as follows:

Airport	\$ 13,754
Behavioral Health	733
Transit System	<u>13,083</u>
Total	\$ <u>27,570</u>

Discretely Presented Component Units

Of the County's four component units two have reportable capital assets, the Milwaukee Public Museum and the Private Industry Council of Milwaukee County.

The capital assets of the Milwaukee Public Museum consist of the following:

Construction in progress	\$ 581
Land	343
Building additions and improvements	19,041
Furniture, equipment and exhibits improvements	9,790
Living Collections	24
Less: Accumulated depreciation	<u>(8,218)</u>
Capital Assets, Net	\$ <u>21,561</u>

The capital assets of the Private Industry Council of Milwaukee County consist of the following:

Land	\$ 170
Building	1,730
Building Improvements	861
Furniture and Fixtures	164
Less: Accumulated Depreciation	<u>(115)</u>
Capital Assets, Net	\$ <u>2,810</u>

Note 5- Capital Assets (Continued)

Construction Commitments

Following is a list of major capital projects either started or continuing in 2005. These reflect projects for both governmental funds and proprietary funds.

Project Area	Project Description	2005	2005	Committed
		Appropriations	Expenditures	
Airport	CONTINENTAL OPERATION SPACE	\$ 11,343	\$ 19,800	\$ 6,638
Airport	GMIA, PHASE I MITIGATION PROGRAM	-	9,231	2,067
Airport	ELECTRICAL SYSTEM UPGRADE	2,059	3,209	1,189
Airport	D CONCOURSE IMPROVEMENTS	12,761	1,720	9,819
Airport	GMIA - E CONCOURSE STEM REMODEL	1,299	1,114	561
Airport	E CONCOURSE AIRCRAFT PARK RAMP	80	1,058	24
Airport	AIRPORT VEHICLES	-	732	74
Airport	GMIA- TERMINAL APRON JOINT REPAIR	650	509	148
Airport	CONCRETE BARRIERS (350)	-	330	9
Airport	FLEET MAINTENANCE FLOOR REPLACE	240	238	2
Airport	GMIA RE-LIGHT RUNWAY 7R/25L	-	195	-
Airport	GMIA C CONCOURSE GATE TAXIWAY	-	195	420
Airport	RUNWAY SAFETY AREA-NEPA COMP	500	180	50
Airport	GMIA C CONCOURSE HYDRANT FUEL	-	175	432
Airport	GMIA - MASTER PLAN UPDATE	-	174	413
Airport	LJT PAVEMENT REHABILITATION	-	155	-
Airport	GMIA, DRAINAGE MASTER PLAN	-	133	2
Airport	GMIA - CONCESSION MALL RENOVATION	-	132	19
Airport	GMIA - ENHANCED SECURITY POST	(350)	108	392
Airport	GMIA PART 150 NOISE STUDY	-	59	833
Airport	GMIA, PARK.-LOT 6TH AND GRANGE	-	54	12
BHD	PSYCHIATRIC FIRE ALARM SYSTEM	1,054	104	28
Genl Govt	COURTHOUSE HVAC SYSTEM	150	109	23
Genl Govt	COURTHOUSE ROOF REPLACEMENT	1,475	2,032	257
Genl Govt	800MHZ INTEROPERABILITY STUDY	845	1,587	75
Genl Govt	IMSD COMMUNICATION SYSTEM	1,900	1,297	603
Genl Govt	BACK-UP AND CITY MILW DATA CENTER	1,283	1,177	331
Genl Govt	FLEET AIRPORT EQUIPMENT	1,340	962	1,665
Genl Govt	FLEET ROADWAY IMPROVEMENTS	173	601	10
Genl Govt	CORPORATION COUNSEL COMPUTER EQUIPMENT	451	367	102
Genl Govt	OTHER AGENCIES OP TRANSFER	-	324	-
Genl Govt	SHERIFF CELLULAR PHONE 911 UPGRADE	495	203	167
Genl Govt	COURTHOUSE ANNEX RENOVATION	1,300	187	199
Genl Govt	COUNTY SPECIAL ASSESSMENTS	100	175	-
Genl Govt	COUNTY WEB, INTERNET & ELECTRONIC COMM DEVELOPMNT	200	143	78
Genl Govt	COUNTY GROUNDS ROAD RECONSTRUCTION	-	134	125
Genl Govt	COUNTYWIDE HANDICAP ACCESSIBLE	172	133	32

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

<u>Project Area</u>	<u>Project Description</u>	<u>2005 Appropriations</u>	<u>2005 Expenditures</u>	<u>Committed</u>
Genl Govt	BRASS BUDGET AUTOMATION	\$ 250	\$ 32	\$ 120
Genl Govt	JAIL VIDEO VISITATION-PLANNING	-	80	-
Genl Govt	ELECTRONIC MEDICAL RECORDS	-	72	20
Genl Govt	COURTHOUSE SECURITY EQUIPMENT	75	66	-
Genl Govt	FLEET - FIRE/HEAT DETECTION	(95)	54	2
Highways	RECONSTRUCT CTH & QUOT,S",-MILL RD	3,568	5,162	98
Highways	PEDESTRIAN STRUCTURE INVENTORY	1,829	2,475	46
Highways	BRIDGE REPLACEMENT PROGRAM	1,801	1,421	129
Highways	W. RAWSON AVE. S 68TH ST.	762	540	241
Highways	RESURFACE 76TH STREET	358	390	198
Highways	WEST RAWSON AVENUE 27TH TO ASH	-	356	-
Highways	S 76TH ST BRIDGE	-	308	-
Highways	RECONSTRUCT SOUTH 13TH	600	261	26
Highways	NHS GOOD HOPE/S 107TH -N PORT RD	247	114	189
Highways	S 76TH STREET TO W FOREST HOME	-	108	28
HOC	UPGRADE FIRE ALARMS	556	365	45
HOC	HOC INFRASTRUCTURE	-	131	7
HOC	LOTTER REPLACE-CONVERT HVAC	428	65	7
Hum Svcs	WEST ENTRANCE ACCESSIBILITY	659	1,132	354
Hum Svcs	KELLY SENIOR CENTER SIGN REPLACEMENT	518	731	98
Hum Svcs	CUSTOMER CARE UNIT PHONE SYSTEM	449	215	180
Parks	SOUTH SHORE BREAKWATER/ SHORELINE PROTECTION/BIKE TRAIL	1,647	1,826	357
Parks	PARKS INFRASTRUCTURE IMPROVEMENTS	938	1,014	539
Parks	COUNTYWIDE TRAIL & HARD SURFACE REPLACEMNT PROGRAM	450	695	33
Parks	COUNTY-WIDE PLAY AREA REDEVELOPMENT	344	372	19
Parks	BRADY STREET BRIDGE RAMP	302	259	11
Parks	MITCHELL DOMES REDEVELOPMENT	106	220	21
Parks	DINEEN GROBSCHMIDT PARKS	-	184	-
Parks	OAK LEAF TRAIL - LOOMIS TO DREXEL	-	149	312
Parks	GOLF COURSE IMPROVEMENTS	566	139	77
Parks	WASHINGTON PARK BAND SHELL	100	99	2
Parks	MENOMONEE RIVER STREAMBANK	275	98	376
Parks	51ST STREET BRIDGE REPLACEMENT	5	88	-
Parks	EAST SIDE BIKE TRAIL ACCESS	67	71	130
Parks	O'DONNELL PARK MAINTENANCE	-	68	5
Parks	SOUTH SHORE STORMWATER TREATMENT DEVICE	35	58	-
Parks	GRANT PARK BEACH IMPROVEMENTS	-	53	8

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

Project <u>Area</u>	Project <u>Description</u>	2005 <u>Appropriations</u>	2005 <u>Expenditures</u>	<u>Committed</u>
Parks, Rec & Cult	MILWAUKEE COUNTY HISTORICAL SOCIETY	\$ -	\$ 392	\$ 125
Parks, Rec & Cult	MARCUS CENTER-UIHLEIN HALL DIMMER SYSTEM	465	410	51
Parks, Rec & Cult	MARCUS CENTER FIRE ALARM SYSTEM	282	348	113
Parks, Rec & Cult	PLUMBING SYSTEM REPAIR	180	201	33
Parks, Rec & Cult	WAR MEMORIAL HVAC REPLACEMENT	710	198	97
Parks, Rec & Cult	SECURITY/FIRE/LIFE SAFETY SYSTEM REPLACEMENT	308	169	33
Parks, Rec & Cult	SOUTH SHORE PUBLIC ART	97	97	3
Transit	SCHEDULE/RUNCUTTING/OPERATORS	-	712	470
Transit	EXTERIOR WALL IMPROVEMENTS	-	308	-
Transit	KELLY SENIOR CENTER TURNAROUND	320	216	39
Transit	KK RCOMPLEX RENOVATIONS	-	197	-
Transit	BUS REPLACEMENT - ORION BUSES	4,290	105	-
Zoo	FELINE BUILDING	1,000	2,303	547
Zoo	ZOO PRIMATE BLDG RESTROOMS ADA	964	1,330	544
Zoo	MOAT NET INSTALLATION	(110)	81	30

Capital outlays are reported as expenditures in the governmental funds and bond proceeds are reflected as revenue for projects built on behalf of the governmental funds. However, in the statement of activities, the cost of capital assets built for the governmental funds is allocated over their useful lives as depreciation expense, and the bond proceeds are no longer a revenue but an increase in the long-term liabilities. Similarly, the governmental funds also report the expenditures and associated revenues of building proprietary fund assets. However, in the statement of activities, the cost of building proprietary fund assets is reclassified as transfers between governmental and business-type activities.

Asset Impairment

Public Works Services expenses in the Internal Service Funds included an impairment loss of \$ 1,253 related to the demolition of a building for freeway expansion.

