

NEW ISSUE: FULL BOOK-ENTRY

RATINGS: 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.

OFFICIAL STATEMENT

\$30,860,000

**MILWAUKEE COUNTY, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2008A**

Dated: June 1, 2008

Due: December 1, 2009/2023

The \$30,860,000 General Obligation Corporate Purpose Bonds, Series 2008A (the "Bonds") are being issued by Milwaukee County, Wisconsin (the "County") pursuant to Chapter 67 of the Wisconsin Statutes. Proceeds of the Bonds will be used to finance essential purpose projects within the County, including highways and bridges, general capital improvement projects, public art projects, and to pay the cost of issuing the Bonds. The Bonds will be general obligations of the County for which its full faith and credit and unlimited taxing powers are pledged. 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 (the "Depository"). The Depository will act as securities depository of the Bonds. Individual purchases may 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. (See "BOOK-ENTRY ONLY SYSTEM" herein.)

Principal, payable on each December 1, commencing on December 1, 2009, as set forth on the inside cover page of this Official Statement, and interest on the Bonds, payable semiannually on each June 1 and December 1 commencing on June 1, 2009, will be paid to the Depository, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

Maturity Schedule

(See Inside Cover)

The Bonds are subject to optional redemption by the County prior to maturity as described herein.

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 Robert W. Baird & Co., Inc. has agreed to purchase the Bonds for an aggregate price of \$30,890,929.31 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 4, 2008.

The date of this Official Statement is May 22, 2008.

MATURITY SCHEDULE
\$30,860,000
MILWAUKEE COUNTY, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2008A

<u>Due</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u>
2009	\$ 520,000	3.250%	2.320%	602245 TK8
2010	985,000	3.250	2.400	602245 TL6
2011	700,000	3.250	2.740	602245 TM4
2012	700,000	3.250	2.950	602245 TN2
2013	1,655,000	3.500	3.100	602245 TP7
2014	2,000,000	3.500	3.220	602245 TQ5
2015	2,700,000	3.750	3.360	602245 TR3
2016	2,700,000	3.750	3.500	602245 TS1
2017	2,700,000	4.000	3.640	602245 TT9
2018*	2,700,000	4.000	3.760	602245 TU6
2019*	2,700,000	4.000	3.940	602245 TV4
2020	2,700,000	4.000	4.070	602245 TW2
2021	2,700,000	4.000	4.170	602245 TX0
2022	2,700,000	4.125	4.250	602245 TY8
2023	2,700,000	4.250	4.320	602245 TZ5

* Priced to the December 1, 2017 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 \$30,860,000 General Obligation Corporate Purpose Bonds, Series 2008A (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 and Authority:	Proceeds of the Bonds will be used to finance essential purpose projects within the County, including highways and bridges, general capital improvement projects, public art projects, and to pay the cost of issuing the Bonds, pursuant to the Laws of the State of Wisconsin including Chapter 67 of the Wisconsin Statutes and resolutions adopted by the County Board.
Optional Redemption:	The Bonds maturing in the years 2018 and thereafter are subject to redemption at the option of the County on December 1, 2017, and on any date thereafter at a price of par plus accrued interest to the date fixed for redemption.
Denominations:	\$5,000 or integral multiples thereof.
Registration & Exchange:	Upon presentation to the Registrar, Bonds will be exchanged for one or more Bonds in multiples of \$5,000.
Record Date:	The 15th day of the month preceding the payment date.
Principal Payments:	Annually, December 1, 2009 through 2023.
Interest Payments:	On each June 1 and December 1, commencing on June 1, 2009.
Not Bank Qualified:	The Bonds will <u>not</u> be designated as "Qualified Tax-Exempt Obligations."
Professional Consultants:	<i>Financial Advisor:</i> Public Financial Management, Inc. Milwaukee, Wisconsin <i>Co-Bond Counsel:</i> Chapman and Cutler LLP Chicago, Illinois and Laster & Garcia, LLC Brookfield, Wisconsin <i>Fiscal Agent/Registrar:</i> Milwaukee County Treasurer's Office
Legal Matters:	Legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Chapman and Cutler LLP, Chicago, Illinois, and Laster & Garcia, LLC, Brookfield, Wisconsin, as Co-Bond Counsel, as to validity and tax exemption. Each opinion will be substantially in the form set forth in Appendix I attached hereto. Bond Counsel has not participated in the preparation of Official Statement except for information under the heading "TAX EXEMPTION" and Appendix I.

Conditions Affecting

Issuance of Obligations:

The Bonds are offered subject to receipt of the unqualified approving legal opinions of Chapman and Cutler LLP, Chicago, Illinois, and Laster & Garcia, LLC, Brookfield, Wisconsin, as Co-Bond Counsel to the County.

Delivery:

The County will deliver the Bonds anywhere in the United States as designated by the purchaser within 40 days against payment in immediately available funds. Delivery is expected on or about June 4, 2008.

Book-Entry Only:

The Bonds will be issued as book-entry only securities through The Depository Trust Company.

No Litigation:

There is no litigation now pending or, to the knowledge of County officials, threatened, which questions the validity of the Bonds or of any proceedings of the County taken with respect to the issuance or sale thereof.

**Limitations on Offering or
Reoffering Securities:**

No dealer, broker, salesman or other person has been authorized by the County or the Financial Advisor to give any information or to make any representations other than those contained in the Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the County, or the Financial Advisor. The 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.

Continuing Disclosure:

In the resolution awarding the sale of the Bonds, the County will covenant and agree, for the benefit of the holders of the Bonds from time to time, to comply with the provisions of Securities and Exchange Commission Regulations, 17 C.F.R. Section 240. Paragraph (b)(5) of 15c2-12, ("Rule 15c2-12"); and, for this purpose, to provide to nationally recognized securities repositories and any Wisconsin state information depository, annual financial information of the type included in the Official Statement, including audited financial statements, and notice of the occurrence of events which materially affect the terms, payment, security, rating or tax status of the Bonds. The County is the only "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. A description of the undertaking is in Appendix III.

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).

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OFFICIAL STATEMENT

MILWAUKEE COUNTY, WISCONSIN \$30,860,000 General Obligation Corporate Purpose Bonds, Series 2008A

Introductory Statement

This Official Statement is provided to furnish information in connection with the sale of \$30,860,000 General Obligation Corporate Purpose Bonds, Series 2008A (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 "County Government - Financial Management."

THE BONDS

Use of Bond Proceeds

Proceeds of the Bonds will be used to finance capital projects totaling \$30,301,052 for essential County purposes pursuant to the County's 2008 Adopted Capital Improvement Budget (See page 53 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.	\$7,430,360
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 of harbors and harbor improvements, the construction, 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, museums, performing arts centers and other county buildings and the acquisition of capital equipment.	\$23,227,070
Acquisition, construction and improvement of public art projects.	\$202,570
Total for Corporate Purpose Bonds, Series 2008A	\$30,860,000*

* The subtotals that comprise the amount above include a prorated estimate of the cost of issuance.

The estimated sources and uses of proceeds are as follows:

<u>Sources:</u>	<u>Amount</u>
Par Amount	\$30,860,000.00
Accrued Interest	\$9,924.69
Net Premium	\$250,409.30
	<hr/>
	\$31,120,333.99
 <u>Uses:</u>	
Project Fund	\$30,301,052.00
Accrued Interest	\$9,924.69
Cost of Issuance	\$302,000.00
Underwriter's Discount	\$219,479.99
Additional Proceeds	\$287,877.31
Total Uses of Funds	<hr/>
	\$31,120,333.99

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 2008 for collection in 2009. 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, 2017, and on any day thereafter, Bonds due on or after December 1, 2018. 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 fixed for 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 2008A." As originally issued, the Bonds will be dated June 1, 2008. 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.

The Depository Trust Company ("DTC"), New York, NY, 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) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds 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 of the Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. 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 Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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.

RATINGS

The Bonds are rated "Aa3" by Moody's Investors Service, "AA" by Standard & Poor's, and "AA" by Fitch Ratings. A rating reflects only the view of the rating organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The County has sold the Bonds at public sale to Robert W. Baird & Co., Inc. as Underwriters, for a price of \$30,890,929.31 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 has it 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 Laster & Garcia, LLC, 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 Laster & Garcia, LLC, have, at the request of the County, supplied the information under the heading "TAX EXEMPTION" and Appendix I.

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 and others 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 percent 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 opinions, 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 the 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, the Financial Advisor and the County express 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 includible 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, 2006. The auditor's report accompanying the County's financial statements for the fiscal year ended December 30, 2007 is anticipated to be completed in July 2008.

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 the 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 her 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 62.9 percent of the County's population and 47 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 49,000¹. In addition, six constitutional officers are elected to serve two (2) or four (4) year terms (see detail below) on a partisan basis.

County Officials

(Initial year in office follows name)

County Executive:	Scott Walker (2002)
<i>County Clerk (2 year term):</i>	<i>Mark Ryan (1999)</i>
<i>Register of Deeds(2 year term):</i>	<i>John La Fave (2003)</i>
<i>Treasurer(2 year term):</i>	<i>Dan Diliberti (2005)</i>
<i>Clerk of Circuit Court (4 year term):</i>	<i>John Barrett (1999)</i>
<i>Sheriff (4 year term):</i>	<i>David A. Clarke, Jr. (2002)</i>
<i>District Attorney (2 year term):</i>	<i>John T. Chisholm (2006)</i>

Board of Supervisors

Lee Holloway – Chairperson (1992)

Michael Mayo, Sr. - 1st Vice Chairperson (1994)

Peggy West - 2nd Vice Chairperson (2004)

<i>Mark A. Borkowski (1992)</i>	<i>Patricia Jursik (2007)</i>
<i>Gerry P. Broderick (2002)</i>	<i>Christopher Larson (2008)</i>
<i>Paul M. Cesarz (2002)</i>	<i>Theo Lipscomb (2008)</i>
<i>Toni M. Clark (2003)</i>	<i>Joseph A. Rice (2004)</i>
<i>Elizabeth M. Coggs - Jones (1988)</i>	<i>Joe Sanfelippo (2008)</i>
<i>Lynne D. De Bruin (1992)</i>	<i>James J. Schmitt (1998)</i>
<i>Marina Dimitrijevic (2004)</i>	<i>John Thomas (2008)</i>
<i>Willie Johnson, Jr. (2000)</i>	<i>John F. Weishan, Jr. (2000)</i>

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 Transportation and Public Works

¹ Please refer to the census appeal footnote in the section entitled "Community Characteristics – Demographic Trends" for further information.

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; 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 the 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 from the County Executive, 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. The County Board 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 2007 and 2008 is presented on page 52 of this Official Statement. Also, presented on page 56 is a summary of expenditure appropriations for the County's five-year (2008-2012) 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 funds 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. Receipt of the certificate for the year ended December 31, 2006 is still pending for Milwaukee County at the time of publication of this Official Statement. 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 currently in the process of compiling the CAFR for the year ended December 31, 2007.

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 2002-2006 is presented on pages 50 and 51 of this Official Statement. Excerpts from the County's 2006 financial statements are included as Appendix II. Milwaukee County realized a surplus of \$4,901,148 for fiscal year 2006.

2007 Fiscal Year

The most recent projection of the Department of Administrative Services (DAS) indicates a projected year-end surplus of approximately \$7.0 million. The change in financial position from earlier estimates is largely the result of surpluses in non-departmental accounts such as Employee Fringe Benefits and Interest Income. In addition, the financial position for 2007 was also improved by departments that were able to mitigate previously reported deficits such as the Department of Transportation and Public Works – Transit Division and the Department of Health and Human Services – Behavioral Health Division.

DAS is still in the process of completing its analysis for the 2007 closing including: departmental results, balance sheet accounts and carryovers. The final results will not be known until July 2008.

2008 Fiscal Year

No preliminary estimate is available for the 2008 Fiscal Year at this time. However, projected shortfalls are indicated in the following areas: juvenile corrections (\$2.3 million), the House of Correction (2.0 million), the Courts (\$2.0 million), Sales and Use Tax (1.6 million) and State Shared Revenue (\$980,000). These projected

shortfalls are offset by the availability of approximately \$6.6 million in contingency funds budgeted in 2008 for unanticipated resource needs. 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

Collective Bargaining

As is the case with most local governments, employee compensation and fringe benefits continue to present budget challenges for the County. In 2007 the County reached favorable labor settlements with five of its eight unions, including the County's largest union (AFSCME District Council 48), which represents almost 80 percent of the represented staff at the 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. Labor Relations will begin to negotiate successor agreements with all unions in late summer of 2008.

Health Care

The County has moved aggressively to control the growth in employee health care costs through other avenues. The County's 2007 Budget funded the creation of an 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. Due to a contract dispute with WPS, the County's health insurance provider, the County will go out to bid for a third-party administrator in 2008, which is expected to result in cost savings. The Employee Benefits Division has also initiated 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. 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 is better able to control its costs versus the contracted rates under the fully insured option. Prior to this conversion, the County was projecting health care cost increases of 17-18 percent per year for the years 2007, 2008 and 2009. Moving to the self-insured model was originally projected to provide cumulative savings of \$18.7 million from 2007-2009, based on an expected price increase rate increase of 13-15 percent 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, and for the County's largest union in early 2007. Many of these changes provided an additional positive impact as employees moved from higher cost health plans to lower cost plans. In addition, employees were given additional incentives to go lower cost health plans through lower monthly contributions. The combined impact of the above changes, is evidenced by a material decrease in the rate of health care cost growth during 2006 and 2007, when the County saw only a 3 percent and 8 percent, respective, increase in employee health care costs. The County's projection for 2008 has been adjusted to reflect an expected increase of 10.0 percent in 2008 and 11.0 percent in 2009 and subsequent years compared to the earlier 13-15 percent projected increases.