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Note 6- Interfund Transfers

The composition of interfund transfers as of December 31, 2005 is as follows:

	Transfers From							Total
	General Fund	Debt Service Fund	Capital Projects Fund	Business Type Airport	Business	Business Type Transit	Internal Service Fund	
					Type Behavioral Health			
General Fund	\$ -	\$ 4,781	\$ 4,003	\$ 1,301	\$ 619	\$ 5,155	\$ 7,435	\$ 23,294
Non-Major								
Transfers In								
Governmental Funds	2,843	-	-	-	-	-	-	2,843
Debt Service	32,835	-	-	-	-	-	-	32,835
Internal Service								
IMSD	18,260	-	-	-	-	-	-	18,260
DPW	16,526	-	-	-	-	-	-	16,526
Business-type								
Airport	39	-	-	-	-	-	-	39
BHD	36,226	-	-	-	-	-	-	36,226
Transit	23,619	-	-	-	-	-	-	23,619
Total	\$ 130,348	\$ 4,781	\$ 4,003	\$ 1,301	\$ 619	\$ 5,155	\$ 7,435	153,642
Add: Transfers of Capital Assets from Governmental to Business-type Activities								7,127
Less: Government-wide eliminations								(107,960)
Total Transfers- Government-wide Statement of Activities								\$ 52,809

No fund may have a reserve except for the Airports Fund. All funds that have a net increase, the net increase is transferred to the General Fund. All funds that have a net decrease, the amount of the net decrease is transferred to them from the General Fund to make them break-even for the year.

Note 7- Leases

Operating Leases- Primary Government

The County leases facilities, office equipment, and vehicles. Total costs for such leases were \$ 4,926 for the year ended December 31, 2005. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2006	\$ 1,569
2007	1,277
2008	1,156
2009	934
2010	937
	<u>\$ 5,873</u>

Note 8- Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Amortized Accretion, Loss, Discount Premium	Payments & Adjustments	Ending Balance	Due in One Year
Governmental Activities:						
General Obligation Bonds	\$ 425,707	\$ 76,156	\$ 1,257	\$ (82,446)	\$ 420,674	\$ 34,923
Unfunded Claims and Judgments	13,024	8,324	-	(8,224)	13,124	3,874
Landfill Post-closure costs	11,700	4,654	-	(2,575)	13,779	1,569
Compensated Absences	37,416	29,372	-	(19,040)	47,748	22,038
Totals	\$ 487,847	\$ 118,506	\$ 1,257	\$ (112,286)	\$ 495,325	\$ 62,404

	Beginning Balance	Additions	Amortized Accretion, Loss, Discount Premium	Payments & Adjustments	Ending Balance	Due in One Year
Business-type Activities:						
General Obligation Bonds	\$ 57,152	\$ 2,063	\$ 79	\$ (6,245)	\$ 53,049	\$ 11,822
Revenue Bonds	120,737	37,021	37	(4,940)	152,855	5,870
Compensated Absences	25,809	12,389	-	(12,282)	25,916	10,482
Other Liabilities	9,486	6,070	-	(3,915)	11,641	1,903
Totals	\$ 213,184	\$ 57,543	\$ 116	\$ (27,382)	\$ 243,461	\$ 30,077

The General Obligation Bonds and Revenue Bonds activity includes refundings, which are described in "Advance and Current Refundings in this note.

Compensated Absences consist of the following:

	Beginning Balance	Additions	Payments & Adjustments	Ending Balance	Due in One Year
Governmental Activities:					
Retirement sick pay payout	\$ 20,796	\$ 11,782	\$ (2,420)	\$ 27,738	\$ 4,448
Vacation time earned	13,692	14,943	(13,726)	14,909	14,909
Overtime earned	1,222	1,298	(1,213)	1,307	1,307
Holiday pay	1,706	1,349	(1,681)	1,374	1,374
Totals	\$ 37,416	\$ 29,372	\$ (19,040)	\$ 47,748	\$ 22,038

	Beginning Balance	Additions	Payments & Adjustments	Ending Balance	Due in One Year
Business-type Activities:					
Retirement sick pay payout	\$ 16,925	\$ 2,724	\$ (2,873)	\$ 16,776	\$ 1,342
Vacation time earned	8,263	9,102	(8,817)	8,548	8,548
Overtime earned	455	13	(234)	234	234
Holiday pay	166	550	(358)	358	358
Totals	\$ 25,809	\$ 12,389	\$ (12,282)	\$ 25,916	\$ 10,482

Note 8- Long-term Liabilities (Continued)

Changes in Long-term Liabilities (Continued)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$ 49,252 of internal service funds long-term liabilities is included in the above figures. Also, for the governmental activities, claims and judgments and compensated absences are liquidated as they come due for payment and their adjustments are made at year end based on a detailed reevaluation of the account. As claims and judgments expenditures are incurred the general fund is used to liquidate the costs.

Unfunded claims and judgments include estimated costs for outstanding medical, environmental, and other claims. At December 31, 2005 the outstanding amount of claims and judgments due within one year totaled \$ 3,874.

State and federal laws require the County to perform certain maintenance and monitoring functions at all of its solid waste landfill sites. Since all of the County's eleven landfill sites are no longer accepting waste, the total future costs of \$ 13,779 has been identified for maintenance and monitoring functions in accordance with Governmental Accounting Standards Board Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The funding for these post-closure costs will be included in future County tax levies.

Governmental Activities

Proceeds from general obligation bonds issued during the year are budgeted for and recorded within the Capital Projects Fund and subsequently allocated to Business-Type Funds, where appropriate.

General obligation bonds are secured by the full faith; credit and unlimited taxing power of the County and are used to finance capital projects. General obligation bonds recorded in the Governmental Funds will be retired by future property tax levies and other resources accumulated in the Debt Service Fund.

Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

Governmental Activities General Obligation Debt						
Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/05	Interest to Maturity
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 56,493	\$ 7,926	\$ 12,640
General Obligation Building Bonds, Series 1997A	09/01/97	10/01/13	4.91%	2,500	155	7
General Obligation Museum Refunding Bonds, Series 1999A	05/27/99	10/01/13	4.67%	2,290	1,355	303
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	31,030	20,896	3,499
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	45,622	3,168	633
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	44,860	7,544	1,241
Refunding Bonds (Taxable), Series 2001A	06/01/01	12/01/11	6.06%	2,610	1,500	323
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	45,376	40,986	5,045
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	37,830	21,477	7,217
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	55,841	34,884	5,177
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	36,926	23,361	8,661
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	92,151	92,151	26,473
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	32,848	19,291	892
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	23,237	19,972	7,054
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	25,095	24,027	7,419
Wisconsin Trust Loan	05/19/04	03/15/09	6.00%	19,167	15,708	2,383
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	22,619	22,619	8,942

Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

Governmental Activities General Obligation Debt						
Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/05	Interest to Maturity
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	58,929	58,929	19,765
Total Governmental Activities -- General Obligation Debt					\$ 415,949	\$ 117,674
Discount					(687)	
Loss					(9,503)	
Accretion					7,795	
Premium					7,120	
Total Governmental Activities -- General Obligation Debt, Net					\$ 420,674	
Short-Term					34,923	
Long-Term					385,751	
Total Debt per Statement of Net Assets -- Governmental Activities					\$ 420,674	

The ratio of the aggregate indebtedness of all taxing authorities located within the County to equalized value of the taxable property was approximately 4.54% including .85% related to direct County indebtedness at December 31, 2005. Wisconsin Statutes limit the County's direct general obligation borrowing to an amount equivalent to 5% of the equalized valuation of taxable property. At December 31, 2005 under Wisconsin Statutes, the County could borrow an additional \$ 2,352,026.

At December 31, 2005, the weighted average interest rate of general obligation bonds and notes outstanding was 3.17%. The maturities of the outstanding principal and related interest requirements are as follows:

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Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2006	\$ 34,923	\$ 17,188	\$ 52,111
2007	34,251	15,983	50,234
2008	41,670	14,622	56,292
2009	43,036	16,744	59,780
2010	39,694	14,814	54,508
2011-2015	181,212	34,423	215,635
2016-2020	<u>41,163</u>	<u>3,900</u>	<u>45,063</u>
	415,949	<u>\$117,674</u>	<u>\$ 533,623</u>
Premium	7,120		
Accretion	7,795		
Discount	(687)		
Loss	<u>(9,503)</u>		
	<u>\$420,674</u>		

On November 17, 2005, the County issued \$24,610 of General Obligation Corporate Purpose Bonds, Series 2005A. Total proceeds of \$ 25,175 (par amount of bond issue of \$ 24,610, plus a net premium of \$518, plus accrued interest of \$ 47) were used to purchase direct obligations of the United States of America or held in cash. The proceeds will be used to finance capital projects for general County purposes pursuant of the County's 2005 Adopted Capital Improvement Budget. The bonds of \$ 22,619 and \$ 1,991 were recorded in Governmental Activities and the Business-type Activities columns on the Statement of Net Assets, respectively. Major expenditure categories include:

Highways and Bridges	\$ 1,565
Transit, Parks Rec and Culture, Health & Human Services, & General Government	22,970
Parks, Recreational and Cultural Facilities	<u>75</u>
Total	<u>\$ 24,610</u>

These bonds have semi-annual interest payments on June 1 and December 1 through 2020. The interest rate is 4.0% for 2006 through 2015, 4.25% for 2016, 4.375% for 2017, and 5.0% for 2018 through 2020.

Note 8- Long-term Liabilities (Continued)

Business-type Activities

Revenues in these funds will retire general obligation bonds recorded in the Proprietary Funds, or if the revenues are not sufficient, by future property tax levies.

Business-type Activities General Obligation and Revenue Bond Debt

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebtedness	Principal Outstanding 12/31/05	Interest to Maturity
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 1,207	\$ 158	\$ 252
General Obligation Airport Bonds, Series 1995A	06/15/95	12/01/14	5.65%	6,175	2,930	-
General Obligation Airport Bonds, Series 1996A	06/15/96	12/01/15	5.80%	7,100	3,750	1,215
General Obligation Refunding Airport Bonds, Series 1996A	07/01/96	10/01/08	5.41%	23,520	4,570	-
General Obligation Refunding Airport Bonds, Series 1997A	09/01/97	10/01/09	4.72%	14,760	3,045	267
General Obligation Airport Bonds, Series 1999A	05/01/99	10/01/14	4.60%	6,825	4,095	952
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	4,803	407	81
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	1,695	1,074	180
General Airport Revenue Bonds, Series 2000A	06/01/00	12/01/25	5.80%	83,565	73,470	45,090
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	2,365	356	71
Airport Refunding Bonds, Series 2001A	10/01/01	12/01/11	4.47%	1,450	870	132
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	4,549	4,014	494
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	3,495	2,023	708
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	7,109	4,441	659
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	4,299	2,763	1,059
General Airport Revenue Bonds, Series 2003A	01/01/03	12/01/22	4.88%	7,125	6,375	2,876
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	8,111	7,874	2,262

Note 8- Long-term Liabilities (Continued)

Business-type Activities (Continued)

**Business-type Activities
General Obligation and Revenue Bond Debt**

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebtedness	Principal Outstanding 12/31/05	Interest to Maturity
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	702	384	18
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	2,713	2,528	975
General Airport Revenue Bonds, Series 2004A	03/31/04	12/01/29	4.47%	37,360	36,470	24,505
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	1,855	1,808	589
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	1,991	1,991	851
General Airport Revenue Bonds, Series 2005A	12/22/05	12/01/30	4.90%	29,010	29,010	26,129
Airport Refunding Bonds, Series 2005B	12/22/05	12/01/14	3.65%	7,755	7,755	1,614
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	4,096	4,096	1,374
Total Business-Type Debt					\$ 206,257	\$ 112,353
Discount					(337)	
Loss					(813)	
Accretion					155	
Premium					642	
Total Business-Type Debt, Net					\$ 205,904	
Short-Term					\$ 17,692	
Long-Term General Obligation Debt					41,227	
Long-Term Airport Revenue Bonds					146,985	
Total Debt Per Statement of Net Assets-Business-type Activities					\$ 205,904	

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Note 8- Long-term Liabilities (Continued)

Business-type Activities (Continued)

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

<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2006	\$ 17,692	\$ 9,891	\$ 27,583
2007	10,323	9,537	19,860
2008	10,223	9,058	19,281
2009	10,729	8,651	19,380
2010	10,459	8,154	18,613
2011-2015	50,719	32,809	83,528
2016-2020	38,522	20,846	59,368
2021-2025	37,220	10,712	47,932
2026-2030	20,370	2,695	23,065
	<u>206,257</u>	<u>\$112,353</u>	<u>\$ 318,610</u>
Premium	642		
Accretion	155		
Discount	(337)		
Loss	(813)		
	<u>\$205,904</u>		

Business-type Activities- Revenue Bonds

On June 22, 2000, the County issued \$83,565 of Airport Revenue Bonds, Series 2000A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport. The Series 2000 Bonds are not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2020 with \$18,350 term bonds due December 1, 2025. The interest rate is 5.50% for 2003 through 2004, 5.00% for 2005, 5.75% for 2006 through 2008, 5.25% for 2009 through 2010, 5.75% for 2011, and 6.00% for 2012 through 2020. The interest rate is 5.75% for the term bonds due December 1, 2025.

On January 1, 2003, the County issued \$7,125 of Airport Revenue Bonds, Series 2003A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A. The Series 2003 Bonds are

Note 8- Long-term Liabilities (Continued)

Business-type Activities- Revenue Bonds (Continued)

not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2022. The interest rate is 3.0% for 2004 through 2006, 3.25% for 2007 and 2008, 3.75% for 2009, 4.00% for 2010, 4.25% for 2011, 4.50% for 2012, 4.625% for 2013, 5.0% for 2014-2016, 5.25% for 2017-2019, and 5.5% for 2020 through 2022.

On March 31, 2004, the County issued \$37,360 of Airport Revenue Bonds, Series 2004A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A, dated June 1, 2000 and Airport Revenue Bonds, Series 2003A, dated January 1, 2003. The Series 2004 Bonds are not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2029. The interest rate is 2.0% for 2005 and 2006, 2.5% for 2007, 3.0% for 2008 and 2009, 5.0% for 2010 through 2017, 4.625% for 2018 through 2024, and 4.50% for 2025 through 2029.

On December 22, 2005 the County issued \$29,010 of Airport Revenue Bonds, Series 2005A. The 2005 Bonds are special obligations of the County, payable solely from revenue of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A, dated June 1, 2000, Airport Revenue Bonds, Series 2003A, dated January 1, 2003, Airport Revenue Bonds, Series 2004A, dated March 31, 2004 (the "Outstanding Bonds"), and any additional airport revenue bond which may hereafter be issued by the County, as provided in the General Resolution. The 2005 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2005 Bonds. The 2005 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Bonds, Series 2005A interest rate is 4.0% for 2006 through 2014, 5.25% for 2015 through 2026, 4.875% for 2027 through 2029, and 4.7% for 2030. The Series 2005A Bonds are not callable for redemption prior to December 1, 2016.

Advance and Current Refundings

On November 17, 2005, the County issued \$63,025 of General Obligation Refunding Bonds, Series 2005A. Total proceeds of \$67,551 (par amount of bond issue of \$63,025, plus a net premium of \$4,386, plus accrued interest of \$140) were used to purchase direct obligations of the United States of America or held

Note 8- Long-term Liabilities (Continued)

Advance and Current Refundings (Continued)

in cash. The proceeds will be used to refund a portion of the County's General Obligation Corporate Purpose Bonds and General Obligation Building Bonds. The refunding bonds of \$ 58,929 and \$ 4,096 were recorded in Governmental Activities and the Business-type activities columns on the Statement of Net Assets, respectively. As a result, the refunded bonds are considered defeased and the liability have been removed from the accompanying financial statements of the County.

The refunding resulted in a \$ 3,548 loss to be amortized over the life of the bond issue in accordance with Governmental Accounting Standards Board Statement No. 23, Accounting and Financial Reporting for Refundings of Debt. The advance refunding was undertaken to decrease the total debt service over the next 10 years by \$ 2,518, and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) of \$ 2,266.

These bonds have semi-annual interest payments on April 1 and October 1 through 2015. The interest rate is 4.0% for 2006 through 2008, 5.0% for 2009 through 2014, and 5.25% for 2015.

On December 22, 2005 the County issued \$7,775 of Airport Revenue Refunding Bonds, Series 2005B (collectively, the "2005 Bonds"). The 2005 Bonds are special obligations of the County, payable solely from revenue of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A, dated June 1, 2000, Airport Revenue Bonds, Series 2003A, dated January 1, 2003, Airport Revenue Bonds, Series 2004A, dated March 31, 2004 (the "Outstanding Bonds"), and any additional airport revenue bond which may hereafter be issued by the County, as provided in the General Resolution. The 2005 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2005 Bonds. The proceeds will be used to current refund portions of the County's General Obligation Airport Bonds in January 2006.

The current refunding resulted in an increase in the total debt service over the next nine years of \$ 536, which still resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) of \$ 251.

The 2005 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Refunding Bonds, Series 2005B interest rate is 4.0% for 2006 through 2014.

Note 8- Long-term Liabilities (Continued)

Prior-Year Defeasance of Debt

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased notes and bonds are not included in the County's financial statements. At December 31, 2005, \$ 145,206 of bonds outstanding is considered defeased.

Debt Issued on Behalf of Other Entities/ Conduit Debt

The County has approved the issuance of variable rate demand revenue bonds (VRDRB) for the benefit of private non-profit corporations. VRDRB's are secured by letter of credit agreements from outside banks and do not constitute indebtedness of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of VRDRB's outstanding at the end of the year is approximately \$ 15,890 made up of four issues. In 2001, an interest rate swap was entered into for three of the issues to effectively fix the interest rate.

In 2003, the County guaranteed \$ 14,400 of loans for a local corporation. The loans are secured by mortgages and a cash trust of \$ 5,200 on certain buildings.

In 2004, the County provided a guarantee of \$ 1,000 of the \$ 3,200 loan of a non-profit corporation for the purchase of a building. The guarantee is secured by a second mortgage on the purchased building.

In 2004, the City of Wauwatosa issued additional bonds of \$ 24,500 for the construction of facilities for a land owner at the Milwaukee County Research Park. The County agreed to guarantee the payment of the principal and interest due on these bonds.

In order to develop the Milwaukee County Research Park, a Tax Incremental District has been formed to fund infrastructure development costs. Milwaukee County has agreed to guarantee the City of Wauwatosa redevelopment bonds to pay for the infrastructure costs associated with the Research Park.

The County has guaranteed the repayment of a working capital loan in the amount of \$ 6.0 million made to the Milwaukee Public Museum by two local banks. The outstanding amount of the working capital loan for which the County is liable is \$ 4.4 million.

Note 9- Net Assets

Governmental Activities

Restricted net assets consist of the following:

Net Assets- Restricted for Debt Service	\$	2,415
Net Assets- Restricted for Airport PFC		34,155
Net Assets- Restricted for Health & Safety		46
Net Assets- Restricted for Zoo		541
Net Assets- Restricted for Parks		658
Net Assets- Restricted for Persons with Disabilities		122
Net Assets- Restricted for Behavioral Health Division		478
Total	\$	<u>38,415</u>

Business-type Activities

Restricted net assets consist of the following:

Net Assets- Restricted for Revenue Bonds	\$	10,328
Net Assets- Restricted for Capital Asset Needs at the Airport		3,414
Total	\$	<u>13,742</u>

Discretely Presented Component Units

Restricted net assets for the Milwaukee County Research Park and the War Memorial Center consist of the following:

Restricted Building Account-War Memorial	\$	36
Research Development Fund-Research Park		104
Total	\$	<u>140</u>

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Note 9- Net Assets (Continued)

Discretely Presented Component Units (Continued)

Restricted net assets for the Milwaukee Public Museum consist of the following:

Temporarily Restricted

Exhibits and Museum Renovations	\$	342
Educational Lecture Costs		22
Purchase and Maintenance of Collections		945
Restricted for time		157
Held by Friends of the Museum		24
Purchase and Maintenance of Collections - Endowment Fund		210
Tirimbina Rainforest Center		34
Internship Programs		300
Total Temporarily Restricted Assets	\$	2,034

Permanently Restricted

Operations	\$	788
Special Exhibits		275
Starr Adventure and internship		71
Total Permanently Restricted Assets	\$	1,134

Note 10- Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employee or natural disasters. The County uses a Risk Management Fund, which is presented as an internal service fund, to account for the financing of uninsured risks of loss. The County is self-insured for worker's compensation. In accordance with Wisconsin Statutes, the County's overall exposure for general liability and automobile liability is limited to \$ 50 and \$ 250 per person respectively. The County purchases commercial insurance to cover a substantial portion of the potential general liability, automobile liability and discrimination claims. The County also purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay

Note 10- Risk Management (Continued)

prior and current year claims and to establish a claims reserve. In accordance with Governmental Accounting Standards Board Statement No 10, a liability for claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claims liability at December 31, 2005 was \$ 9,114.