Pension

As noted below, pension benefits continue to be a significant cost pressure for the County. The 2007 Budget included pension contributions totaling \$49.3 million, or \$3.1 million less than that recommended by the actuary. The 2008 Budget included pension contributions of \$39.3 million, based on an actuarial contribution requirement of \$49.7 million.

The County is aggressively pursuing initiatives to limit the growth in required pension contributions. Accomplishments include achievement of certain rollbacks of pension enhancements approved in 2001. In addition, legislative approval was received in the spring of 2008 that authorizes the County to issue Pension Obligation Bonds. See "Milwaukee County Retirement System" for a complete discussion of budgeting for pension costs and accomplishments related to the rollback of pension enhancements.

Other Post-Employment Benefits

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 Post-Employment 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 the 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 percent 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 has post-retirement health insurance available for employees hired before April 1, 2007, and based on the number of years of service. The Transit System negotiated a new labor contract with its employees effective April 1, 2007. Under the new agreement, new employees are not eligible for post-retirement health insurance.

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 percent 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.

Five-Year Projections

Based on preliminary planning projections, the County estimates a potential funding gap in 2009 of approximately \$33.5 million assuming a flat property tax levy and no wage increases. It should be noted that it is not unusual at this point in the budget process to project expected funding gaps. 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 five-year projections are planning projections and are subject to revisions. For purposes of the forecast below, it is assumed that the State-imposed levy cap adopted in 2007 will remain in effect over the years included in the projections. The anticipated State cap limit reflects an increase in net new construction consistent with the 2007 increase of 2.54 percent plus the terminated TID increase of .52 percent. 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

The values in the table below assume that the County will increase the property tax levy by 3.06 percent each year based on the 2008 Adopted Budget net new construction plus the incremental percentage value of the terminated TID. The levy limit calculation permits an increase in levy for the growth outlined above and debt service. No allowable increase is taken for debt service. This is a departure from previous years projections due to an increase in the allowable property tax levy cap for approximately \$21 million in debt service for the potential pension obligation bonds. However, the budgetary impact of issuing pension obligation bonds is a reallocation of levy from the unfunded accrued actuarial liability contribution to an annual debt service payment for the pension obligation bonds. In essence, this is a redistribution of property tax levy and not an overall increase.

	2009 Projection	2010 Projection	2011 Projection	2012 Projection	2013 Projection
Annual Gap (Projected Expenditures and Revenues)	(\$25.9)	(\$35.6)	(\$49.8)	(\$67.4)	(\$87.9)
Annual Gap without Wage Increases (beyond 2008)	(\$25.9)	(\$29.7)	(\$37.7)	(\$48.9)	(\$62.6)

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 2006 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.

The 2008 Budget included \$40,000 to hire a professional real estate consultant to assist the County in developing a countywide space and facilities plan. This initiative will include a comprehensive inventory of existing county space used by county departments and leased by outside entities, a comprehensive inventory of parking facilities and needs, an assessment of physical consolidation of county departments, and the development of a list of real estate challenges and guiding principles to assist in addressing the County space and real estate needs.

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 2008 bond amount of \$30,860,000 is \$860,000 above the bonding cap amount provided for under the current debt management policy. Although the County has exceeded the cap the past three consecutive 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

This functional area consists of the Department of Health and Human Services (DHHS), including County Health Programs, the Behavioral Health Division and the Department of Aging. In combination, operating revenues support 84.5 percent of expenses in Health and Human Services departments.

The *Department of Health and Human Services (DHHS)* provides a wide range of life-sustaining, life-saving and life-enhancing services to children and adults through age 60. Programs serve specific populations such as delinquent youth; persons who are developmentally, physically or mentally ill; the homeless; and those in need of financial assistance. Many DHHS services are mandated by State Statute and/or provided through a State/County contract.

DHHS consists of eight service areas including the divisions of Economic Support, Delinquency and Court Services, Disabilities Services, Housing, Management Services, County Health Programs and Behavioral Health.

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

The Delinquency and Court Services Division administers a range of juvenile justice programs and provides support staff for the operation of the Children's Court. This division operates a 120-bed Juvenile Detention Center, which is staffed and maintained as a 24-hour, secure correctional facility, primarily housing juveniles that are being held pending trial. This Division also administers the following programs oriented to alleged and adjudicated delinquent youth: pre-dispositional secure/non-secure out-of-home placements, the First Time Offender program, post-dispositional placements, probation and programs that are designed to divert such youth from State facilities.

The Disabilities Services Division provides human services to adults with special needs between the ages of 18 and 60 and to children with disabilities and their families. Services are targeted at populations with physical and developmental disabilities and individuals who are homeless or 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 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 Housing Division, created in the 2007 Budget, consolidates several housing programs in order to better integrate housing programs with the social services provided by DHHS. The new division focuses on prioritizing the use of County housing resources to address the needs of persons with mental illness or other special needs. The division administers the following Housing and Urban Development (HUD) funded programs: Shelter Plus Care, which links housing subsidies with case management for persons with mental illness; Safe Haven, which provides transitional housing for formerly homeless persons with mental illness; Housing Choice Voucher, which assists clients find affordable housing and provides rent subsidies; and HOME/Home Repair, which provides low or no interest loans to low-income persons for home repairs and improvements.

County Health Programs (CHP) develops, implements and evaluates programs related to improving or providing for the health of Milwaukee County citizens and visitors. CHP 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).

The Emergency Medical Services (EMS) Program (Paramedics) supports the provision of paramedic services in Milwaukee County through a variety of initiatives. The Communication Center is staffed with *emergency medical communicators to coordinate on-line medical control and hospital notification for local and regional emergency calls.* The EMS program also operates the Education/Training Center for members of the paramedic transport units serving Milwaukee County and the AHA Community Training Center, which provides 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.

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. 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.

The Behavioral Health Division (BHD) provides care and treatment of persons with disorders related to alcohol and substance abuse as well as developmentally, emotionally and mentally ill adults, children and adolescents. The range of services provided by BHD encompasses inpatient care (both short term and extended), outpatient care and day treatment. Acute hospital admissions are initiated by voluntary application or through legal detention methods such as court commitment. Extended care services are provided at federally certified, skilled nursing facilities and at facilities for the developmentally disabled. 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 contracts with community service providers or at community clinics.

Department on Aging – The Milwaukee County Department on Aging was created in 1991 to administer aging programs and to serve as Milwaukee County’s designated Area Agency on Aging. The Department plans for and services the growing needs of Milwaukee County’s large and diverse older adult population. 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 reports directly to the County Executive and provides staff support to the Milwaukee County Commission on Aging.

The Department contains three major program areas: Administration, the Care Management Organization and Area Agency Services, including the Resource Center.

Area Agency Services provides multiple programs to the aging population including the Senior Meal Program, contracts for the five Senior Centers in Milwaukee County and a range of grants to community based agencies to provide specialized programming for elderly adults. This division also provides staff support to the Milwaukee County Commission on Aging, which serves as the area’s planning committee. In addition, Milwaukee County is the designated Aging Resource Center, which provides eligibility assessments for persons seeking assistance in any Department program, including Family Care, and serves as an information clearinghouse for the target population.

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

This functional area includes the Department of Parks, the Milwaukee County Zoo, the Milwaukee Public Museum (MPM) and other cultural institutions that receive County support. As a group, operating revenues support 39.1 percent of expenses relating to Parks, Recreation and Culture.

The Department of Parks operates the Milwaukee County Park System, which is comprised of 15,000 acres of parkland, including 153 parks and parkways. The interconnecting parks and parkways are known nationally as one of the largest and most expansive park systems in the country.

The Park System encompasses several major facilities, including golf courses, aquatic and other sports facilities, public marinas, community centers and horticultural facilities. Specifically:

Sports and Recreation: 15 golf courses are available to all levels of golfer. The Department provides dozens of facilities for indoor and outdoor swimming, including two family aquatic parks, two splash pads and 37 wading pools. The Wilson Indoor Ice Arena is home to many ice-hockey tournaments as well as figure skating competitions. The County Sports Complex serves as a regional sports and exhibition facility, hosting semi-pro football and other leagues and several trade shows annually. In addition, dozens of parks have baseball or softball fields, basketball courts, sand volleyball, tennis courts, cricket courts and other facilities that can be rented or used recreationally.

Lakefront Property: The Park System operates two public marinas, McKinley and a leased facility at South Shore, which offer slips to annual tenants and transient boaters. The McKinley Marina is a 706-slip facility located near the downtown area on Lake Michigan. The Department maintains three additional launch sites along Lake Michigan. The Department boasts of over 14 miles of pristine lake front property and operates five public beaches along Lake Michigan.

Community Centers: Two community centers in Milwaukee offer both supervised sports activities as well as leisure recreation in exercise and game room gatherings. The centers host community groups that offer adult educational programs and programs oriented to disadvantaged youth, such as daylong-supervised activities during school breaks and summer day camps.

The 100 mile-long Oak Leaf Recreational Trail, along with 84 miles of parkways, provide off-road paved paths for walking and biking. Although termed a "recreational trail" the Oak Leaf trail serves as an important commuter route for many bikers in Southeastern Wisconsin. Currently there are two mountain bike trails with a third under construction by volunteers in Wauwatosa, WI.

Horticultural Facilities: The Mitchell Park Horticultural Conservatory, "The Domes", is a unique structure of three conical glass domes, each 85 feet high and 140 feet wide.

The Wehr Nature Center fosters environmental awareness and a conservation ethic in Milwaukee County's citizens through programming for school children and events for families.

The Boerner Botanical Gardens, a nationally renowned botanical center, offers specialty gardens including a Rose Garden. The Gardens host the Summer's Best free concert series that runs from July to September with an average attendance of over 2,000 people.

The Zoological Department operates the Milwaukee County Zoo, which is situated on 200 acres with approximately 465,124 square feet of facilities. Exhibits at the zoo include the Family Farm, a working farm and dairy complex; the Peck Welcome Center; the Sea Lion and Polar Bear exhibit; 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. Other zoo facilities include the Skyride, a railroad, a carousel and the Gathering Place (scheduled to open in 2008). Zoo attendance in 2007 was 1,350,000 visitors.

Through a unique partnership with the Zoological Society, the zoo has implemented a nine-year capital program, which has provided \$29.6 million in private funding. In addition to a variety of maintenance projects relating to ADA compliance, heating and electrical improvements, etc., several major capital projects have been completed at the zoo in recent years, specifically:

In 2003, construction of the Animal Health Center. This facility enhances 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, construction of the Karen Peck Katz Conservation Education Center. This facility features eight classrooms and is also an example of “green” construction in its use of environmentally friendly building materials and a rooftop garden.

In 2005, a \$7.2 million reconstruction of the Feline Building. The project features larger and more natural looking exhibit spaces for the 18 felines housed at the zoo.

Several other areas of the zoo have experienced major renovations in recent years including the Family Farm and the 40-year-old Giraffe Building.

In 2008, the Gathering Place will be completed. This project joins the existing North and South Administration Buildings, remodels the Flamingo Café and adds a sundries/coffee shop. It is funded by \$5 million in private donations.

Milwaukee Public Museum – Since 1992, the Milwaukee Public Museum (MPM) has been a public-private partnership between the not-for-profit agency MPM, Inc., which operates the museum, and the County, which owns the building and artifacts. A board of directors, including some members appointed by the County Board and County Executive, manages MPM, Inc. 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 the County the option 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. After numerous discussions, the County, two bank lenders (M&I Marshall and Ilsley Bank and JP Morgan Chase Bank, N.A.) 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 County agreed to guarantee the repayment of the \$6 million working capital loan, contingent on two additional terms:

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, cuts to employee benefits and an across-the-board wage reduction, as well as increases in revenues through higher admission fees and more aggressive fund-raising efforts.

Second, creation of an independent, five-person financial Oversight Committee appointed by the County Executive and County Board Chairman. The Oversight Committee’s purpose includes the review and approval of loan draw requests by MPM management; monitoring and enforcing the implementation of the break-even business plan; and providing additional checks that all working capital is used for its intended purposes. 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.

During the fall of 2006, it became apparent to the Oversight Committee that MPM’s cash flow could not support the total level of debt held by MPM in light of revenue and admission trends. As a result, the County Board Chair and the County Executive appointed the Museum Recovery Committee consisting of representatives from the donor community, the banks, the County and MPM. The Recovery Committee evaluated a number of options for restoring

MPM to long-term financial viability such as leveraging additional donor funds, the restructuring of MPM debt and additional capital and cash contributions by the County.

A comprehensive agreement among the major stakeholders was achieved in May 2007. The County approved its part of the agreement in June of 2007, which included increasing the annual subsidy to the 2006 level and freezing it there for a period of ten years (2008 – 2017). In addition, the County agreed to fund a minimum of \$4.0 million over five years (2008 – 2012) for capital improvement projects at MPM. The Banks agreed to restructure MPM's long-term debt of \$16.7 million over ten years at two percent interest. Donors established a \$5 million Challenge Match grant, the proceeds from which would be used to pay off the County guaranteed short-term debt and to replenish the Endowment funds, which had been misappropriated prior to 2005. Initially, there was a proposal for MPM to purchase Discovery World, but the purchase agreement was voided.