The County has recognized \$ 9,114 of claims liabilities in the Risk Management Fund. The Risk Management Fund has \$ 9,114 of cash to pay for this liability. Changes in the balances of claim liabilities during the past two years are as follows:

	Year ended <u>12/31/2005</u>	Year ended <u>12/31/2004</u>
Beginning of year Liability	\$ 9,503	\$ 8,897
Current Year Claims and Changes in Estimates	5,533	5,149
Claims Payments	<u>(5,922)</u>	<u>(4,543)</u>
End of Year Liability	<u>\$ 9,114</u>	<u>\$ 9,503</u>

Note 11- Related Party Transactions

Milwaukee County provides funds required for the operation of the War Memorial Center, Charles Allis/ Villa Terrace Art Museums and Marcus Center for the Performing Arts. To the extent these funds exceed actual disbursements, such excess is required to be returned to Milwaukee County. Milwaukee County and the War Memorial Center agreed that when revenues exceed budget, the War Memorial Center is permitted to create a reserve account whereas up to \$ 25 can be deposited annually. These funds are to be used in future years for the War Memorial Center's operational needs. Total appropriations received by the Memorial for 2005 were \$ 2,858. Interest earned on the investment of excess funds is not considered to be revenue, which must be returned to Milwaukee County. Milwaukee County has agreed to permit this interest income to be used at the discretion of the Board of Trustees for the benefit of their respective operations.

The Milwaukee County Treasurer's office acts as the trustee for the Charles Allis Art Museum Trust. Distributions from the trust totaling \$ 3.2 were made to the Memorial during 2005.

Milwaukee County has legal title to the Milwaukee Public Museum building, exhibits and artifacts, including any building improvements and additions funded

Note 11- Related Party Transactions (Continued)

by the County or the Milwaukee Public Museum. All such assets are leased to the Milwaukee Public Museum under a long-term lease.

Milwaukee County and the Milwaukee Public Museum entered into an agreement, which provides for the not-for-profit operations and management of the Museum. The agreement, effective March 31, 1992, encompasses (1) the lease and management of the Museum and (2) the transition of employees to MPM, Inc.

The lease and management agreement includes annual rental payments of \$10 (ten dollars) and is renewable every five years through March 31, 2042. MPM, Inc. is responsible for all real estate taxes (if any), utilities, insurance, normal repair and maintenance expenses. The agreement also provides for substantially equivalent employee benefits for all employees then employed by the County who became employees of MPM, Inc. in 1992. The County is responsible for, among other items, any special assessments, structural repairs and capital projects. The agreement also requires the County to pay annual support. As a result of the amendment to the agreement in fiscal 1999, the base annual support level of \$ 4.3 million since April 1992 remained in effect through March 21, 2002, at which time the County and MPM, Inc. were required to renegotiate a new base level funding agreement.

As a result of the amendment to the lease and management agreement made on June 30, 2005, the County committed \$ 3,381 of base level funding for calendar year 2005. The County may reduce funding to 95% of the prior year amount in each succeeding year of the agreement. Total funding received by the Museum was \$ 3,547 and \$ 3,949 for the years ending August 31, 2005 and 2004, respectively.

On June 12, 1998, the Chief Local Elected Officer of Milwaukee County (CLEO) and the Private Industry Council (PIC) entered into an operational agreement to effectuate the Workforce Investment Act (WIA). The agreement provides that the PIC shall perform all duties required of it under WIA or other job training and employment programs. Further, the PIC shall be the grant recipient and the administrative entity for operations under WIA and such other programs as may be mutually agreed upon.

Milwaukee County and the Milwaukee County Research Park Corporation entered into a ground lease for 100 years commencing March 24, 1993 at \$ 1.00 (one dollar) per year. This lease covers approximately 158 acres consisting of the southwest quadrant, the Watertown Plank Road Park and Ride Lot and approximately 15 acres of northeast quadrant of the Milwaukee County grounds located in Wauwatosa, Wisconsin.

Note 11- Related Party Transactions (Continued)

Milwaukee County and the Milwaukee County Research Park Corporation entered into a lease, dated March 15, 1993 to manage and sublease the Technology Innovation Center (TIC), also known as M-1. By an agreement, dated September 30, 1998, the lease was extended through September 30, 2003 with three additional five-year option periods commencing October 1, 2003. On July 18, 2000, the Milwaukee County Research Park Corporation exercised the first option period extending the lease through September 30, 2008. The rentable space now comprises most of the basement and the entire first through fifth floors of the building. The rent due to Milwaukee County is based on space actually occupied by tenants and requires the Milwaukee County Research Park Corporation to charge annual base rentals of not less than \$ 7.50 (seven dollars and 50 cents) per tenant occupied space foot, payable monthly. Discounts to the base rental amount require approval by Milwaukee County. As occupancy occurs, the Milwaukee County Research Park Corporation will pay Milwaukee County 66-2/3% of the base rent collected.

Note 12- Subsequent Events

In April 2006, the County issued \$ 31 million of General Obligation Corporate Purpose Bonds, Series 2006A. The bonds are being used to finance capital projects pursuant to the County's 2006 Adopted Capital Improvement Budget.

Note 13- Commitments and Contingencies

Claims and Other Legal Proceedings

The County is subject to numerous claims and other legal proceedings incidental to the ordinary course of its operations, including Environmental Protection Agency claims. Although the outcome of these claims and legal proceedings is not presently determinable, in the opinion of the County's corporate counsel the resolution of these matters will not have a materially adverse effect on the financial condition of the County.

Storm and Sanitary Sewer System

The County has sanitary sewer and storm sewer systems that it is responsible for on County land. The State Attorney General issued an order that requires monitoring, maintenance, and repair of these systems. The purpose of this order is to ensure that the metropolitan areas sanitary sewer systems receive only sanitary system flow from the County. Storm water shall not be allowed to flow into the metropolitan sanitary system. The order will require future capital and operating commitments. For 2006, the commitment is \$ 975.

Note 13- Commitments and Contingencies (Continued)

Intergovernmental Awards

Intergovernmental awards 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 County may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, would not be material to the accompanying government-wide and fund financial statements at December 31, 2005.

Note 14- Other Post-employment Benefits

In addition to pension benefits, the County provides health care benefits, as defined by County Ordinance, Section 17.14, for retired employees. The retirement health benefit is non-contributory for retirees with 15 or more years of service who were hired before January 1, 1994. Retirees with less than 15 years of service pay full premium. The non-contributory health benefit includes reimbursement of the Medicare Part B premium for retirees and covered spouses. Employees hired on and after January 1, 1994 are responsible for the full cost of the medical insurance premiums upon retirement. These employees shall have the full value of their accrued sick allowance at the time of retirement (total hours accrued times the hourly rate at the time of retirement) credited toward the cost of health insurance after retirement. The health benefit for retirees is financed each year with current tax levy funds.

Retirees may enroll in either a fully insured Health Maintenance Organization (HMO) or a self-insured health plan. The County had 1,186 retirees and their spouses and children enrolled in the HMO as of December 31, 2005. The total annual premium paid on behalf of this group for 2005 was \$ 14,653. The County contributed \$ 14,318 or 98% of the total premium; retirees contributed the remaining balance of \$ 335 or 2%. As of December 31, 2005, the County also had 4,880 retirees and their spouses and children enrolled in a self-insured health plan. The 2005 expenditures for the self-insured plan were \$ 40,722 including \$ 1,622 in administrative expenditures. These expenditures were offset by \$ 931 in retiree contributions for health benefit premiums. The County's 2005 expenditure for reimbursement of Medicare Part B premiums for retirees was \$ 4,274.

Employees who retire with no break in service from active employee status retain group term life insurance coverage under the same contribution schedule as when actively employed. Life insurance coverage is the amount in force at retirement. A coverage reduction schedule takes effect at age 65 when the plan becomes non-contributory. Employees hired on and after January 1, 1994 are responsible for the full cost of the life insurance premiums upon retirement. The

Note 14- Other Post-employment Benefits (Continued)

life insurance benefit for retirees is financed each year with current tax levy funds. The 2005 expenditures for life insurance benefits covering 5,413 retirees were \$ 829. The expenditure was offset by \$ 254 in retiree contributions for life insurance premiums.

Note 15-Employee Retirement Systems and Pension Plans

Plan Description and Provisions

Milwaukee County has one retirement plan ("Retirement System"), which consists of two different systems that cover two different groups of employees within the Milwaukee County workforce. The systems within the one retirement plan are the Employees' Retirement System of the County of Milwaukee and the OBRA 1990 Retirement System of the County of Milwaukee.

Employees' Retirement System of the County of Milwaukee ("ERS") –

Substantially all full-time employees of the County are participants in the ERS, which was created by Section 201.24 of the County Ordinances, and which is a single-employer defined benefit pension plan that is substantially non-contributory.

A participant, who terminates employment after five years of credited service is eligible for a deferred vested pension, beginning as of the participant's normal retirement date. The normal retirement benefit is a monthly pension for the life of the participant. For deputy sheriff participants with less than 30 years of service, the normal retirement age is 57. For all other participants, the normal retirement age is 60, although some labor agreements additionally require at least five years of creditable service at age 60. Active participants are also eligible to retire when their age added to their years of service equals 75. The County ordinance and labor agreement require an employee to be a member prior to a stated date in order to qualify for the rule of 75.

The normal retirement benefit payment for a participant whose continuous membership began prior to January 1, 1982, is equal to 2.5% for elected officials, and 2.0% for all other participants, of the participant's three year final average salary, as defined in the Ordinances and labor agreement, multiplied by the number of years of credited service. Except for represented deputy sheriffs and elected officials, employees whose membership in the ERS began before January 1, 1982, will receive a bonus added to their final average salary of 7.5% for each year of service credit earned after January 1, 2001 up to a maximum bonus of 25% of final average salary.

The amount of normal retirement benefit payable for represented deputy sheriffs hired before July 1, 1995 is equal to 2.5% and hired after June 30, 1995 is 2.0%

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Plan Description and Provisions (Continued)

times the participant's five-year final average monthly salary, as defined in labor agreements, multiplied by the number of years of credited service. The amount of normal retirement benefit payable for a participant whose continuous membership began after January 1, 1982 is as follows: 2.5% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan and DA investigators hired before July 1, 1995; 2% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan, DA investigators hired after June 30, 1995; 2% for elected officials, firefighters and non-represented firefighters beginning January 1, 1999; and 1.5% for all other participants, of the participant's three-year final average monthly salary, as defined in the Ordinance and labor agreements, multiplied by the number of years of credited service.

Those employees whose membership in the ERS began after December 31, 1981, or for a non-represented Deputy Sheriff, whose service began after June 30, 1995, will have all service credited after January 1, 2001 with a 2% multiplier. Also, for each year of pension service earned after January 1, 2001, eight years of service earned prior to January 1, 2001, shall be credited with an additional .5% multiplier.

Each year after retirement, the amount of monthly benefit is increased by an amount equal to 2.0% COLA of the benefit paid for the first full month of retirement. However, the maximum benefit payable, excluding any post-retirement increases, to a participant cannot exceed the sum of 80% of the participant's final average monthly salary.

Beginning in 2001, the ERS also provides for a "back drop" pension benefit that permits an employee to receive both a lump-sum cash payment and a monthly pension benefit upon retirement. The lump-sum cash payment is the total of the monthly pension benefits, adjusted for COLA increases, that a member will be entitled to from a prior date (back drop date) to the date that the member terminates employment plus interest compounded monthly. The backdrop date must be at least one year prior to the termination date and the member must have been eligible to retire as of that date. In addition the member will be entitled to a COLA adjusted monthly pension benefit as if the member had retired on the backdrop date. Non-represented employees and elected officials hired on or after March 15, 2002 are not eligible to receive the backdrop pension benefit and individuals elected after March 15, 2002 are not eligible to receive the additional .5% pension benefit multiplier. All benefit payments under the plan are subject to the limitations prescribed by Section 415 of the IRS Code.

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Plan Description and Provisions (Continued)

Participants should refer to applicable ordinances or labor agreements for more complete information.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the ERS and OBRA. The financial report may be obtained by writing to the Pension Board, 901 North 9th Street, Room 210-C, Milwaukee, Wisconsin 53233 or by calling (414) 278-4207.

OBRA 1990 Retirement System of the County of Milwaukee (OBRA) – The County established the OBRA 1990 Retirement System of the County of Milwaukee (“OBRA”) to cover seasonal and certain temporary employees who are not enrolled in the ERS. The OBRA is a single-employer defined benefit pension plan that is non-contributory.

The normal retirement benefit is payable upon request of any participant that has attained age 65. The amount of the normal retirement benefit is equal to one-twelfth of 2% of the participants average compensation multiplied by years of service (not in excess of 30). Average compensation is equal to the total earnings accumulated during the participant’s employment with the County for years subsequent to December 31, 1991.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the ERS and OBRA. The financial report may be obtained by writing to the Pension Board, 901 North 9th Street, Room 210-C, Milwaukee, Wisconsin 53233 or by calling (414) 278-4207.

Summary of Significant Accounting Policies- Pension Fund

Basis of Accounting – The financial information of the ERS was prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred. On an annual basis, the County performs an actuarial valuation of the plan’s assets and liabilities.

Expenses – Administrative expenses incurred by the County related to the ERS are payable by the ERS to the County. Such expenses totaled \$ 973 and \$1,054 in 2005 and 2004, respectively.

Investments – Investments, primarily stocks, bonds, certain governmental loans and mortgage-backed certificates, are stated at quoted fair value. Temporary

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Summary of Significant Accounting Policies- Pension Fund (Continued)

cash investments are valued at cost, which approximates fair value. Investments in venture capital partnerships are valued at estimated fair value, as provided by the ERS's venture capital investment manager. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method. Assets of the OBRA are commingled for investment purposes with the assets of the ERS.

Valuation of International Securities— Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

Security Lending – The Milwaukee County Employees' Retirement System is authorized by County Ordinance and Board of Trustee policies to lend its investment securities. The ERS's custodian manages the securities lending activity. The Securities Lending Agreement may be terminated at anytime by either party upon written notice to the other party. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior-period losses during the year. There are no income distributions owing on the securities lent. The average term of loans is one week.

The ERS participates in a security-lending program for the lending of corporate bonds, equity and government securities to qualified brokers. Collateral received for securities loaned consists primarily of cash. Other forms of collateral are letters of credit and government agency securities. Collateral for domestic issues is set at 102% of the fair value of the securities loaned at the time of the initial transaction. If the value falls to 100% of the fair value of the securities loaned, additional collateral is obtained to reestablish collateral at 102% of the fair value of the securities loaned. Collateral for international securities is maintained at a level of 105% of the fair value of securities loaned at all times. The net investment income earned on collateral is divided between the custodian, as a fee for its services under the programs and the ERS, according to agreed upon rates. For 2005 and 2004, the net investment income realized from the security lending was \$ 318 and \$ 291, respectively.

**Note 15-Employee Retirement Systems and Pension Plans
(Continued)**

**Summary of Significant Accounting Policies- Pension Fund
(Continued)**

Securities loaned and the collateral held were as follows:

	<u>As of December 31</u>	
	<u>2005</u>	<u>2004</u>
Fair Value of Securities Loaned:	\$ 126,529	\$ 111,030
Fair Value of Collateral:	\$ 130,135	\$ 114,406
Percent Collateral to Securities Loaned:	102.85%	103.04%

The collateral received from security lending transactions is recorded as assets at quoted fair value on the financial statement date. The ERS records an identical amount as a liability, representing the obligation of the ERS to return the collateral at the time the borrower of the ERS's securities returns those securities.

The collateral received from securities lending transactions includes cash of \$ 126,947 and \$ 111,140 and U.S. Treasury securities of \$ 3,188 and \$ 3,266, for the years ending December 31, 2005 and 2004, respectively. Under the terms of the securities lending agreement, the ERS has the right to sell or pledge the cash collateral. Non-cash collateral in the amount of \$ 3,188 and \$ 3,266 for years ended December 31, 2005 and 2004, respectively, is controlled by the custodian and, correspondingly, is not reflected in the financial statements.

Actuarial Assumptions and Methods

The schedules of funding progress presented in the supplementary schedules were determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

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**Note 15-Employee Retirement Systems and Pension Plans
(Continued)**

Actuarial Assumptions and Methods (Continued)

	<u>ERS</u>	<u>OBRA</u>
Valuation Date	1/1/06	1/1/06
Actuarial Cost Method	Entry Age Normal	Unit Credit Method
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years	30 Years
Asset Valuation Method	5-Year smoothing of difference between total expected return versus actual return	Market
Actuarial Assumptions:		
Investment Rate of Return	8.5%	8.5%
Projected Salary Increases	5.5%	5.0%
Mortality	RP 2000 Morality Table	RP 2000 Morality Table
Inflation Rate	3.0%	3.0%

2005 Changes in Plan Provisions or Actuarial Assumptions

- Increase annual compensation limit to \$ 210,000.
- Increase annual benefit limit to \$ 170,000.

2006 Changes in Plan Provisions or Actuarial Assumptions

- Increased annual compensation limit to \$ 220,000.
- Increased annual benefit limit to \$ 175,000.
- Decrease in the discount rate to 8.0%

Contributions Required and Contributions Made

The ERS' funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages for annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Payroll contribution rates are determined using the Entry Age Normal method of funding. The ERS also uses the level percentage of payroll method to amortize the unfunded liability over a 30-year period in 2005. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

The County makes contributions to the ERS based upon actuarially determined contribution requirements, as well as additional contributions at the discretion of the County Board. Actuarially determined contribution requirements are set

**Note 15-Employee Retirement Systems and Pension Plans
(Continued)**

Contributions Required and Contributions Made (Continued)

during the County's budget process. The data available for the determination is based upon the prior fiscal year's demographics. The actuarially determined contribution requirements set during the budgeting process may differ from the annual required contribution (ARC) for the current period as a result of changes in plan provisions implemented subsequent to approval of the County budget. During the year, the ERS accrues only those contributions that the County is statutorily required to pay. This consists of those contributions that were included in the County's current year budget and any additional contributions that may have been committed at the discretion of the County Board.

Three year Trend Information for the ERS and OBRA are as follows:

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
ERS	12/31/05	\$ 37,608	94.2%	\$ -
	12/31/04	33,248	105.7%	(2,000)
	12/31/03	25,242	134.6%	-

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
OBRA	12/31/05	\$ 386	94.5%	\$ -
	12/31/04	338	103.1%	-
	12/31/03	280	100.0%	-

County contributions totaling \$ 35,415 and \$ 35,143 were recorded in 2005 and 2004 respectively. The 2005 contribution was less than and 2004 contribution was greater than the total actuarial required contribution using the Entry Age Normal method of funding with normal cost computed as a level percentage of pay. The County's contributions to the ERS were 18.0% and 16.8% of annual covered payroll for 2005 and 2004, respectively.

OBRA's funding policy provides for an annual County contribution at an actuarially determined rate. Liabilities and contributions are computed using the Unit Credit method of funding. OBRA also used the Unit Credit method to amortize the unfunded liability over a 30-year period. The actuarial accrued liability of OBRA at December 31, 2005 and 2004 was \$3,530 and \$ 2,872

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Contributions Required and Contributions Made (Continued)

respectively, leaving net assets available less than the actuarial accrued liability of (\$ 2,440) and (\$ 1,928) respectively. The County made contributions to the OBRA system totaling \$ 365 in 2005.

Note 16-New Accounting Pronouncements

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement establishes uniform financial reporting standards for other post employment benefits (OPEB) plans and is effective for fiscal periods beginning after December 15, 2005. The approach followed in this statement reflects differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, stand-alone financial reports of OPEB plans, the public employee retirement systems, or third parties that administer them. This statement also provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans that are not a trust fund. The County is currently studying the impact to the financial statements that GASB Statement No. 43 will impose. The County will implement Statement No. 43 beginning with the year ended December 31, 2006.

In May 2004, GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1." This statement amends the portions of NCGA (National Council on Governmental Accounting) Statement 1, Governmental Accounting and Financial Reporting Principles, which guide the preparation of the statistical section and is effective for fiscal periods beginning after June 15, 2005. This amendment adds new information that financial statement users have identified as important and eliminates certain previous requirements. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, to assess the economic condition of a government. The County will implement Statement No. 44 beginning with the fiscal year ended December 31, 2006.

In June 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits and is effective for fiscal periods beginning after December 15, 2006. Annual OPEB cost for most employers will be based on actuarially

Note 16-New Accounting Pronouncements (Continued)

determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The County is currently studying the impact to the financial statements that implementing GASB Statement No. 45 will impose. The County will implement Statement No. 45 beginning with the fiscal year ended December 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress and Employer Contributions

Employee's Retirement System

Retirement System

Substantially all full-time employees of the County are participants in the Employees' Retirement System of the County of Milwaukee (Retirement System), which is a single-employer defined benefit pension plan that is non-contributory.

OBRA

The County established the OBRA 1990 Retirement System of the County of Milwaukee to cover seasonal and certain temporary employees who are not enrolled in the Retirement System.