By February 2008, \$4.5 million in proceeds from the Challenge Match reduced the County guaranteed debt from \$4,980,000 down to \$480,000. As of March 2008, the debt was paid off through the receipt of donor pledge commitments and the Oversight Committee was discontinued.

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 2008, the County budgeted an appropriation of \$200,000 in the Adopted Capital Improvements Budget to replace the Operable Partition within the Marcus Center. The County's annual operating contribution to the Marcus Center for 2008 is \$1.28 million.

Transportation and Public Works

The Department of Transportation and Public Works (DTPW) administers two County airports; the Milwaukee County Transit/Paratransit System; transportation planning and engineering services; architectural, engineering and environmental services; highway maintenance; fleet management; and facilities management. Operating revenues account for 89.0 percent of DTPW expenses.

Airports: Milwaukee County operates two airports: General Mitchell International Airport (GMIA) and Lawrence J. Timmerman (LJT) Airport. Operating expense of both airports is entirely supported by user fees.

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 7,713,144 passengers used GMIA in 2007.

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.

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 479 buses serving 59 routes. Bus fares are collected on approximately 46.6 million trips annually.² Budgeted fare revenue and Federal and State aid account for approximately 82.3 percent of operating costs. MCTS also has a paratransit program for persons with disabilities.

² As represented here, a "trip" is recorded each time a passenger pays with either a ticket or cash when entering the bus. This number does not include passengers entering the bus using a transfer ticket.

Highway Maintenance: This division of the DTPW maintains 68 centerline miles of freeways, 99 centerline miles of state trunk highways and approximately 87 centerline miles of county trunk highways. Expenses for general and winter maintenance of State trunk highways within Milwaukee County are fully offset by State reimbursement revenues.

Transportation Services: This division of DTPW provides transportation planning and engineering services. Transportation planning functions include multimodal transportation planning, project and asset management, development and grant administration. This division also supports mass transit functions by providing management oversight as required by federal and state law, grant application and administration, as well as transit planning and facility development. The transportation-engineering unit provides highway engineering, construction management, bridge engineering and traffic engineering.

Other Public Works: DTPW also supports other public works functions including buildings and grounds maintenance, fleet management and professional architectural and engineering services.

In 2008, selected departments will participate in the implementation of a Guaranteed Energy Savings Performance Contract (GESPC) pilot project to improve the County's energy efficiency and promote environmental sustainability. Participating departments' utility costs were reduced by approximately \$200,000.

Courts and Judiciary

The Courts and Judiciary function includes Combined Court Related Operations and the Department of Child Support Enforcement. State and other non-tax revenues support approximately 59.7 percent of the county cost of the Courts and Judiciary function.

The *Combined Court* of Milwaukee County, the first judicial administrative district of the State system, currently has 47 judges and 22 court commissioners. The Combined Court is made up of three divisions:

The Family Court Commissioner conducts formal hearings in matters relating to marriage and actions affecting the family including matters related to domestic abuse and harassment. The Family Court Mediation Services unit is a section of the Family Court Commissioner.

The Register of Probate maintains all records and files of probate proceedings and performs administrative services and ministerial duties in connection with mental commitment proceedings, protective placement proceedings, will proceedings, contests of claims and other probate proceedings.

The Clerk of Circuit Court maintains the records, books and files of the Circuit Courts, Civil, Family, Criminal and Children's Division; prepares the daily court calendar; and processes all cases. Eligible jurors for the County-funded State Court System are summoned by the Clerk of Circuit Court.

The *Department of Child Support Enforcement*, under the mandate of Title IV-D of the Federal Social Security Act, provides services to locate parents, establish paternity and enforce and establish child support and medical support orders. Cases are referred by the Department of Health and Human Services, W-2 agencies and the Milwaukee Bureau of Child Welfare when a custodial parent or child is eligible for any one of a variety of benefits.

Public Safety

The Public Safety function includes the Office of the Sheriff, District Attorney, Medical Examiner and the House of Correction. For 2008, budgeted operating revenues support approximately 24.9 percent of the costs of these departments.

The *Office of the Sheriff* acts as an arm of the criminal justice system, carrying out criminal investigations, effecting arrests and warrants, detaining prisoners, providing court security, serving process papers, transporting prisoners and patients and extraditing criminals. The Office of the Sheriff is organized into four Bureaus:

The Emergency Management Division administers a countywide emergency plan to mitigate all hazards and promotes public awareness of typical hazards and preventive measures.

The Police Services Bureau is responsible for patrolling the airport, county grounds, county parks and expressways. In addition, the Police Services Bureau includes the Criminal Investigation Division, the Drug Enforcement Unit and the High Intensity Drug Trafficking Area (HIDTA).

The Detention Services Bureau includes the County Jail, Inmate Transportation and Medical and Psychiatric Services for the Sheriff's Office and the House of Correction. The jail is a secure detention facility with a design capacity of 990. The jail is primarily a pre-trial holding facility although a small number of sentenced offenders awaiting transfers or hearings are also housed at the jail. The Sheriff and the Superintendent of the House of Correction have the authority to transfer inmates between the County Jail and the House of Correction in order to maximize the use of available beds. The Special Operations Bureau provides Bailiff services to the Clerk of Courts; operates the Communications Center that handles all cellular 911 phone calls and provides dispatch services for Sheriff's deputies; and administers Central Records, the Civil Process Unit and the Training Academy.

The *Milwaukee County District Attorney's Office* plans and organizes the prosecution of all criminal, juvenile and applicable ordinance violations in Milwaukee County. The District Attorney's Office is organized into nine divisions, some of which include the following:

The General Crimes Division, which staffs five general felony courts and seven general misdemeanor courts in Milwaukee County Circuit Court.

Violent Crimes, which staffs the specialized criminal courts for homicide, sexual assault and felony drug and firearms cases.

The Juvenile Division, which reviews all referrals for delinquency prosecution, provides legal advice to Children's Court staff; drafts and files petitions to declare juveniles delinquent or in need of protection and services; prepares and argues waivers of jurisdiction from Children's Court to adult court; and prosecutes all matters involving termination of parental rights.

Community Prosecution which supervises prosecutors in six Milwaukee police district stations; the Domestic Violence unit; the Restorative Justice, Family Support and Crisis Response Units; and the Diversion and Treatment Alternatives to Criminal Charges Program.

The District Attorney's Office also administers numerous federal and state grant funded programs that enhance the public safety of Milwaukee County residents, including the Victim/Witness Program, the Victims of Crime Act, the Byrne Justice Assistance Grant Prosecution of Drug Crimes, state and federal Violence Against Woman Acts, and the High Intensity Drug Trafficking Area grant, among others.

The *Medical Examiner's Office* investigates all deaths in which there are unexplained, unusual or suspicious circumstances, for example homicides, suicides, accidental deaths and all deaths in which there is no physician in attendance. Staff of the Medical Examiner's Office perform autopsies, histological studies and toxicological analyses; testify in court in regard to all investigative findings; issue death certificates, cremation permits and disinterment permits; take possession of, store and dispose of bodies when investigation is required or bodies are unclaimed; locate relatives of deceased persons; safeguard and legally dispose of money and property of deceased persons; and render scientific aid to various law enforcement agencies in the examination of evidence.

The *House of Correction* (HOC) receives and maintains custody of all sentenced prisoners in Milwaukee County for periods not exceeding one year. Unsentenced prisoners and prisoners from other jurisdictions, such as State Probation and Parole violators, may also be detained at the HOC. The HOC provides programs of work release, recreation and training, rehabilitation, education, work and processes and considers applications for parole. The department also operates a program of home detention using electronic surveillance equipment and other systems of control. The department operates two correctional facilities:

The Adult Correctional Center has a design capacity of 1,650 inmates. The housing capacity has been increased by placing additional beds in each of the dormitories. In 2008, it is anticipated that 1,910 inmates will be housed at the Adult Correctional Center.

The Community Correctional Center (CCC) has a design capacity of 200 inmates. The housing capacity has been increased to 420 by adding a fifth floor for inmate housing and by placing additional beds on other floors. The majority of inmates at this facility have community access under court order to work, attend school, provide childcare or to receive medical attention. A GPS initiative was included in the 2008 Budget and the Community Justice Council is evaluating the possibility of a GPS monitoring system.

General Governmental Services

This function includes the County Treasurer, County Clerk, Register of Deeds and an Election Commission. As a group, budgeted operating revenues support 109.0 percent of the costs of these departments.

The Register of Deeds and the County Treasurer traditionally produce revenues in excess of expenditures, which accounts for the 109.0 percent figure cited above. About three quarters 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 and interest rates have risen, estimates of both general recording fees and real estate transfer fees have declined.

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.

Administration

The Administrative function includes the Department of Administration, Corporation Counsel and personnel-related agencies such as the Personnel Review Board, Civil Service Commission and Ethics Board. As a group, operating revenues support 7.1 percent of expense for administrative functions.

The *Employee Benefits* Division of the Department of Administrative Services was created in 2007 to actively manage employee fringe benefits and to provide more direct control over costs, specifically health care costs. This division manages and coordinates the details of employee benefits programs, including hospital/surgical/dental care plans, life insurance plans and employee services programs dealing with behavioral/medical problems. This division also administers and maintains the Milwaukee County Retirement System and provides for the determination of benefits and payments to all eligible employees or their beneficiaries and monitors and reconciles all transactions affecting the retirement fund.

Labor Relations

The *Labor Relations* Division of the Department of Administrative Services has general responsibility for the negotiation and administration of all collective bargaining agreements, the establishment of labor relations training programs for supervisory staff, and the implementation 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 Workforce Development. In addition, this Division 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.

Milwaukee County has 5,704 funded full-time equivalent positions (2008 Adopted Budget, Schedule VII). The number of filled positions fluctuates on a seasonal basis. 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	3,823	12/31/2008
Milwaukee Deputy Sheriff's Association (1)	493	12/31/2006
Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO (1)	348	12/31/2006
Milwaukee Building and Construction Trades Council, AFL-CIO	91	12/31/2008
Association of Milwaukee County Attorneys	50	12/31/2008
Technicians, Engineers and Architects of Milwaukee County	38	12/31/2008
Milwaukee County Firefighters Association (1)	17	12/31/2006
District No. 10 International Association of Machinists and Aerospace Workers	6	12/31/2008
Total Represented Employees	4,866	

1. These unions have not settled their respective contracts for 2007-2008

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 credited service. Participants hired after January 1, 1982 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 five 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 hours³. A lawsuit was filed against

³ 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). A lawsuit was filed 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 requested 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. Funds were set aside in 2005 and 2006 financial projections to cover the projected costs of any settlement. The settlement would not involve the reinstatement of any employees or punitive damages, but would be simply a settlement on a calculation payout method for non-represented employees, who were employed as of March 15, 2002. The final settlement called for any non-represented employee, as of March 15, 2002 to receive credit at retirement for 100% of their sick leave balance as of March 15, 2002, less any sick leave used after that date. Any sick leave earned after March 15, 2002 would be credited to the employee based on the rule of 400 hours plus 16 hours for each additional 100 hours or part thereof, based on the employees final sick leave balance. The County paid out any additional costs, due to the settlement, to non-represented retirees in 2007.

the County in 2002, to revert to a full payout of accrued sick allowance at retirement. Final settlement of this lawsuit occurred 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 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 backdrop 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 backdrop benefit. Most of these back drop changes in the labor agreements became effective after October 2005, except for the AFSCME 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, 2007, the most recent valuation date, the pension plan had an unfunded actuarial accrued liability of \$405,688,000, based on an actuarial value of liabilities of \$1,931,220,000 and actuarial accrued assets of \$1,525,532,000. The funded ratio on January 1, 2007 was 79.0 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 and 2006 to 186 and 219, respectively. Nonetheless, the accelerated retirements from 2002-2004 reduced employee contributions for health care benefits by changing the status of employees to retirees, and 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 and \$2.58 million in 2002. The total contribution for 2003 was \$34 million, which included a \$15 million contribution 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 and contributed \$35.1 million, and in 2005 it contributed \$35.4 million.

The 2006 Adopted Budget appropriated \$27.4 million for the ERS, which was \$19.5 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 \$46.9 million, which included \$22.6 million of normal costs and \$24.3 million for the amortization of the prior service costs. Per County Ordinance, the variance of \$19.5 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 \$52.4 million. The small change in the actuarial contribution for 2007 was due to a lowering of the payroll growth assumptions from 5.5 percent to 3.5 percent, and a change in the disability assumption to reflect a higher percentage for accidental retirements versus ordinary retirements.

For 2008, the adopted budget includes a contribution of \$39.3 million for the ERS system. This contribution anticipates the issuance of pension obligation bonds to fund the County's unfunded actuarial accrued liability. The budget includes \$21.9 million for normal costs and \$16.8 million to be used for amortization of the unfunded liability, interest on pension obligation bonds and creation and funding of a pension stabilization fund. If the County is unable to issue the pension obligation bonds, the budgeted contribution will be used to offset an actuarial contribution requirement of \$49.7 million.

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 2008 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. These legislative changes were recently approved by the State for Milwaukee County. In addition, language in the County's 2008 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 Obligation Bond Work Group to look at all the fiscal challenges issues revolving around the County's ERS employee's Retirement System.