County Of Milwaukee
Required Supplementary Information
Schedules of Funding Progress
(In Thousands of Dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability-AAL (b)	Funded Ratio (a/b)	(Overfunded) Unfunded AAL-UAAL (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Retirement System						
1/1/06	\$ 1,454,302	\$ 1,909,321	76.17%	\$ 455,019	\$ 225,722	201.58%
1/1/05	1,424,918	1,782,884	79.90%	357,966	209,796	170.60%
1/1/04	1,446,726	1,707,999	84.70%	261,273	233,478	111.90%
1/1/03	1,446,860	1,542,045	93.80%	95,185	234,679	40.60%
1/1/02	1,620,157	1,492,072	108.60%	(128,085)*	238,387	(53.7%)**
1/1/01	1,670,601	1,499,261	111.40%	(171,340)*	238,195	(71.9%)**
OBRA						
1/1/06	\$ 1,090	\$ 3,530	30.88%	\$ 2,440	\$ 8,353	29.2%
1/1/05	944	2,872	32.90%	1,928	8,406	22.9%
1/1/04	790	2,535	31.15%	1,745	8,397	20.8%
1/1/03	674	2,049	32.90%	1,376	8,596	16.0%
1/1/02	662	1,890	35.00%	1,228	8,713	14.1%
1/1/01	613	1,846	33.20%	1,233	8,783	14.0%

* These amounts represent actuarial value of assets in excess of actuarial accrued liabilities.

** These percentages represent the amount of overfunded actuarial assets as a percentage of payroll.

Note: Analysis of the dollar amounts of plan assets, actuarial accrued liability, and unfunded (overfunded) actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

**County Of Milwaukee
Required Supplementary Information
Schedules of Employer Contributions
For the Year Ended December 31**

<u>Retirement System</u>	<u>Fiscal Year</u>	<u>Annual Pension Costs</u>	<u>Annual Required Contribution (ARC)</u>	<u>Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
	2005	\$ 37,608	\$ 37,438	\$ 35,415	94.60%	\$ -
	2004	33,248	33,248	35,249	106.02%	(2,000)
	2003	25,242	23,131	33,981	146.91%	-
	2002	8,528	7,536	2,580	34.23%	10,914
	2001	8,586	8,586	268	30.80%	5,938
	2000	-	-	-	-	-
 <u>OBRA</u>						
	2005	\$ 386	\$ 386	\$ 365	94.50%	\$ -
	2004	338	338	348	103.10%	-
	2003	280	280	280	100.00%	-
	2002	275	275	275	100.00%	-
	2001	250	250	250	100.00%	-



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OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules



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BUDGETARY COMPARISON

07/14/06

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 (Non-GAAP Budgetary Basis)
 General Fund
 For the Year Ended December 31, 2005
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 280,033	\$ 288,381	\$ 275,467	\$ (12,914)
Property Taxes	227,334	227,334	228,628	1,294
Charges for Services	206,998	216,361	213,361	(3,000)
Sales Taxes	62,431	62,431	61,646	(785)
Investment Income and Rents	9,690	9,690	7,657	(2,033)
Fines and Forfeits	3,189	2,769	2,823	54
Licenses and Permits	500	500	442	(58)
Other	29,193	29,431	30,205	774
Total Revenues	<u>819,368</u>	<u>836,897</u>	<u>820,229</u>	<u>(16,668)</u>
Expenditures:				
Current:				
County Board	4,945	5,103	4,828	275
Department of Audit	2,305	2,317	2,230	87
Veterans Service	282	553	519	34
Disadvantaged Business Development	581	689	546	143
Procurement	893	808	696	112
Office of Handicapped	621	675	643	32
County Executive	935	997	962	35
Civil Service Commission	63	55	55	-
Personnel Review Board	163	176	173	3
Corporation Counsel	1,815	1,892	1,616	276
Department of Human Resources	4,445	4,428	4,374	54
Department of Administrative Services	3,313	3,350	3,300	50
Housing	18,014	21,175	20,948	227
Legislative, Executive and Staff	<u>38,375</u>	<u>42,218</u>	<u>40,890</u>	<u>1,328</u>
County-funded State Court Services	39,491	41,234	40,230	1,004
Child Support Enforcement	18,030	18,651	17,810	841
Courts and Judiciary	<u>57,521</u>	<u>59,885</u>	<u>58,040</u>	<u>1,845</u>
Election Commission	567	547	516	31
County Treasurer	1,088	1,304	1,336	(32)
County Clerk	573	606	606	-
Register of Deeds	4,198	6,512	6,279	233
General Governmental Services	<u>6,426</u>	<u>8,969</u>	<u>8,737</u>	<u>232</u>

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 (Non-GAAP Budgetary Basis)
 General Fund
 For the Year Ended December 31, 2005
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Sheriff	\$ 73,524	\$ 74,758	\$ 72,787	\$ 1,971
House of Correction	45,286	44,619	44,462	157
District Attorney	15,459	16,743	15,732	1,011
Public Safety and Non-Departmental Court	3,875	3,876	3,863	13
Public Safety	<u>138,144</u>	<u>139,996</u>	<u>136,844</u>	<u>3,152</u>
Highway Maintenance	16,245	16,011	14,643	1,368
Administration	2,507	2,417	1,928	489
Public Works and Highways	<u>18,752</u>	<u>18,428</u>	<u>16,571</u>	<u>1,857</u>
County Health Related Programs	30,489	31,957	30,282	1,675
Department on Aging	18,381	18,511	18,072	439
Department on Aging -- CMO	144,228	152,742	138,493	14,249
Department of Human Services	178,031	183,546	179,052	4,494
Human Services	<u>371,129</u>	<u>386,756</u>	<u>365,899</u>	<u>20,857</u>
Department of Parks	37,070	37,723	36,588	1,135
Zoological Department	19,792	19,760	19,125	635
UW Extension Service	330	349	322	27
Parks, Recreation and Culture	<u>57,192</u>	<u>57,832</u>	<u>56,035</u>	<u>1,797</u>
Other	15,709	17,382	16,429	953
Total Expenditures	<u>703,248</u>	<u>731,466</u>	<u>699,445</u>	<u>32,021</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,120</u>	<u>105,431</u>	<u>120,784</u>	<u>15,353</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2005 Appropriations	(3,534)	(3,534)	(3,534)	-
Transfers In	-	-	23,294	23,294
Transfers Out	(106,370)	(95,681)	(130,348)	(34,667)
Transfers To Component Units	(6,216)	(6,216)	(6,216)	-
Total Other Financing Sources (Uses)	<u>(116,120)</u>	<u>(105,431)</u>	<u>(116,804)</u>	<u>(11,373)</u>
Net Change in Fund Balance	-	-	3,980	3,980
Fund Balances -- Beginning	8,984	8,984	8,984	-
Fund Balances -- Ending	<u>\$ 8,984</u>	<u>\$ 8,984</u>	<u>\$ 12,964</u>	<u>\$ 3,980</u>

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
 (Non-GAAP Budgetary Basis)
 Debt Service Fund
 For the Year Ended December 31, 2005
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Investment Income and Rents	\$ -	\$ -	\$ 484	\$ 484
Other	6,896	7,308	7,300	(8)
Total Revenues	<u>6,896</u>	<u>7,308</u>	<u>7,784</u>	<u>476</u>
Expenditures:				
Current -- Other	-	-	527	(527)
Debt Service:				
Principal Retirement	36,477	36,477	24,657	11,820
Interest	14,395	15,471	16,232	(761)
Total Expenditures	<u>50,872</u>	<u>51,948</u>	<u>41,416</u>	<u>10,532</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(43,976)</u>	<u>(44,640)</u>	<u>(33,632)</u>	<u>11,008</u>
Other Financing Sources (Uses):				
Net Refunding Bonds Issued and Used	-	-	427	(427)
Transfers In	36,231	36,895	32,835	(4,060)
Transfers Out	-	-	(4,781)	(4,781)
Total Other Financing Sources (Uses)	<u>36,231</u>	<u>36,895</u>	<u>28,481</u>	<u>(9,268)</u>
Net Change in Fund Balance	(7,745)	(7,745)	(5,151)	1,740
Fund Balances - Beginning	8,130	8,130	8,130	-
Fund Balances - Ending	<u>\$ 385</u>	<u>\$ 385</u>	<u>\$ 2,979</u>	<u>\$ 1,740</u>

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
 (Non-GAAP Budgetary Basis)
 Capital Projects Fund
 For the Year Ended December 31, 2005
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 14,803	\$ 21,972	\$ 23,712	\$ 1,740
Sales Tax	1,022	1,022	1,027	5
Investment Income and Rents	28	899	52	(847)
Other	5,456	2,187	-	(2,187)
Total Revenues	<u>21,309</u>	<u>26,080</u>	<u>24,791</u>	<u>(1,289)</u>
Expenditures:				
Other	-	-	1,581	(1,581)
Capital Outlay	53,418	98,176	81,764	16,412
Total Expenditures	<u>53,418</u>	<u>98,176</u>	<u>83,345</u>	<u>14,831</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,109)</u>	<u>(72,096)</u>	<u>(58,554)</u>	<u>13,542</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	32,109	35,487	24,610	(10,877)
Premium on Debt Issued	-	-	518	518
Transfers In	-	36,609	-	(36,609)
Transfers Out	-	-	(4,003)	(4,003)
Total Other Financing Sources (Uses)	<u>32,109</u>	<u>72,096</u>	<u>21,125</u>	<u>(50,971)</u>
Net Change in Fund Balance	-	-	(37,429)	(37,429)
Fund Balances - Beginning	12,302	12,302	12,302	-
Fund Balances - Ending	<u>\$ 12,302</u>	<u>\$ 12,302</u>	<u>\$ (25,127)</u>	<u>\$ (37,429)</u>

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
 (Non-GAAP Budgetary Basis)
 Airports Enterprise Fund
 For the Year Ended December 31, 2005
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 45,999	\$ 46,155	\$ 44,793	\$ (1,362)
Admissions and Concessions	10,193	10,193	10,744	551
Total Charges for Services	<u>56,192</u>	<u>56,348</u>	<u>55,537</u>	<u>(811)</u>
Other Revenues	51	51	62	11
Total Operating Revenues	<u>56,243</u>	<u>56,399</u>	<u>55,599</u>	<u>(800)</u>
Operating Expenses:				
Personnel Services	14,399	14,642	14,082	560
Contractual Services	12,715	14,377	14,659	(282)
Intra-County Services	9,284	9,284	9,207	77
Commodities	1,831	1,950	1,892	58
Depreciation and Amortization	13,251	13,251	13,751	(500)
Maintenance	735	1,363	898	465
Other	361	648	1,317	(669)
Total Operating Expenses	<u>52,576</u>	<u>55,515</u>	<u>55,806</u>	<u>(291)</u>
Operating Income (Loss)	<u>3,667</u>	<u>884</u>	<u>(207)</u>	<u>(1,091)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	107	307	312	5
Investment Income	896	896	1,001	105
Interest Expense	(6,639)	(6,639)	(6,088)	551
Total Nonoperating Revenues (Expenses)	<u>(5,636)</u>	<u>(5,436)</u>	<u>(4,775)</u>	<u>661</u>
Income (Loss) Before Transfers	(1,969)	(4,552)	(4,982)	(430)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	3,033	3,033	7,371	4,338
Transfers In	-	1,519	39	(1,480)
Transfers Out	<u>(1,064)</u>	<u>-</u>	<u>(1,301)</u>	<u>(1,301)</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127</u>	<u>\$ 1,127</u>

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
 (Non-GAAP Budgetary Basis)
 Behavioral Health Enterprise Fund
 For the Year Ended December 31, 2005
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Charges for Services:				
Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances	\$ 44,288	\$ 44,588	\$ 47,777	\$ 3,189
Net Patient Service Revenues	44,288	44,588	47,777	3,189
Rentals and Other Service Fees	46	46	39	(7)
Admissions and Concessions	12	12	8	(4)
Total Charges for Services	44,346	44,646	47,824	3,178
Other Revenues	13,076	13,326	12,046	(1,280)
Total Operating Revenues	57,422	57,972	59,870	1,898
Operating Expenses:				
Personnel Services	66,859	68,722	69,121	(399)
Contractual Services	8,500	9,066	9,167	(101)
Intra-County Services	5,289	5,302	3,792	1,510
Commodities	6,782	6,946	7,438	(492)
Depreciation and Amortization	815	815	730	85
Maintenance	73	145	212	(67)
Other	65,041	65,165	67,055	(1,890)
Total Operating Expenses	153,359	156,161	157,515	(1,354)
Operating Income (Loss)	(95,937)	(98,189)	(97,645)	544
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	60,709	61,801	61,136	(665)
Interest Expense	(356)	(224)	(208)	16
Total Nonoperating Revenues (Expenses)	60,353	61,577	60,928	(649)
Income (Loss) Before Transfers	(35,584)	(36,612)	(36,717)	(105)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	-	-	(826)	(826)
Transfers In	35,584	36,612	36,226	(386)
Transfers Out	-	-	(619)	(619)
Change in Net Assets	\$ -	\$ -	\$ (1,936)	\$ (1,936)

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
 (Non-GAAP Budgetary Basis)
 Transit Enterprise Fund
 For the Year Ended December 31, 2005
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 125	\$ 125	\$ 119	\$ (6)
Transit Fares	42,979	42,979	42,854	(125)
Total Charges for Services	43,104	43,104	42,973	(131)
Other Revenues	2,733	2,897	4,815	1,918
Total Operating Revenues	45,837	46,001	47,788	1,787
Operating Expenses:				
Personnel Services	104,573	104,573	105,718	(1,145)
Contractual Services	25,094	25,125	23,055	2,070
Intra-County Services	742	742	793	(51)
Commodities	9,459	9,459	12,131	(2,672)
Depreciation and Amortization	13,000	13,000	13,083	(83)
Maintenance	839	853	1,127	(274)
Other	832	997	807	190
Total Operating Expenses	154,539	154,749	156,714	(1,965)
Operating Income (Loss)	(108,702)	(108,748)	(108,926)	(178)
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	78,834	78,963	79,133	170
Interest Expense	(1,484)	(1,095)	(1,025)	70
Total Nonoperating Revenues (Expenses)	77,350	77,868	78,108	240
Income (Loss) Before Transfers	(31,352)	(30,880)	(30,818)	62
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	10,000	10,000	582	(9,418)
Transfers In	21,352	20,880	23,619	2,739
Transfers Out	-	-	(5,155)	(5,155)
Change in Net Assets	\$ -	\$ -	\$ (11,772)	\$ (11,772)

COMBINING STATEMENTS

Other Governmental Funds

Special Revenue Funds

The Special Revenue Funds are used to account for endowments, bequests and restricted donations, where the principal may be expended in the course of their designated operations. The specific purpose of each Special Revenue Fund is as follows:

Zoo - Purchase of animals and maintenance of the miniature passenger railroad.

Parks - Enhancement of the Todd Wehr Nature Center and restoration of the Trimborn Farm as a historic park.

Persons with Disabilities - Special projects to help free disabled persons from environmental and attitudinal barriers.

Behavioral Health Division - Mental health research, patient activities and special events.

Airport PFC (Passenger Facility Charge) - Federal Aviation Administration (FAA) approved capital projects at the Airport.

Health and Safety - established for Risk Management to work with the countywide safety committee to address safety issues countywide. It also funds the cost associated with new employee screenings.

COUNTY OF MILWAUKEE
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2005
 (In Thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Health and Safety	
ASSETS							
Cash and Investments	\$ 546	\$ 415	\$ 122	\$ 478	\$ -	\$ 46	\$ 1,607
Cash and Investments -- Restricted	-	-	-	-	34,155	-	34,155
Receivables -- Other	-	243	-	-	-	-	243
Prepaid Items	31	-	-	-	-	-	31
Total Assets	<u>\$ 577</u>	<u>\$ 658</u>	<u>\$ 122</u>	<u>\$ 478</u>	<u>\$ 34,155</u>	<u>\$ 46</u>	<u>\$ 36,036</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35
Other Liabilities	1	-	-	-	-	-	1
Total Liabilities	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36</u>
Fund Balances:							
Reserved	541	658	122	478	34,155	46	36,000
Total Fund Balances	<u>541</u>	<u>658</u>	<u>122</u>	<u>478</u>	<u>34,155</u>	<u>46</u>	<u>36,000</u>
Total Liabilities and Fund Balances	<u>\$ 577</u>	<u>\$ 658</u>	<u>\$ 122</u>	<u>\$ 478</u>	<u>\$ 34,155</u>	<u>\$ 46</u>	<u>\$ 36,036</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2005
(In Thousands)

	<u>Special Revenue Funds</u>						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Health and Safety	
Revenues:							
Investment Income and Rents	\$ 32	\$ -	\$ 2	\$ -	\$ 514	\$ -	\$ 548
Charges for Services	674	53	-	-	-	-	727
PFC Revenues	-	-	-	-	9,917	-	9,917
Other	81	257	20	2	-	23	383
Total Revenues	<u>787</u>	<u>310</u>	<u>22</u>	<u>2</u>	<u>10,431</u>	<u>23</u>	<u>11,575</u>
Expenditures:							
Current:							
Human Services	-	-	1	14	-	-	15
Parks, Recreation and Culture	805	153	-	-	-	-	958
Other	-	-	-	-	648	-	648
Total Expenditures	<u>805</u>	<u>153</u>	<u>1</u>	<u>14</u>	<u>648</u>	<u>-</u>	<u>1,621</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18)</u>	<u>157</u>	<u>21</u>	<u>(12)</u>	<u>9,783</u>	<u>23</u>	<u>9,954</u>
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	2,843	-	2,843
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,843</u>	<u>-</u>	<u>2,843</u>
Net Changes in Fund Balance	<u>(18)</u>	<u>157</u>	<u>21</u>	<u>(12)</u>	<u>12,626</u>	<u>23</u>	<u>12,797</u>
Fund Balances – Beginning	559	501	101	490	21,529	23	23,203
Fund Balances – Ending	<u>\$ 541</u>	<u>\$ 658</u>	<u>\$ 122</u>	<u>\$ 478</u>	<u>\$ 34,155</u>	<u>\$ 46</u>	<u>\$ 36,000</u>



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COMBINING STATEMENTS

Internal Service Funds

Information Management Services

This fund is used to account for electronic data processing, graphics and telecommunication services provided to County departments.

Public Works Services

This fund is used to account for various services provided to other County departments including:

Professional Services - provides engineering, architectural and administrative services.

Central Services - provides custodial and equipment maintenance services.

Fleet Maintenance - controls, supervises and maintains all automotive equipment owned by the County.

Risk Management

This fund accounts for risk financing, loss control and insurance-related activities for the County and its employees.

COUNTY OF MILWAUKEE
Combining Balance Sheet
Internal Service Funds
December 31, 2005
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Assets				
Current Assets:				
Cash and Investments	\$ 3,214	\$ 5,430	\$ 9,297	\$ 17,941
Accounts Receivable (Net of Allowances for Uncollectible Accounts)	63	429	40	532
Due From Other Governments	-	280	-	280
Inventories	-	677	-	677
Prepaid Items	99	-	-	99
Total Current Assets	3,376	6,816	9,337	19,529
Capital Assets:				
Land	-	1,382	-	1,382
Construction in Progress	7,458	10,680	4	18,142
Land Improvements	-	10,922	-	10,922
Building and Improvements	16	92,324	-	92,340
Furniture, Machinery and Equipment	29,734	38,516	114	68,364
Total Capital Assets	37,208	153,824	118	191,150
Less Accumulated Depreciation	(24,542)	(104,296)	(109)	(128,947)
Net Capital Assets	12,666	49,528	9	62,203
Total Assets	\$ 16,042	\$ 56,344	\$ 9,346	\$ 81,732
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 532	\$ 863	\$ 1	\$ 1,396
Accrued Liabilities	167	476	9,120	9,763
Deferred Revenues	-	197	63	260
Bonds Payable - Current Portion	1,808	4,675	-	6,483
Compensated Absences	539	1,254	34	1,827
Total Current Liabilities	3,046	7,465	9,218	19,729
Long-Term Liabilities:				
Compensated Absences	1,288	2,917	116	4,321
Bonds Payable -- Long-Term	9,824	26,797	-	36,621
Total Long-Term Liabilities	11,112	29,714	116	40,942
Total Liabilities	14,158	37,179	9,334	60,671
Net Assets				
Unrestricted	850	1,109	3	1,962
Invested in Capital Assets, Net of Related Debt	1,034	18,056	9	19,099
Total Net Assets	1,884	19,165	12	21,061
Total Liabilities and Net Assets	\$ 16,042	\$ 56,344	\$ 9,346	\$ 81,732