2008 Pension Obligation Bonds

In 2007, the County created a Pension Obligation Bond (POB) Work Group (Work Group) consisting of staff from the Department of Administrative Services, Corporation Counsel, Department of Audit, a County Board Fiscal and Budget analyst, an actuary, outside bond counsel and financial advisors. The Work Group is in the process of developing a proposal regarding the issuance of POBs for review and approval by the Committee on Finance and Audit, and the County Board of Supervisors.

Aspects of the Work Group's POB proposal include financing of the County's unfunded pension liability, stabilizing the County's annual contribution levels, and achieving budgetary savings. The proposal is to be accompanied by a report of the POB Work Group that provides a comprehensive assessment of the potential risks to the County including an actuarial assessment of the impact to the ERS. As part of the due diligence prior to any POB issuance, the Pension Board actuary must also examine all current assumptions related to the calculations of the Pension Fund assets and liabilities. This includes, but is not limited to, the assumed rate of investment return, amortization periods, individual employee's salary growth assumptions, and potential "smoothing" of any previously enacted assumption changes.

The 2008 adopted budget contemplates the issuance of POB's to satisfy a portion of the County's unfunded actuarial accrued liability (UAAL). At the time of the budget's adoption, the actuarial report from Buck Consultants dated June 20, 2007, estimated a \$329 million UAAL as of January 1, 2007. A new actuarial report will be presented to the County during 2008. It is anticipated that any Work Group recommendation will address the liability identified in the new actuarial report.

The POB issuance as identified in the 2008 adopted budget was dependent on changes to state law and a credit market that is favorable to proposed financing. On March 19, 2008, the State adopted legislation that authorizes the County to issue POB's. Requirements of the legislation include:

- Formulation of a strategic financial blueprint with quantifiable benchmarks to measure plan compliance.
- Funding of all future annual pension liabilities must be made on a current basis or the State will reduce shared revenue by an amount equal to the unfunded portion of the contribution and deposit those revenues directly into the Pension Fund.
- The County must report annually to the State on certain pension-related matters.

Since approval of the State legislation authorizing the POB issuance, the POB Work Group is collaboratively designing a cost-effective borrowing structure with the potential of including a stabilization fund. To assist with the structure design, the Work Group has received Requests for Proposals for underwriter services and is working with financial advisors to develop investment policies. Any plan with regard to issuance of POB's is subject to the approval of County policymakers. With the issuance of these POB's, the 2008 cost of the amortization of the UAAL would decrease, and the savings would be used to reduce the 2008 budgeted pension contribution, pay for first year interest on the POB's, and make an initial substantial contribution to a pension stabilization fund.

COMMUNITY CHARACTERISTICS

Demographic Trends

According to the Wisconsin Department of Workforce Development, Milwaukee County's population for 2007 totaled 951,252, which is an increase of 1.2 percent over the 2000 United States census population estimate⁴.

Location and Transportation System

Milwaukee County's location on Lake Michigan, near the nation's geographic center and in close proximity to the Chicago metropolitan area, 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, the Union Pacific and Canadian Pacific. Passenger rail service is available from Amtrak and national and inter-city bus lines also serve Milwaukee County. Milwaukee is also a major Great Lakes port. During 2007, the Port of Milwaukee handled 3.6 million tons of materials. Port traffic has rebounded between 2003 and 2007, increasing by 34 percent. General Mitchell International Airport, owned and operated by Milwaukee County, serves 80 cities. Passenger traffic at Mitchell International has increased by 20.1 percent since 2000. 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 University, Marquette University, Medical College of Wisconsin, Milwaukee Area Technical College, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee and Wisconsin Lutheran College.

Economic Profile and Trends

Like many urban areas in the Northeast and the Midwest, the regional economy is transitioning toward a service-based economy. Total employment in the Milwaukee region declined between 2001 and 2006 by 1.8 percent with a loss of 14,814 jobs. In that time period, manufacturing employment declined by 20,705 jobs, or 13.4 percent. Sectors demonstrating the highest growth in employment were Education and Health, Leisure and Hospitality and Professional and Business services.

The business outlook in Milwaukee County remains positive. An annual survey conducted by the Metropolitan Milwaukee Association of Commerce of 124 local firms indicates that 69 percent anticipate an increase in sales (net of inflation) for 2008 versus 2007. The survey also reports that 52 percent of these firms expect their level of employment to rise in 2008 from 2007 levels.

Labor Force Statistics (Annual Averages)

Labor Force Statistics for Milwaukee County⁵

Year	Labor Force	Employment	Unemployment	Unemployment Rate	
				Milwaukee County	National Average
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%
2007	460,421	432,663	27,758	6.0%	4.6%

⁴ This is the revised 2007 census estimate. Other demographic data in this section is based on reports developed by the State of Wisconsin, Office of Workforce Development, and reflect earlier versions of census data.

⁵ Source: Wisconsin Department of Workforce Development and Federal Bureau of Labor Statistics

Civilian labor force and the average number of employed persons in Milwaukee County both increased in 2007. The unemployment rate also increased from 5.7 percent to 6.0 percent, however, the rate in growth in the labor force was outpaced by the growth rate in unemployment. In contrast, the national average unemployment rate remained at 4.6 percent.

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Major Private Employers in the County⁶

<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

⁶ 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: CHOOSE Milwaukee, Regional Statistics

Major Industrial Taxpayers in Milwaukee County

<u>Name of Company</u>	<u>Type of Business or Service</u>	<u>2007 Full Market Value</u>	<u>% of County's 2007 Full Market Value</u>
Harley-Davidson	Manufacturer, motorcycles	\$123,662,500	0.18%
Miller Brewing Company	Manufacturer, beer and aluminum containers	73,667,600	0.11
Journal/Sentinel Inc.	Publishing, printing and broadcasting	46,672,200	0.07
Rockwell Automation	Manufacturer, electrical/electronic products	38,468,400	0.06
Briggs & Stratton Corporation	Manufacturer, small engines, automotive locks and keys	26,782,400	0.04
Brady Worldwide Inc	Manufacturer, safety and facility identification	25,758,900	0.04
Bucyrus International	Manufacturer, mining equipment	24,314,300	0.04
GE Medical Systems	Manufacturer, medical equipment	23,662,500	0.04
Rexnord Industries/Falk	Manufacturer, power transmissions	20,316,700	0.03
Quad/Graphics Inc.	Printing	19,816,900	0.03
VTLC Development LLC	Real estate development	19,236,500	0.03
P.P.G. Industries Inc.	Manufacturer, coatings and resins	19,117,300	0.03
GLM Holdings ⁷	Manufacturer/distributor, specialty chemicals and research chemists	18,874,200	0.03
Delphi Automotive	Manufacturer, automotive electronics	16,437,400	0.02
Hondo Incorporated	Manufacturer, beverage containers and bottling of beverages	13,799,800	0.02
All Glass Aquarium	Manufacturer, aquariums	13,360,000	0.02
Joseph and Ellen Dentice	Real estate development	12,447,600	0.02
Super Steel Products	Manufacturer of metal products	11,162,300	0.02
P & H Mining Equipment ⁸	Manufacturer, mining equipment	11,161,900	0.02

⁷ GLM Holdings is affiliated with Aldrich Chemical Company, Inc.

⁸ P & H Mining Equipment was previously known as the Hamischfeger Corporation and is a subsidiary of Joy Global

<u>Name of Company</u>	<u>Type of Business or Service</u>	<u>2007 Full Market Value</u>	<u>% of County's 2007 Full Market Value</u>
Bostik Inc.	Manufacturer, adhesives and sealants	11,118,100	0.02
Aldrich Chemical Company, Inc.	Manufacturer/distributor, specialty chemicals and research chemists	10,625,300	0.02
Badger Meter, Inc.	Manufacturer, of products using flow measurement	10,591,300	0.02
Alliance Development ⁹	Distributor	10,200,600	0.02
Palermos Properties LLC ¹⁰	Distributor, frozen pizza	10,073,200	0.02
Patrick Cudahy ¹¹	Manufacturer, processed meats	10,000,000	0.02

Source: Wisconsin Department of Revenue, 2007.

⁹ Alliance Development was previously named Geneva Lakes Cold Storage.

¹⁰ Palermos Properties LLC consolidated its major manufacturing plants into a single, new construction facility located within Milwaukee County.

¹¹ Patrick Cudahy Incorporated successfully negotiated a reduction in assessments with the City of Cudahy, Wisconsin based on an uncompetitive tax claim filed in 2006. The reduction in assessments negotiated in the appeal is in effect for a duration of five years.

¹² Johnson Controls Inc. (not shown above) was reflected in the previous survey with a full market value for 2006 of \$50,081,000. The State of Wisconsin subsequently changed the company's classification to non-manufacturer, which means that it is no longer included in this survey as real and personal manufacturing property assessed by the Wisconsin Department of Revenue and is assessed by the responsible local municipality(ies) as real and personal property of the particular municipality(ies). Johnson Controls has appealed this change in classification with the State of Wisconsin and review is currently pending.

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Major Non-Industrial Taxpayers in the County

<u>Name of Company</u>	<u>Type of Business or Service</u>	<u>2007 Full Market Value</u>	<u>% of County's 2007 Full Market Value</u>
Bayshore Town Center, LLC	Real estate	\$307,466,125	0.50%
Mayfair Property Inc.	Shopping mall	293,129,657	0.48
Northwestern Mutual Life Insurance Co.	Insurance	287,143,953	0.47
US Bank Corp	Banking	282,363,879	0.46
Metropolitan Associates	Real estate	150,332,160	0.24
Marcus Corp/Milw City Ctr/Pfister	Hotels, theaters, convention center	138,360,208	0.22
BRE Southridge Mall LLC	Real estate	126,253,239	0.20
Wheaton Franciscan Healthcare	Health care	116,900,444	0.19
M & I Marshall & Ilsley Bank	Banking	110,634,952	0.18
Towne Realty	Real estate	105,467,905	0.17
NNN 411 East Wisconsin LLC	Real estate	100,547,594	0.16
G.E. Medical Systems	Health care	81,451,595	0.13
Geneva Exchange Fund	Real estate	79,620,851	0.13
J.P. Morgan Chase Bank	Banking	79,209,993	0.13
Crichton-Hauck/Shoreline/Juneau Village	Real estate	79,000,133	0.13
100 E. Wisconsin Ave Joint Venture	Real estate	77,533,376	0.13
Liberty Property Limited	Real estate	69,259,114	0.11
Flanders Westborough	Real estate	68,872,534	.011
875 East Wisconsin-Vanguard Advisors	Real estate	67,704,805	0.11
Inland West Midtown	Real estate	63,329,233	0.10
Dayton-Hudson	Retailer	54,042,796	0.09
Mandel Group	Real estate	53,938,198	0.09
Robert Franseway, Springbrook Circle	Real estate	52,763,496	0.09
Columbia St. Mary's	Health care	49,861,795	0.08
Johnson Controls	Research/Office/Warehouse	45,617,266	0.07

Source: Wisconsin Department of Revenue, 2007 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)^{13,14,15,16}

Construction Projects Located in the City of Milwaukee

<u>Project Name</u>	<u>Municipality</u>	<u>Project Type</u>	<u>Estimated Project Costs</u>
Park Lafayette	City of Milwaukee	Multi-Family (Condominium)	\$71,385,549
First Place Condos	City of Milwaukee	Multi-Family (Condominium)	\$44,000,000
Potawatomi Casino	City of Milwaukee	Gaming Facility	\$27,695,000
Staybridge Condo/Hotel	City of Milwaukee	Condominium/Hotel	\$22,000,000
Breakwater Condos	City of Milwaukee	Multi-Family (Condominium)	\$21,000,000
Columbia St. Mary's	City of Milwaukee	Hospital/Health Care	\$10,150,000
TOTAL			\$196,230,549

Construction Projects Located in Other Municipalities

<u>Project Name</u>	<u>Municipality</u>	<u>Project Type</u>	<u>Estimated Project Costs</u>
Wheaton Franciscan Health Care Center ³	City of Franklin	Hospital/Health Care	\$89,000,000
Northwestern Mutual Life Insur.	City of Franklin	Office	\$85,600,000
Monticello Gardens	City of Franklin	Multi-Family (Condominium)	\$60,640,000
Johnson Controls	City of Glendale	Office/Research	\$60,000,000
Woodland Trails	City of Franklin	Multi-Family (Condominium)	\$54,395,000
Franklin Oaks	City of Franklin	Multi-Family (Condominium)	\$52,290,000
Greenfield Highlands	City of Greenfield	Mixed Use (Retail/Off/Condo)	\$50,000,000
Forest Hill Highlands	City of Franklin	Multi-Family (Apartments)	\$43,000,000
Falcon Glen	City of Greenfield	Multi-Family (Condominium)	\$40,000,000
Kaitlin Woods	City of Franklin	Multi-Family (Condominium)	\$39,200,000
Shops at Wyndham Village	City of Franklin	Retail	\$35,000,000
Avian at Tuckaway	City of Franklin	Multi-Family (Condominium)	\$34,500,000
Children's Hospital	City of Wauwatosa	Hospital/Health Care	\$28,200,000
Froedtert Hospital	City of Wauwatosa	Hospital/Health Care	\$25,000,000
Prairie Grass Preserve	City of Franklin	Multi-Family (Condominium)	\$21,750,000
Crowne Plaza	City of Wauwatosa	Hotel	\$20,200,000
Columbia St. Mary's	City of Glendale	Hospital/Health Care	\$20,000,000
Hidden Oaks	City of Franklin	Single Family	\$19,250,000
Heritage Village	City of West Allis	Multi. Occup. (Assist Living)	\$17,000,000
Tuckaway Pines	City of Franklin	Multi-Family (Condominium)	\$16,500,000
Stonchenge Addition 1	City of Franklin	Single Family	\$14,400,000
Wheaton/YMCA Lifestyle Vlg.	Village of Brown Deer	Commercial/Institutional	\$14,000,000
Deerwood Estates	City of Franklin	Multi-Family (Condominium)	\$12,720,000
Woodland Praire (formerly Carlton Creek)	City of Franklin	Multi-Family (Condominium)	\$12,100,000
Fountains of Franklin - Phase I	City of Franklin	Mixed Use (Office/Retail)	\$12,000,000
YMCA	City of Franklin	Recreational	\$12,000,000
Kaitlin Meadows	City of Franklin	Multi-Family (Condominium)	\$11,200,000
Shadwell	City of Franklin	Single Family	\$11,025,000
Sunrise LLC	Village of Shorewood	Multi. Occup. (Assist Living)	\$11,000,000
TOTAL			\$921,970,000

Source: Municipal Planning and Zoning Departments, January 2008.

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

14. All projects included in the table are either approved for construction or currently under construction.

15. Wheaton Franciscan Healthcare (Wheaton) is a not-for-profit. Based on estimated usage of floor space, Wheaton has estimated of the floor space will be utilized for taxable activity while 85 percent of floor space will be utilized for non-taxable activity.

16. The City of Oak Creek, Wisconsin Planning Department did not respond to the survey administered by the

Milwaukee County Department of Administration in January of 2008.

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 is considering the issuance of Pension Obligation Bonds (refer to "County Government - Milwaukee County Retirement System").

Bonds and Notes Authorized But Not Issued

In addition to the Series 2008A 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."

General Obligation Debt

The County's outstanding general obligation debt as of January 1, 2008, by issue is as follows:

Milwaukee County General Obligation Debt by Issue

Note	Date of Issue	Type of Obligation	Amount Issued	Final Maturity	Interest Rates Outstanding	Principal Outstanding
1	10/15/1993	G.O. Ref. Bonds, Series 1993A	\$57,669,714	12/01/2011	5.50%	\$18,078,379
2	03/01/1999	G.O. Ref. Bonds, Series 1999A	32,725,000	10/01/2012	4.00% - 4.375%	15,515,000
	05/01/1999	G.O. Bonds, Series 1999A	50,425,000	10/01/2009	5.00%	3,575,000
	05/01/1999	G.O. Bonds, 1999A (AMT)	6,825,000	10/01/2014	4.40% - 4.75%	3,185,000
3	05/27/1999	G.O. Ref. Bonds, Series 1999A	2,290,000	10/01/2013	4.50% - 4.85%	1,060,000
	03/01/2000	G.O. Bonds, Series 2000A	47,225,000	09/01/2009	5.375%	6,600,000
	04/01/2001	G.O. Bonds, Series 2001A	41,325,000	10/1/2016	5.00%	22,500,000
4	06/01/2001	Taxable Ref. Bonds, 2001A	2,610,000	12/01/2011	6.00% - 6.30%	1,000,000
5	10/01/2001	G.O. Ref. Bonds, Series 2001A	49,925,000	12/01/2011	4.00%	27,750,000
6	10/01/2001	G.O. Bonds, 2001A (AMT)	1,450,000	12/01/2011	4.20% - 4.50%	580,000
	02/01/2002	G.O. Bonds, Series 2002A	41,225,000	08/01/2017	5.00% - 5.25%	25,250,000
7	06/01/2002	G.O. Ref. Bonds, Series 2002A	62,950,000	09/01/2010	5.00%	23,575,000
	02/01/2003	G.O. Bonds, Series 2003A	25,950,000	08/01/2018	4.00% - 5.25%	19,050,000
8	07/01/2003	G.O. Ref. Bonds, Series 2003A	100,025,000	08/01/2017	2.50% - 3.90%	100,025,000
9	10/01/2003	G.O. Ref. Bonds, Series 2003B	33,550,000	12/01/2008	2.50%	6,405,000
	02/01/2004	G.O. Bonds, Series 2004A	26,950,000	08/01/2019	2.50% - 4.125%	22,645,000
	04/15/2004	State Trust Fund Loan	18,627,012	03/15/2009	6.00%	8,024,724
	12/10/2004	State Trust Fund Loan	539,524	03/15/2009	2.75%	278,286
	11/01/2005	G.O. Bonds, Series 2005A	24,610,000	12/01/2020	4.00% - 5.00%	22,400,000
10	11/01/2005	G.O. Ref. Bonds, Series 2005B	63,025,000	10/01/2015	4.00% - 5.25%	62,600,000
	04/01/2006	G.O. Bonds, Series 2006A	31,595,000	10/01/2021	4.00% - 5.00%	30,130,000
	06/01/2007	G.O. Bonds, Series 2007A	32,625,000	12/01/2022	4.00% - 4.25%	32,625,000
		Total G.O. Debt as of January 1, 2008				<u>\$452,851,389</u>
	06/01/2008	G.O. Bonds, Series 2008A	30,860,000	12/01/2023	3.25% - 4.25%	<u>30,860,000</u>

Notes regarding outstanding refunding debt is presented below.

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 Note 4). As of year-end 2007, the accreted value of the outstanding CABs is \$18,078,379.
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 Note 4). The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2007, \$15,515,000 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 2007, \$1,060,000 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 2007, \$1,000,000 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 2007, \$27,750,000 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 2007, \$580,000 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 2007, \$23,575,000 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.
9. 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 2007, \$6,405,000 of these refunding bonds remained outstanding.
10. On November 1, 2005, the County issued \$63,025,000 General Obligation Refunding Bonds, Series 2005B, 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 2007, \$62,600,000 of these refunding bonds remained outstanding.

Milwaukee County General Obligation Debt Service

	<u>Levy Supported Debt</u>		<u>Revenue Supported Debt</u>				
	Corporate Purpose Debt (Excludes Airport Debt)		Airport Debt ¹⁷		This Corporate Purpose Bond Issue		Total Debt Service
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	45,957,755	19,149,422	1,074,357	397,433	-	-	66,578,968
2009	50,349,329	17,193,773	1,072,330	348,159	520,000	1,786,444	71,270,035
2010	49,062,695	15,361,671	1,093,184	298,310	985,000	1,174,063	67,974,923
2011	49,047,186	13,882,758	1,128,165	247,283	700,000	1,142,050	66,147,442
2012	49,128,643	10,626,875	1,383,662	202,792	700,000	1,119,300	63,161,273
2013	48,423,545	8,582,349	1,554,579	150,841	1,655,000	1,096,550	61,462,864
2014	46,685,989	6,617,649	1,558,156	92,943	2,000,000	1,038,625	57,993,362
2015	25,528,652	4,716,323	301,836	33,823	2,700,000	968,625	34,249,259
2016	22,608,422	3,577,660	298,706	22,957	2,700,000	867,375	30,075,120
2017	20,266,612	2,576,012	297,588	11,606	2,700,000	766,125	26,617,943
2018	11,425,000	1,683,975			2,700,000	658,125	16,467,100
2019	9,865,000	1,159,850			2,700,000	550,125	14,274,975
2020	7,515,000	716,125			2,700,000	442,125	11,373,250
2021	5,390,000	365,181			2,700,000	334,125	8,789,306
2022	2,835,000	120,488			2,700,000	226,125	5,881,613
2023					2,700,000	114,750	2,814,750
Total	\$ 444,088,826	\$ 106,330,098	\$ 9,762,564	\$ 1,806,148	\$ 30,860,000	\$ 12,284,531	\$ 605,132,167
Less Sinking Funds	(45,957,755)	(19,149,422)	(1,074,357)	(397,433)	-	-	(66,578,968)
Total	\$ 398,131,071	\$ 87,180,676	\$ 8,688,207	\$ 1,408,714	\$ 30,860,000	\$ 12,284,531	\$ 538,553,199

¹⁷ 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.)

Approximately 89 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 \$9.76 million or 2.0 percent of the County's outstanding debt (after the issuance of the Bonds) 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.

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Airport Revenue Debt

Milwaukee County owns and operates General Mitchell International Airport (GMIA) and Lawrence J. Timmerman (LJT) Airport. The County has eight separate series of outstanding airport revenue obligations as presented in the following table.

Milwaukee County Airport Revenue Bonds

<u>Date of Issue</u>	<u>Type of Obligation</u>	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Interest Rates Outstanding</u>	<u>Jan. 1, 2008 Principal Outstanding</u>
06/01/2000	Airport Revenue, Series 2000A	\$83,565,000	12/01/2025	5.75% - 6.00%	\$66,120,000
01/01/2003	Airport Revenue, Series 2003A	7,125,000	12/01/2022	3.25% - 5.50%	5,625,000
03/31/2004	Airport Revenue, Series 2004A	37,360,000	12/01/2029	3.00% - 5.00%	34,640,000
12/22/2005	Airport Revenue, Series 2005A	29,010,000	12/01/2030	4.00% - 5.25%	28,745,000
12/22/2005	Airport Rev. Ref., Series 2005B	7,755,000	12/01/2014	4.00%	62,555,000
11/16/2006	Airport Revenue, Series 2006A	25,665,000	12/01/2031	4.00% - 5.00%	25,665,000
11/16/2006	Airport Rev. Ref., Series 2006B	5,020,000	12/01/2015	5.00%	3,440,000
11/15/2007	Airport Revenue, Series 2007A	13,445,000	12/01/2032	4.125% - 5.00%	13,445,000
Total					<u>\$240,235,000</u>

The Revenues of the Airport System are derived from rentals, fees and charges paid by users of the Airport System, including the Signatory Airlines. The Signatory Airlines have agreed in the Airline Leases to pay for their usage of GMIA based on a series of formulae designed to allow the County to recover its cost of providing facilities and services for the Airport System. The costs are apportioned among the Signatory Airlines based on usage. The principal and interest on the County's airport revenue obligations are payable solely from, and are secured equally and ratably by a pledge of Net Revenues derived from the Airport System.

Other County Obligations

In addition to issuing general obligation and airport revenue 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). The County has authorized (but not issued) promissory notes with a principal amount of \$14,215,000 for the Reimbursement Agreement and Credit Assistance Agreement.

PIC Services LLC. In June 2004, the County executed a guaranty in favor of JP Morgan Chase Bank, N.A., with respect to a construction and term loan made by JP Morgan Chase Bank N.A., to PIC Services LLC to finance the 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 page 20 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 JP Morgan Chase Bank, N. A. As of January 2007, the outstanding amount of the working capital loan for which the County was liable with its guarantee totaled \$4.7 million. MPM made two payments totaling \$1,020,000 and committed pledges exclusively for debt reduction at \$628,000. As of March 2008, the County's obligation is extinguished as MPM has paid off all remaining associated debt through donor pledge commitments.

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 2008.

Legal Debt Limit

The County has the power to incur indebtedness for County purposes specified by statute (Article 11 Section 3 of the Wisconsin Constitution and Chapter 67, Wisconsin Statutes) in an aggregate amount, not exceeding five percent of the equalized value of taxable property in the County, as last determined by the State of Wisconsin Department of Revenue. In general such indebtedness may be in the form of bonds and promissory notes for various public purposes.