COUNTY OF MILWAUKEE
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Internal Service Funds
 For The Year Ended December 31, 2005
 (In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Operating Revenues:				
Charges for Services	\$ 11	\$ 33,613	\$ 6,089	\$ 39,713
Other	-	658	70	728
Total Operating Revenues	<u>11</u>	<u>34,271</u>	<u>6,159</u>	<u>40,441</u>
Operating Expenses:				
Personnel Services	9,395	25,195	572	35,162
Contractual Services	4,770	7,702	53	12,525
Intra-County Services	(54)	2,863	(126)	2,683
Commodities	201	4,222	3	4,426
Depreciation and Amortization	2,575	5,661	1	8,237
Maintenance	22	1,002	-	1,024
Insurance and Claims	-	-	5,533	5,533
Other	-	1,249	-	1,249
Total Operating Expenses	<u>16,909</u>	<u>47,894</u>	<u>6,036</u>	<u>70,839</u>
Operating Income (Loss)	<u>(16,898)</u>	<u>(13,623)</u>	<u>123</u>	<u>(30,398)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	139	571	-	710
Loss on Disposal of Capital Assets	(1,063)	(3,063)	-	(4,126)
Interest Expense	(439)	(1,055)	-	(1,494)
Total Nonoperating Revenues (Expenses)	<u>(1,363)</u>	<u>(3,547)</u>	<u>-</u>	<u>(4,910)</u>
Income (Loss) Before Contributions and Transfers	(18,261)	(17,170)	123	(35,308)
Capital Contributions	3,484	(74)	-	3,410
Transfers In	18,260	16,526	-	34,786
Transfers Out	(2,623)	(4,685)	(127)	(7,435)
Change in Net Assets	860	(5,403)	(4)	(4,547)
Net Assets -- Beginning	1,024	24,568	16	25,608
Net Assets -- Ending	<u>\$ 1,884</u>	<u>\$ 19,165</u>	<u>\$ 12</u>	<u>\$ 21,061</u>

COUNTY OF MILWAUKEE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2005
(In Thousands)

	Information Management <u>Services</u>	Public Works <u>Services</u>	Risk Management	Total
Cash Flows Provided (Used) by Operating Activities:				
Receipts from Customers and Users	\$ (28)	\$ 34,292	\$ 6,117	\$ 40,381
Payments to Suppliers	(5,238)	(14,412)	(5,754)	(25,404)
Payments to Employees	(9,678)	(25,902)	(955)	(36,535)
Payments for Interfund Services Used	54	(2,863)	126	(2,683)
Net Cash Flows Provided (Used) by Operating Activities	<u>(14,890)</u>	<u>(8,885)</u>	<u>(466)</u>	<u>(24,241)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:				
Intergovernmental Revenues	139	571	-	710
Transfers From Other Funds	18,260	16,526	-	34,786
Transfers (To) Other Funds	<u>(2,623)</u>	<u>(4,685)</u>	<u>(127)</u>	<u>(7,435)</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>15,776</u>	<u>12,412</u>	<u>(127)</u>	<u>28,061</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:				
Principal Payment on Bonds	(1,325)	(4,122)	-	(5,447)
Interest Paid on Bonds	(440)	(1,076)	-	(1,516)
Proceeds from Bonds	958	4,564	-	5,522
Acquisition of Capital Assets	<u>(988)</u>	<u>(4,627)</u>	<u>-</u>	<u>(5,615)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(1,795)</u>	<u>(5,261)</u>	<u>-</u>	<u>(7,056)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(909)	(1,734)	(593)	(3,236)
Cash and Cash Equivalents at Beginning of Year	4,123	7,164	9,890	21,177
Cash and Cash Equivalents at End of Year	<u>\$ 3,214</u>	<u>\$ 5,430</u>	<u>\$ 9,297</u>	<u>\$ 17,941</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss):	\$ (16,898)	\$ (13,623)	\$ 123	\$ (30,398)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	2,575	5,661	1	8,237
(Increase) Decrease in Assets:				
Accounts Receivable	(22)	51	(40)	(11)
Due From Other Governments	-	(58)	-	(58)
Inventories	-	195	-	195
Prepaid Items	11	-	-	11
Increase (Decrease) in Liabilities:				
Accounts Payable	(245)	(432)	(165)	(842)
Accrued Liabilities	(1,123)	(2,856)	(447)	(4,426)
Deferred Revenues	(28)	28	(2)	(2)
Compensated Absences	840	2,149	64	3,053
Total Adjustments	<u>2,008</u>	<u>4,738</u>	<u>(589)</u>	<u>6,157</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ (14,890)</u>	<u>\$ (8,885)</u>	<u>\$ (466)</u>	<u>\$ (24,241)</u>

COMBINING STATEMENTS

Fiduciary Funds

Agency Funds

Agency funds are custodial in nature and are used to account for assets held by the County as an agent for individuals, private organizations, and other governmental units. Significant Agency Funds consist of Civil Court-ordered family support payments.

COUNTY OF MILWAUKEE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended December 31, 2005
(In Thousands)

	<u>January 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2005</u>
<u>CIVIL COURT ORDERED AGENCY FUND FOR FAMILY SUPPORT/PAYMENTS</u>				
Cash and Investments	\$ 27,276	\$ 92,342	\$ 105,456	\$ 14,162
Total Assets	<u>\$ 27,276</u>	<u>\$ 92,342</u>	<u>\$ 105,456</u>	<u>\$ 14,162</u>
Agency Deposits	\$ 27,276	\$ 69,192	\$ 82,306	\$ 14,162
Total Liabilities	<u>\$ 27,276</u>	<u>\$ 69,192</u>	<u>\$ 82,306</u>	<u>\$ 14,162</u>
<u>CARE MANAGEMENT ORGANIZATIONS WORKING CAPITAL RESERVE</u>				
Cash and Investments	\$ 2,708	\$ 66	\$ 2,761	\$ 13
Total Assets	<u>\$ 2,708</u>	<u>\$ 66</u>	<u>\$ 2,761</u>	<u>\$ 13</u>
Agency Deposits	\$ 2,708	\$ 66	\$ 2,761	\$ 13
Total Liabilities	<u>\$ 2,708</u>	<u>\$ 66</u>	<u>\$ 2,761</u>	<u>\$ 13</u>
<u>OTHER AGENCY FUNDS</u>				
Cash and Investments	\$ 9,286	\$ 457,067	\$ 457,004	\$ 9,349
Other Receivables	-	32,869	32,869	-
Total Assets	<u>\$ 9,286</u>	<u>\$ 489,936</u>	<u>\$ 489,873</u>	<u>\$ 9,349</u>
Accounts Payable	\$ 176	\$ 25,926	\$ 24,958	\$ 1,144
Agency Deposits	9,110	47,316	48,221	8,205
Total Liabilities	<u>\$ 9,286</u>	<u>\$ 73,242</u>	<u>\$ 73,179</u>	<u>\$ 9,349</u>
<u>SUMMARY</u>				
Cash and Investments	\$ 39,270	\$ 549,475	\$ 565,221	\$ 23,524
Other Receivables	-	32,869	32,869	-
Total Assets	<u>\$ 39,270</u>	<u>\$ 582,344</u>	<u>\$ 598,090</u>	<u>\$ 23,524</u>
Accounts Payable	\$ 176	\$ 25,926	\$ 24,958	\$ 1,144
Agency Deposits	39,094	116,574	133,288	22,380
Total Liabilities	<u>\$ 39,270</u>	<u>\$ 142,500</u>	<u>\$ 158,246</u>	<u>\$ 23,524</u>

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed, and delivered by Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of General Obligation Corporate Purpose Bonds, Series 2007A, dated June 1, 2007 (the "Securities"). The Securities are being issued pursuant to an Authorizing Resolution adopted by the Governing Body of the Issuer on March 29, 2007, and an Award Resolution adopted by the Governing Body of the Issuer on May 17, 2007 (collectively, the "Resolution") and delivered to LaSalle Financial Services, Inc. (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule. Any filing under this Disclosure Certificate may be made solely by transmitting such filing to Disclosure USA as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas Municipal Advisory Council (the "MAC") dated September 7, 2004.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with United States generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Fiscal Year" means the fiscal year of the Issuer.

"Final Official Statement" means the final official statement dated May 17, 2007 delivered in connection with the Securities, which is available from the Municipal Securities Rulemaking Board (MSRB).

"Governing Body" means the County Board of Supervisors of the Issuer or such other body, as may hereafter be the chief legislative body of the Issuer.

"Issuer" means Milwaukee County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the Capital Finance Manager of the Issuer who can be contacted at the Milwaukee County Courthouse, Room 308, 901 North Ninth Street, Milwaukee, Wisconsin 53233, telephone: (414) 278-4396, facsimile: (414) 223-1245.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"NRMSIR" means any nationally recognized municipal securities information repository as recognized from time to

time by the SEC for purposes of the Rule.

“Participating Underwriter” means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

“Repository” means each NRMSIR and each SID, if any.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

“SEC” means Securities and Exchange Commission.

“SID” means any public or private repository or entity designated by the State of Wisconsin as a state information depository for the purpose of the Rule. As of the date of this Certificate, there is no SID.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ended December 31, 2006, provide each Repository with an Annual Report, which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to each Repository when and if available.

(b) If the Issuer is unable or fails to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the NRMSIRs, the MSRB and any SID.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each NRMSIR and each SID, if any.

Section 4. Content of Annual Report. The Issuer’s Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

DEBT STRUCTURE - General Obligation Debt Margin
FINANCIAL INFORMATION - Property Tax Levies and Collections Last Five Years
FINANCIAL INFORMATION - Property Tax Rates for County Levies
FINANCIAL INFORMATION - Five-Year Capital Improvement Program
FINANCIAL INFORMATION - Equalized Values

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events if material with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Securities;
7. Modification to rights of holders of the Securities;
8. Securities calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities; and
11. Rating changes.

(b) Whenever a Material Event occurs, the Issuer shall as soon as possible determine under applicable legal standards if such event would constitute material information for holders of Securities, provided, that any event under subsection (a) (8), (9) or (11) will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Material Event would be material, the Issuer shall promptly file a notice of such occurrence with either all NRMSIRs or with the MSRB and with any SID. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(d) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause this Disclosure Certificate to violate the Rule. The provisions of this Disclosure Certificate or any provision hereof shall be null and void in the event that the Issuer delivers to each then existing NRMSIR and the SID, if any, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate may be amended without the consent of the owners of the Securities, but only upon the delivery by the Issuer to each then existing NRMSIR and the SID, if any, of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default.

(a) The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities or under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the June day of 7, 2007.

Chairperson of the County Board

County Clerk

**FINANCIAL GUARANTY INSURANCE POLICY
(SPECIMEN)**

MBIA Insurance Corporation

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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