The County's unused borrowing capacity after issuance of the Bonds will be as follows:

2007 Equalized Value	\$ 67,119,283,700
Legal Debt Limit (5% of Equalized Value)	3,355,964,185
Debt Outstanding January 1, 2008	452,851,389
Plus: The Bonds	30,860,000
Less: 2008 sinking fund payments	(47,032,113)
Debt Outstanding (13.0% of Capacity)	<u>436,679,276</u>
Remaining borrowing capacity (87.0% of Capacity)	<u><u>\$ 2,919,284,909</u></u>

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Indirect General Obligation Debt of the County^{18,19}

<u>Governmental Unit</u>	<u>Outstanding Debt</u> <u>12/31/2007</u>	<u>% Debt</u> <u>Within County</u>	<u>Amount of Debt</u> <u>Within County</u>
<i>Villages:</i>			
Village of Bayside	\$9,560,000	96.21%	\$9,197,292.55
Village of Brown Deer	\$19,947,227	100.00%	\$19,947,227.00
Village of Fox Point*	\$12,575,000	100.00%	\$12,575,000.00
Village of Greendale	\$2,021,766	100.00%	\$2,021,766.00
Village of Hales Corners	\$4,403,246	100.00%	\$4,403,246.00
Village of River Hills	\$1,590,000	100.00%	\$1,590,000.00
Village of Shorewood	\$15,578,876	100.00%	\$15,578,876.00
Village of West Milwaukee	\$9,164,506	100.00%	\$9,164,506.00
Village of Whitefish Bay	\$18,200,000	100.00%	\$18,200,000.00
Subtotal	\$93,040,621		\$92,677,913.55
<i>Cities:</i>			
City of Cudahy	\$36,541,682	100.00%	\$36,541,682.00
City of Franklin	\$49,705,000	100.00%	\$49,705,000.00
City of Glendale	\$38,526,146	100.00%	\$38,526,146.00
City of Greenfield	\$22,148,307	100.00%	\$22,148,307.00
City of Milwaukee	\$639,020,531	100.00%	\$639,020,531.00
City of Oak Creek	\$11,526,914	100.00%	\$11,526,914.00
City of South Milwaukee	\$26,540,000	100.00%	\$26,540,000.00
City of St. Francis	\$4,900,000	100.00%	\$4,900,000.00
City of Wauwatosa	\$31,406,549	100.00%	\$31,406,549.00
City of West Allis	\$75,490,696	100.00%	\$75,490,696.00
Subtotal	\$935,805,825		\$935,805,825.00
<i>School Districts:</i>			
Brown Deer	\$9,367,878	100.00%	\$9,367,878.00
Cudahy	\$15,370,370	100.00%	\$15,370,370.00
Fox Point-Bayside Schools	\$3,060,000	97.94%	\$2,996,834.01
Franklin Public Schools	\$16,615,000	100.00%	\$16,615,000.00
Glendale-River Hills	\$295,000	100.00%	\$295,000.00
Greendale	\$19,985,000	100.00%	\$19,985,000.00
Greenfield	\$72,300,000	100.00%	\$72,300,000.00
Maple Dale-Indian Hill	\$650,000	100.00%	\$650,000.00
Milwaukee Area Technical College	\$60,890,000	82.23%	\$50,072,462.83
Milwaukee Public	\$108,277,581	100.00%	\$108,274,041.41
Nicolet High School	\$1,625,000	99.39%	\$1,615,024.13
Oak Creek-Franklin	\$63,225,000	100.00%	\$63,225,000.00
Shorewood	\$8,455,000	100.00%	\$8,455,000.00
South Milwaukee	\$51,696,716	100.00%	\$51,696,716.00
St. Francis	\$2,706,492	100.00%	\$2,706,492.00
Wauwatosa	\$3,080,000	100.00%	\$3,080,000.00
West Allis Schools	\$34,585,000	93.67%	\$32,394,420.69
Whitefish Bay	\$3,585,000	100.00%	\$3,585,000.00
Whitnall	\$3,945,000	100.00%	\$3,945,000.00
Subtotal	\$479,714,037		\$466,629,239.06
Metropolitan Sewerage District	\$768,559,326	99.93%	\$768,021,334
Total Overlapping Debt	\$2,277,119,809		\$2,263,134,312.08

¹⁸ Source: Milwaukee County Department of Administration, February 2008 survey of taxing jurisdictions.

¹⁹ 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 G.O. debt. The amount shown is broken out for the City of Milwaukee that was issued for school purposes.

Trend of Direct Debt and Indirect Debt ²⁰

Dec. 31 <u>Year</u>	Direct County <u>Debt</u>	Milwaukee Metropolitan Sewerage District <u>Debt</u>	Cities, Villages, Schools, and Technical <u>College, Debt</u>	Total Direct and Indirect Debt <u>Year End</u>
2007	\$ 452,851,389	\$ 768,559,326	\$ 1,508,560,483	\$ 2,729,971,198
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

Direct and Indirect Debt as a Percent of Equalized Value and Per Capita ²⁰

Dec. 31 <u>Year</u>	<u>Population</u>	Equalized Value (TID Included)	Total Direct <u>Debt</u>	Percent of Equalized Value	Per <u>Capita</u>	Total Direct and Indirect Debt	Percent of Equalized Value	Per <u>Capita</u>
2007	951,252	\$ 67,119,283,700	\$ 452,851,389	0.67%	\$ 476	\$ 2,729,971,198	4.06%	\$ 2,870
2006	952,315	63,609,181,500	457,863,014	0.72%	481	2,637,172,897	4.15%	2,769
2005	949,511	56,680,686,000	469,707,711	0.83%	495	2,491,627,453	4.40%	2,624
2004	950,233	51,153,360,200	488,900,532	0.96%	515	2,418,987,302	4.73%	2,546
2003	949,188	47,266,665,200	468,897,238	0.99%	494	2,299,384,443	4.86%	2,422

²⁰ Direct Debt reflects all general obligation debt of the County, including general obligation debt supported by Airport revenues. Airport revenue debt is excluded from this presentation of outstanding direct and indirect debt.

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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 2003-2007 (In Millions of Dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential	\$31,166	\$34,014	\$37,975	\$42,355	\$44,453
Commercial	13,013	14,182	15,642	18,063	19,336
Manufacturing	1,405	1,394	1,405	1,439	1,489
Agriculture	<u>34</u>	<u>35</u>	<u>34</u>	<u>34</u>	<u>27</u>
Total Real Estate	\$45,618	\$49,625	\$55,056	\$61,891	\$65,305
Personal Property	<u>1,649</u>	<u>1,528</u>	<u>1,625</u>	<u>1,718</u>	<u>1,814</u>
Total Real Estate and Personal Property	\$47,267	\$51,153	\$56,681	\$63,609	\$67,119
Adjustment for TIID (Tax Incremental Districts)	<u>(1,159)</u>	<u>(1,428)</u>	<u>(1,787)</u>	<u>(1,969)</u>	<u>(2,637)</u>
Net Real Estate and Personal Property	\$46,108	\$49,725	\$54,894	\$61,640	\$64,482
Population	949,188	950,233	949,511	952,315	951,252
Equalized Value Per Capita (In Dollars)	\$48,576	\$52,329	\$57,812	\$64,727	\$67,787

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

Property Tax Levies and Collections Last Five Years (In Millions of Dollars) ^{20,21}

Levy for Budget 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
2002	\$642.9	\$634.3	98.66%	\$650.3	\$8.6
2003	\$685.0	\$679.7	99.23%	\$686.8	\$5.3
2004	\$715.4	\$710.9	99.37%	\$719.0	\$4.5
2005	\$727.7	\$718.2	98.69%	\$726.2	\$9.5
2006	\$755.8	\$744.9	98.56%	\$753.4	\$10.9

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

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 City of Milwaukee levy strictly for County purposes is approximately 17.3 percent of Total Taxes for the 2008 budget year.

Property Tax Levies and Collections Last Five Years – City of Milwaukee (in thousands of dollars) ^{22,23,24,25}

Budget Year	Taxes Levied for the Fiscal Year		Collected for the Levy Year		Percent Original Levy Collected	Purchased Delinquents Original Levy Year	Total Adjusted Levy in Subsequent Years	Total Collections	Total Collections To Date	Percentage of Adjusted Levy
	(Original Levy)	Purchased and Adjust.	Total Adjusted Levy	Current Tax Collections						
2002	\$222,708	\$20,099	\$242,807	\$217,242	97.55%	\$13,599	\$12,219	\$242,060	99.69%	
2003	\$234,485	\$20,846	\$255,331	\$228,345	97.38%	\$12,918	\$13,056	\$254,319	99.60%	
2004	\$240,643	\$22,764	\$263,407	\$235,012	97.66%	\$15,497	\$11,335	\$261,844	99.41%	
2005	\$248,267	\$23,475	\$271,742	\$242,587	97.71%	\$14,992	\$10,090	\$267,669	98.50%	
2006	\$261,685	\$25,390	\$287,075	\$255,818	97.76%	\$15,647	\$0	\$271,465	94.56%	

Source: City of Milwaukee Comprehensive Annual Financial Report (CAFR), 2006

20 .Tax levy amounts include taxes for each school district, city or village, sewerage district, technical college and Milwaukee County for the 18 suburban municipalities. Does not include City of Milwaukee Taxation.

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

22 The display for the City of Milwaukee 2006 CAFR of Property Tax Levies and Collection has changed to the format reflected above as per changes in reporting requirements by the Government Accounting Standards Board (GASB).

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

24 Tax collections begin in December for the succeeding Budget Year.

25 Collections of Purchased and Adjust. column above.

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 2007 represents the 2007 property tax levy used to finance the County's 2008 budget. The County Board adopted the 2008 budget on November 14, 2007. 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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General County Purposes	\$278.7	\$288.3	\$297.3	\$307.0	\$316.0
County Sales Tax Credit	(59.3)	(62.4)	(64.7)	(65.9)	(65.2)
State Forestry Taxes/Other Administrative Levies	<u>10.3</u>	<u>11.1</u>	<u>11.5</u>	<u>12.0</u>	<u>11.4</u>
Total Net County Taxes	\$229.70	\$237.00	\$244.10	\$253.10	\$262.20
General County Purposes	6.05	5.80	5.42	4.98	4.90
County Sales Tax Credit	<u>(1.29)</u>	<u>(1.26)</u>	<u>(1.18)</u>	<u>(1.07)</u>	<u>(1.01)</u>
Net General County Purposes	4.76	4.54	4.24	3.91	3.89
State Forestry Taxes/Other Administrative Levies	<u>0.22</u>	<u>0.22</u>	<u>0.20</u>	<u>0.19</u>	<u>0.17</u>
Total Net County Taxes	4.98	4.76	4.44	4.10	4.06

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 \$3.05 per \$1,000 of equalized value was established for the County's 2008 general-purpose budget. The tax rate for total operating purposes including the Southeastern Wisconsin Regional Planning Commission levy and other administrative levies was \$3.06 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 \$.83 per \$1,000 of equalized value for the 2008 budget.

The Bonds were authorized by a 3/4 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

As passed by the State Legislature, Senate Bill 40 prohibits any city, village, town or county from increasing its levy in 2007 (payable in 2008) by more than the allowable percentage increase for 2007(08) levies of net new construction of 3.86 percent plus the terminated TID percentage. It is anticipated that the 2008 (payable in 2009) levy limit will consist of net new construction plus the terminated TID percentage of .52 percent. The State allowed for a 3.86 percent levy limit increase payable in 2007 only. Milwaukee County net new construction percentage for 2007 (payable in 2008) is 2.54 percent plus the terminated TID percentage for 2007 (payable in 2008) of .52 percent.

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 increased 14.4 percent between the 2006/2007 amount and the 2007/2008 amount. The tax credit increased 17.53 percent between the 2006/2007 amount and the 2007/2008 amount 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 modified 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 2006/2007, the statewide average credit was \$97, 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 25 percent of claimants who utilized the Homestead Credit in fiscal year 2007 were from Milwaukee County. The average claim made by a Milwaukee County resident was \$549. 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 \$152 for the 2008 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 collections through December and January respectively. In municipalities that 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 revised beginning with the collection of 1990 property taxes so that the City 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 2008 Adopted Budget includes approximately \$38.1 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 Health Human Services and DHHS-Behavioral Health Division (previously Mental Health Division) budgets. All future budgets, including the 2008 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, to fund anticipated or extraordinary annual increases in such costs or to 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 \$65.9 million for 2007 and \$65.9 million for 2008. Sales tax revenues collected from Milwaukee County retailers for 2007 total approximately \$63.6 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, 2002 THROUGH 2006
(In Thousands of Dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues:					
Intergovernmental Revenue	\$ 251,202	\$ 266,101	\$ 276,179	\$ 275,467	\$ 292,298
Sales Taxes	55,450	57,115	58,834	61,646	62,904
Property Taxes	220,430	221,265	220,612	228,628	234,317
Interest on Investment & Rents	14,390	9,789	6,974	7,657	13,448
Charges for Services	132,324	157,025	180,925	213,361	228,898
Fines and Forfeitures	3,276	2,909	3,129	2,823	3,616
Licenses and Permits	399	413	443	442	634
Other	24,756	26,309	26,133	30,205	28,950
Total Revenues	\$ 702,227	\$ 740,926	\$ 773,229	\$ 820,229	\$ 865,065
Expenditures					
Legislative, Executive and Staff	\$ 39,462	\$ 39,257	\$ 38,246	\$ 38,774	\$ 37,729
Courts and Judiciary	50,889	52,862	55,748	57,456	56,964
General Governmental Services	6,662	6,775	6,608	8,203	7,731
Public Safety	122,089	126,758	135,596	136,397	136,634
Public Works and Highways	13,008	13,489	16,553	16,532	13,850
Human Services	283,815	322,013	345,157	362,756	394,560
Parks, Recreation and Culture	66,921	65,749	61,640	55,810	56,907
Other	462	(880)	11,254	15,981	10,002
Total Expenditures	\$ 583,308	\$ 626,023	\$ 670,802	\$ 691,909	\$ 714,377
Excess of Revenues Over Expenditures	\$ 118,919	\$ 114,903	\$ 102,427	\$ 128,320	\$ 150,688
Other Financing Sources (Uses): ²⁶					
Operating Transfers From Other Funds	\$ -	\$ -	\$ 5,538	\$ -	\$ -
Operating Transfers To Other Funds	(110,184)	(116,698)	(112,548)	(123,437)	(129,534)
Operating Transfers To Components Units	(7,910)	(7,639)	(6,359)	(6,216)	(6,459)
Residual Equity Transfers (To) From Other Funds	(924)	4,538	5,504	16,383	551
Total Other Financing Uses	\$ (119,018)	\$ (119,799)	\$ (107,865)	\$ (113,270)	\$ (135,442)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (99)	\$ (4,896)	\$ (5,438)	\$ 15,050	\$ 15,246
Fund Balance-January 1	\$ 19,417	\$ 19,318	\$ 14,422	\$ 8,984	\$ 24,034
Fund Balance-December 31	\$ 19,318	\$ 14,422	\$ 8,984	\$ 24,034	\$ 39,280

Source Derived from audited financial statements included in the Milwaukee County Comprehensive Annual Financial Reports, 2002 - 2006, 2006 included herein.

²⁶ "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, 2002 THROUGH 2006
(In Thousands of Dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating Revenues					
Charges for Services	\$ 154,442	\$ 163,749	\$ 180,953	\$ 186,047	\$ 193,183
Other	<u>16,753</u>	<u>18,126</u>	<u>15,204</u>	<u>17,651</u>	<u>20,948</u>
Total Operating Revenues	<u>\$ 171,195</u>	<u>\$ 181,875</u>	<u>\$ 196,157</u>	<u>\$ 203,698</u>	<u>\$ 214,131</u>
Operating Expenses					
Personnel Services	\$ 197,987	\$ 207,138	\$ 218,733	\$ 224,083	\$ 232,138
Contractual Services	52,108	54,022	53,583	56,690	57,807
Intra County Services	14,775	15,027	15,312	16,475	15,586
Commodities	18,799	19,010	20,742	25,610	26,333
Depreciation	30,738	35,168	35,757	35,801	36,359
Maintenance	2,958	2,010	2,033	2,739	3,326
Insurance	-	-	-	5,533	5,753
Other	<u>65,341</u>	<u>65,995</u>	<u>70,354</u>	<u>74,463</u>	<u>83,928</u>
Total Operating Expenses	<u>\$ 382,706</u>	<u>\$ 398,370</u>	<u>\$ 416,514</u>	<u>\$ 441,394</u>	<u>\$ 461,230</u>
Operating Income (Loss)	<u>\$ (211,511)</u>	<u>\$ (216,495)</u>	<u>\$ (220,357)</u>	<u>\$ (237,696)</u>	<u>\$ (247,099)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	\$ 132,221	\$ 134,482	\$ 133,543	\$ 141,291	\$ 149,038
Net Interest Expense	<u>(5,963)</u>	<u>(9,470)</u>	<u>(9,207)</u>	<u>(7,814)</u>	<u>(8,139)</u>
Total Nonoperating Revenues	<u>\$ 126,258</u>	<u>\$ 125,012</u>	<u>\$ 124,336</u>	<u>\$ 133,477</u>	<u>\$ 140,899</u>
Income (Loss) Before Operating Transfers and Discontinued Operations	<u>\$ (85,253)</u>	<u>\$ (91,483)</u>	<u>\$ (96,021)</u>	<u>\$ (104,219)</u>	<u>\$ (106,200)</u>
Discontinued Operations					
Disposal of Hospital	\$ -	\$ -	\$ -	\$ -	\$ -
Disposal of Power Plant	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Discontinued Operations	<u>\$ -</u>				
Income (Loss) Before Operating Transfers	<u>\$ (85,253)</u>	<u>\$ (91,483)</u>	<u>\$ (96,021)</u>	<u>\$ (104,219)</u>	<u>\$ (106,200)</u>
Net Capital Contributions	25,454	19,345	29,802	10,537	8,271
Net Operating Transfers From Other Funds	<u>75,362</u>	<u>75,296</u>	<u>76,433</u>	<u>80,160</u>	<u>96,429</u>
Net Income (Loss)	<u>\$ 15,563</u>	<u>\$ 3,158</u>	<u>\$ 10,214</u>	<u>\$ (13,522)</u>	<u>\$ (1,500)</u>
Add Depreciation on Fixed Assets Acquired by Capital Grants that Reduces Contributed Capital from Capital Grants	-	-	-	-	-
Fund Equity/Retained Earnings-Jan. 1 ²⁷	<u>219,404</u>	<u>234,967</u>	<u>238,125</u>	<u>248,339</u>	<u>234,817</u>
Fund Equity/Retained Earnings-Dec. 31	<u>\$ 234,967</u>	<u>\$ 238,125</u>	<u>\$ 248,339</u>	<u>\$ 234,817</u>	<u>\$ 233,317</u>

Source: Derived from audited financial statements included in the Milwaukee County Comprehensive Annual Financial Reports, 2002-2006, 2006 included herein.

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

**Milwaukee County
2007 Adopted and 2008 Adopted Budgets**

	2007 Adopted Budget	2008 Adopted Budget
<u>Expenditures</u>		
Legislative & Executive	10,034,636	11,252,520
Administration	52,707,881	43,309,468
Courts & Judiciary	63,589,442	69,016,777
Public Safety	148,857,045	164,978,120
General Government	6,587,728	7,825,716
Transportation and Public Works	236,654,827	254,215,241
Health & Human Services	604,434,357	662,759,526
Parks, Recreation & Culture	68,950,867	73,877,557
Debt Service	54,286,355	62,331,427
County-Wide Non-Departmentals	(27,274,321)	(64,008,359)
Capital Improvements	63,544,728	57,212,387
Trust Funds	1,049,251	1,169,858
Total Expenditures	\$1,283,422,797	\$1,343,940,239
<u>Revenues</u>		
Operating		
Sales Tax	65,921,500	65,208,949
Bond Proceeds	0	202,185
Other Direct Revenue	403,974,553	442,801,079
State Shared Revenue	37,082,280	38,062,280
Remaining State Revenue	376,977,062	350,076,204
Total Federal Revenue	57,366,381	57,482,836
Indirect Revenue	32,844,167	78,103,221
Prior Year Surplus (Deficit)	4,664,280	4,901,148
Operating Revenue Subtotal	\$978,830,223	\$1,036,837,902
Capital Improvement		
Sales Tax	632,039	417,000
Bond Proceeds	35,880,614	32,805,683
Other Direct Revenue	17,292,950	6,611,985
Remaining State Revenue	1,781,225	6,837,699
Total Federal Revenue	7,957,900	10,540,020
Capital Improvement Revenue Subtotal	\$63,544,728	\$57,212,387
Property Tax Levy	\$241,047,846	\$249,889,950
Total Revenues	\$1,283,422,797	\$1,343,940,239

**Milwaukee County
Summary of 2008 Adopted Capital Improvements Budget¹**

Project	Description	Capitalized Interest	2008 Adopted	Reimbursement Revenue	Net County Contribution	Sales Tax Revenue	Investment Earnings	Miscellaneous Revenue	Private Contribution	PFC Revenue/Airport Reserve	Bonds
TRANSPORTATION AND PUBLIC WORKS											
Highway											
WH001	W. Hampton Av. 60th to North 124th St.	300	90,800	82,080	8,720	0	200	0	0	0	8,520
WH010	County Trunk Highway Action Program	70,600	5,219,340	2,815,130	2,404,210	0	62,700	0	0	0	2,341,510
WH020	Mill Rd 91st to STH 45	49,400	2,865,000	1,177,769	1,687,231	0	43,900	0	0	0	1,643,331
WH080	Bridge Rehabilitation Program	6,500	1,090,500	868,000	222,500	0	5,800	0	0	0	216,700
WH086	W. Good Hope Rd	78,700	5,195,160	2,511,775	2,683,385	0	69,900	0	0	0	2,613,485
	Total Highway	\$219,700	\$16,839,040	\$9,347,554	\$7,491,486	\$0	\$195,100	\$0	\$0	\$0	\$7,296,386
Mass Transit											
WT030	Replace TRAKS Fueling System	2,300	377,050	300,000	77,050	0	2,000	0	0	0	75,050
WT302	Diesel pump and UST piping - FDL	900	156,800	124,000	32,800	0	800	0	0	0	32,000
WT304	Replacement roof - DT transit center	700	121,120	96,000	25,120	0	600	0	0	0	24,520
WT307	Oil/water separator - KK	1,500	251,330	200,000	51,330	0	1,300	0	0	0	50,030
	Total Mass Transit	\$5,400	906,300	720,000	186,300	0	4,700	0	0	0	181,600
Airport											
WA069	GMIA Rebuild Taxiway M at B to E	0	846,100	735,000	111,100	0	0	0	0	111,100	0
WA072	LJT R/W & TW Rehabilitation	0	478,250	463,125	15,125	0	0	0	0	15,125	0
WA097	GMIA Air Cargo Way Relighting	0	2,205,390	1,931,140	274,250	0	0	0	0	274,250	0
WA098	GMIA Equipment Storage Building	0	854,510	743,750	110,760	0	0	0	0	110,760	0
WA104	GMIA-Southside Trituration Building	0	11,980	0	11,980	0	0	0	0	11,980	0
WA106	GMIA-Terminal Mail & Ticketing Recarpeting	0	981,000	0	981,000	0	0	0	0	981,000	0
WA108	Terminal HVAC Replacements	0	1,960,750	0	1,960,750	0	0	0	0	0	1,960,750
WA122	GMIA Airfield Pavement Rehabilitation	0	846,100	735,000	111,100	0	0	0	0	111,100	0
WA124	GMIA Concourse E Ground Power and Preconditioned	0	1,269,400	1,134,000	135,400	0	0	0	0	135,400	0
WA125	Security & Wildlife Deterrent Perimeter Fencing	0	357,450	313,250	44,200	0	0	0	0	44,200	0
WA126	GMIA Stormwater Box Tunnel Repairs	0	583,230	507,500	75,730	0	0	0	0	75,730	0
WA128	GMIA D Concourse Carpeting	0	457,840	0	457,840	0	0	0	0	457,840	0
WA130	GMIA - Part 150 Study - Noise Barrier Study	0	180,900	162,000	18,900	0	0	0	0	18,900	0
WA131	GMIA Part 150 Study-Ramp Electrification-Design	0	269,500	243,000	26,500	0	0	0	0	26,500	0
	Total Airport	\$0	11,302,400	6,967,765	4,334,635	0	0	0	0	2,373,885	1,960,750
Environmental											
WV009	County-wide Sanitary Sewers Repairs	15,000	517,270	0	517,270	0	13,400	0	0	0	503,870
WV013	McKinley Beach SW Outfall Pretreatment	10,500	360,090	0	360,090	0	9,400	0	0	0	350,690
	Total Environmental	\$25,500	877,360	0	877,360	0	22,800	0	0	0	854,560
	Total TRANSPORTATION AND PUBLIC WORKS	\$250,600	29,925,100	17,035,319	12,889,781	0	222,600	0	0	2,373,885	10,293,296
PARKS, RECREATION AND CULTURE											
Parks, Recreation, & Culture											
WP017	Countywide Trail and Hard Surface Renovation	5,300	181,310	0	181,310	0	4,700	0	0	0	176,610
WP044	Currie Park Irrigation Planning	19,200	657,143	0	657,143	0	17,000	0	0	0	640,143
WP049	Boerner Irrigation	8,300	283,521	0	283,521	0	7,400	0	0	0	276,121
WP062	Greenfield Course Watermains	10,400	357,430	0	357,430	0	9,300	0	0	0	348,130
WP069	Countywide Play Area Redevelopment Program	7,500	403,273	0	403,273	0	6,700	0	0	0	396,573
WP090	Aquatic Infrastructure	0	510,474	0	510,474	0	0	0	0	0	510,474
WP105	Lincoln Family Aquatics Center Phase 2	75,200	2,587,200	0	2,587,200	0	66,900	0	0	0	2,520,300
WP130	Washington Park Splash Pad	14,800	509,574	0	509,574	0	13,200	0	0	0	496,374

**Milwaukee County
Summary of 2008 Adopted Capital Improvements Budget²⁸**

Project	Description	Capitalized Interest	2008 Adopted	Reimbursement Revenue	Net County Contribution	Sales Tax Revenue	Investment Earnings	Miscellaneous Revenue	Private Contribution	PFC	
										Revenue/Airport Reserve	Bonds
WP141	Madison Park Splash Pad	14,800	510,474	0	510,474	0	13,200	0	0	0	497,274
WP143	Mitchell Park Greenhouse	44,300	502,925	0	502,925	0	39,300	0	0	0	463,625
WP144	Dineen Park Bathhouse Renovation	5,700	193,950	0	193,950	0	5,000	0	0	0	188,950
WP145	Rehabilitation of the Lake Park Lion Bridges	10,300	699,100	342,400	356,700	0	9,200	0	0	0	347,500
WP146	Brown Deer Clubhouse Roof	1,700	58,632	0	58,632	0	1,500	0	0	0	57,132
WP147	Sherman Park Boys and Girls Club Improvements	0	57,000	0	57,000	0	0	0	0	0	57,000
WP148	Dretzka Park Golf Course Irrigation	0	150,000	0	150,000	0	0	0	0	0	150,000
WP149	Johnsons Park Redevelopment	0	75,000	0	75,000	0	0	0	0	0	75,000
WP151	Eratus Wolcott Statue Improvements	0	27,000	0	27,000	0	0	0	0	0	27,000
Total Parks, Recreation, & Culture		\$217,500	7,764,006	342,400	7,421,606	0	193,400	0	0	0	7,228,206
Mckinley Marina											
WP513	Mckinley Marina Seawall Improvements	33,200	1,142,570	0	1,142,570	0	29,500	0	0	0	1,113,070
WP514	Old Coast Guard Demolition	11,700	403,055	0	403,055	0	10,400	0	0	0	392,655
Total Mckinley Marina		\$44,900	1,545,625	0	1,545,625	0	39,900	0	0	0	1,505,725
Museum											
WM005	Museum Air Handling and Piping Replacement	24,100	827,860	0	827,860	0	21,400	0	0	0	806,460
Total Museum		\$24,100	827,860	0	827,860	0	21,400	0	0	0	806,460
Zoological Department											
WZ014	Zoo Infrastructure	7,100	242,942	0	242,942	0	6,300	0	0	0	236,642
WZ018	Apes of Africa Cladding	14,700	506,370	0	506,370	0	13,100	0	0	0	493,270
WZ019	Pachyderm Door Replacement	3,500	119,930	0	119,930	0	3,100	0	0	0	116,830
WZ021	Small Mammal Renovations	2,700	92,003	0	92,003	0	2,400	0	0	0	89,603
WZ022	Penguin Exhibit Renovations	4,300	149,204	0	149,204	0	3,900	0	0	0	145,304
WZ024	Winter Quarters Stall Renovation	500	15,600	0	15,600	0	400	0	0	0	15,200
WZ026	Admission Booth Replacement	7,700	266,029	0	266,029	0	6,900	0	0	0	259,129
WZ027	Pachyderm Corridor Roof Replacement	4,500	154,900	0	154,900	0	4,000	0	0	0	150,900
Total Zoological Department		\$45,000	\$1,546,978	\$0	\$1,546,978	\$0	\$40,100	\$0	\$0	\$0	\$1,506,878
Total PARKS, RECREATION AND CULTURE		\$331,500	11,684,469	342,400	11,342,069	0	294,800	0	0	0	11,047,269
HEALTH AND HUMAN SERVICES											
Behavioral Health											
WE028	Replace Nurse Call System	7,000	240,092	0	240,092	0	6,200	0	0	0	233,892
Total Behavioral Health		\$7,000	240,092	0	240,092	0	6,200	0	0	0	233,892
Human Services											
WS017	Coggs Center Switch Gear Replacement	27,300	936,700	0	936,700	0	24,300	0	0	0	912,400
WS019	Wilson Senior Center Exterior Doors	1,400	45,600	0	45,600	0	1,200	0	0	0	44,400
WS020	Washington Senior Center Doors	4,200	142,013	0	142,013	0	3,700	0	0	0	138,313
WS023	Monitor/Defibrillator "E" Series Implementation	16,300	556,279	0	556,279	0	14,400	0	0	0	541,879
Total Human Services		\$49,200	1,680,592	0	1,680,592	0	43,600	0	0	0	1,636,992
County Grounds											
WG003	County Grounds West Water Tower	25,700	880,631	0	880,631	0	22,900	0	0	0	857,731
Total County Grounds		\$25,700	880,631	0	880,631	0	22,900	0	0	0	857,731
Total HEALTH AND HUMAN SERVICES		\$81,900	2,801,315	0	2,801,315	0	72,700	0	0	0	2,728,615

**Milwaukee County
Summary of 2008 Adopted Capital Improvements Budget ²⁸**

Project	Description	Capitalized Interest	2008 Adopted	Reimbursement Revenue	Net County Contribution	Sales Tax Revenue	Investment Earnings	Miscellaneous Revenue	Private Contribution	PFC	
										Revenue/Airport Reserve	Bonds
GENERAL GOVERNMENT											
Courthouse Complex											
WC025	Courthouse Restroom Renovation	4,800	166,290	0	166,290	0	4,300	0	0	0	161,990
WC049	Medical Examiner Molecular Toxicology Laboratory	5,000	170,594	0	170,594	0	4,400	0	0	0	166,194
WC053	Courts Videoconferencing	3,000	461,710	0	461,710	0	2,700	0	0	0	459,010
WC057	Court Room Bullet Resistant Glazing Wall	6,900	235,740	0	235,740	0	6,100	0	0	0	229,640
	Total Courthouse Complex	\$19,700	1,034,334	0	1,034,334	0	17,500	0	0	0	1,016,834
House of Correction											
WJ010	Kitchen Equipment	3,800	129,800	0	129,800	0	3,400	0	0	0	126,400
WJ031	Laundry Equipment Replacement	7,800	265,800	0	265,800	0	6,900	0	0	0	258,900
WJ048	HOC - Fire Suppression System	0	456,119	0	456,119	0	0	0	0	0	456,119
WJ049	BAC Cooling Tower	1,800	61,080	0	61,080	0	1,600	0	0	0	59,480
WJ050	HOC Security Fence	6,000	206,000	0	206,000	0	5,300	0	0	0	200,700
WJ051	HOC Security Cameras	1,500	51,500	0	51,500	0	1,300	0	0	0	50,200
	Total House of Correction	\$20,900	1,170,299	0	1,170,299	0	18,500	0	0	0	1,151,799
Other Agencies											
WO029	Milwaukee County Historical Society Renovation	6,900	1,136,480	0	1,136,480	0	6,200	0	900,000	0	230,280
WO030	County-wide Access Road Improvements Program	28,000	963,210	0	963,210	0	24,900	0	0	0	938,310
WO037	Marcus Center Ballroom Operable Partition Repl	0	200,000	0	200,000	0	0	0	0	0	200,000
WO043	Milwaukee County Inclusive Housing Fund	0	1,100,000	0	1,100,000	0	0	1,100,000	0	0	0
WO054	Underwood Furnace and Water Heater Replacement	500	17,520	0	17,520	0	500	0	0	0	17,020
WO055	Underwood ADA Imp Restroom and Fountains	4,400	150,670	0	150,670	0	3,900	0	0	0	146,770
WO112	Fleet Equipment Acquisition	54,700	3,274,300	0	3,274,300	0	48,600	0	0	1,285,000	1,940,700
WO205	Capital Monitoring Database	0	150,000	0	150,000	150,000	0	0	0	0	0
WO211	Ceridian Phase II	3,400	116,400	0	116,400	0	3,000	0	0	0	113,400
WO412	Automated Vehicle Locator System	0	175,000	0	175,000	0	0	175,000	0	0	0
WO422	In Squad Cameras- Vision Hawk Digital	5,700	195,700	0	195,700	0	5,100	0	0	0	190,600
WO429	Safety Building - Prisoner Area Holding Door Rep	2,000	69,160	0	69,160	0	1,800	0	0	0	67,360
WO500	War Memorial HVAC Replacement	20,800	714,540	0	714,540	0	18,500	0	0	0	696,040
WO504	Charles Allis Art Museum Wiring replacement	15,200	520,690	0	520,690	0	13,500	0	0	0	507,190
WO601	IMSD DP Equipment	5,300	180,300	0	180,300	0	4,700	0	0	0	175,600
WO604	Voice Improvements	12,600	432,600	0	432,600	0	11,200	0	0	0	421,400
WO609	Centralized Disc to Disc Backup	5,400	185,400	0	185,400	0	4,800	0	0	0	180,600
WO870	County Special Assessments	0	250,000	0	250,000	250,000	0	0	0	0	0
WO950	Milwaukee County Public Art Program - Admin	0	17,000	0	17,000	17,000	0	0	0	0	0
WO950	Public Art - General Projects	5,900	204,019	0	204,019	0	5,300	0	0	0	198,719
WO951	Special Needs Housing	0	1,000,000	0	1,000,000	0	0	0	0	0	1,000,000
	Total Other Agencies	\$170,800	\$11,052,989	\$0	\$11,052,989	\$417,000	\$152,000	\$1,275,000	\$900,000	\$1,285,000	\$7,023,989
	Total GENERAL GOVERNMENT	\$211,400	13,257,622	0	13,257,622	417,000	188,000	1,275,000	900,000	1,285,000	9,192,622
	Grand Total 2008 Adopted Capital Improvements	\$875,400	57,668,506	17,377,719	40,290,787	417,000	778,100	1,275,000	900,000	3,658,885	33,261,802
	Total Excluding Airports	\$875,400	46,366,106	10,409,954	35,956,152	417,000	778,100	1,275,000	900,000	1,285,000	31,301,052

Notes:

28. Includes the HOC Fire Suppression System that was approved by the County Board of Supervisors in June of 2007, with financing to be provided from 2008 general obligation bonds.

Milwaukee County
 Five-Year Capital Improvement Program
 2008 - 2012
 Expenditure Appropriations

FUNCTIONAL SUMMARY OF FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

	Total	Prior Year	2007		2008	2009	2010	2011	2012
	Category Cost	Appropriations	Adopted		Adopted	Projected	Projected	Projected	Projected
				TRANSPORTATION AND PUBLIC WORKS					
	\$146,273,350	\$25,922,260	\$12,472,200	Highways and Bridges	\$16,839,040	\$15,041,450	\$21,061,500	\$23,639,200	\$31,297,700
	\$84,951,760	\$21,987,060	\$1,013,400	Mass Transit	\$906,300	\$1,645,000	\$20,600,000	\$21,700,000	\$17,100,000
	\$333,428,610	\$58,357,510	\$18,244,700	Airports	\$11,302,400	\$80,704,000	\$66,790,000	\$50,642,000	\$47,388,000
	\$26,611,914	\$19,802,554	\$3,972,000	Environmental	\$877,360	\$850,000	\$360,000	\$370,000	\$380,000
	\$591,265,634	\$60,966,047	\$35,702,300	Total Transportation & Public Works	\$29,925,100	\$98,240,450	\$108,811,500	\$96,351,200	\$96,165,700
				PARKS, RECREATION AND CULTURE					
	\$50,987,623	\$23,588,118	\$9,750,790	Department of Parks, Recreation and Culture	\$7,764,006	\$5,128,700	\$2,629,301	\$1,196,708	\$930,000
	\$24,643,085	\$17,527,060	\$0	Stadium	\$1,545,625	\$583,700	\$2,486,700	\$2,500,000	\$0
	\$24,531,920	\$18,002,060	\$0	McKinley Marina	\$827,860	\$1,000,000	\$702,000	\$1,500,000	\$2,500,000
	\$26,583,338	\$17,785,060	\$1,325,800	Museum	\$1,546,978	\$1,425,500	\$1,500,000	\$1,500,000	\$1,500,000
	\$59,486,365	\$19,022,904	\$1,696,383	Zoo	\$11,684,469	\$8,137,900	\$7,318,001	\$6,696,708	\$4,930,000
54	\$186,232,331	\$20,748,780	\$12,772,973	Total Parks, Recreation and Culture	\$23,368,938	\$16,275,800	\$14,636,002	\$13,393,416	\$9,860,000
				HEALTH AND HUMAN SERVICES					
	\$21,506,044	\$18,801,645	\$0	DHS-Behavioral Health Division	\$240,092	\$736,107	\$1,728,200	\$0	\$0
	\$22,640,006	\$18,704,114	\$1,988,500	Department of Human Services	\$1,680,592	\$266,800	\$0	\$0	\$0
	\$22,246,136	\$18,197,455	\$1,734,530	DPW County Grounds	\$880,631	\$0	\$1,333,200	\$100,320	\$0
	\$66,392,186	\$9,038,859	\$3,723,030	Total Health and Human Services	\$2,801,315	\$1,002,907	\$3,061,400	\$100,320	\$0
				GENERAL GOVERNMENT					
	\$38,652,979	\$25,287,302	\$623,865	Courthouse Complex	\$1,034,334	\$2,547,114	\$2,547,650	\$3,179,957	\$3,432,757
	\$23,039,026	\$18,807,887	\$316,819	House of Correction	\$714,180	\$1,340,900	\$319,240	\$750,000	\$790,000
	\$110,768,923	\$27,854,046	\$10,405,741	Other County Agencies	\$11,052,989	\$12,754,580	\$16,972,480	\$16,231,455	\$15,497,632
	\$172,460,928	\$23,851,536	\$11,346,425	Total General Government	\$12,801,503	\$16,642,594	\$19,839,370	\$20,161,412	\$19,720,389
	\$1,016,351,079	\$114,605,222	\$63,544,728	TOTAL CAPITAL IMPROVEMENTS	\$68,896,856	\$132,161,751	\$146,348,272	\$130,006,348	\$125,746,089

[PROPOSED FORM OF OPINION OF CO-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
 \$30,860,000 General Obligation Corporate Purpose
 Bonds, Series 2008A

The General Obligation Corporate Purpose Bonds, Series 2008A (the “*Bonds*”) of Milwaukee County, Wisconsin (the “*County*”) are in fully registered form; are dated June 1, 2008; 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, 2009 at the interest rates per annum, as follows:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE	YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2009	\$520,000	3.250%	2017	\$2,700,000	4.000%
2010	985,000	3.250	2018	2,700,000	4.000
2011	700,000	3.250	2019	2,700,000	4.000
2012	700,000	3.250	2020	2,700,000	4.000
2013	1,655,000	3.500	2021	2,700,000	4.000
2014	2,000,000	3.500	2022	2,700,000	4.125
2015	2,700,000	3.750	2023	2,700,000	4.250
2016	2,700,000	3.750			

The Bonds maturing on and after December 1, 2018, are subject to redemption prior to maturity on December 1, 2017, and on any date thereafter, at a redemption price equal to 100 percent 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

APPENDIX II

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, 2006. 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, 2006, 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 Marcus Center for the Performing Arts, the Private Industry Council of Milwaukee County Inc., A Workforce Development Board and the Milwaukee County Research Park Corporation, which represent 51 percent and 62 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 Marcus Center for the Performing Arts, 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, 2006, 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 46 and pages 129 through 130, 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.

Virelow, Kraus & Company, LLP

Milwaukee, Wisconsin
July 20, 2007

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, 2006. 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 \$ 454,638 on a government-wide basis as of December 31, 2006. The unrestricted net assets of the County were a negative \$ 10,698.
- For the fiscal year, program and general revenues of the County's governmental activities amounted to \$ 912,834. Expenses amounted to \$ 907,890 (includes operating transfers out of \$ 61,764).
- For the fiscal year, revenues of the County's business-type activities were \$ 339,043, and expenses were \$ 398,937. The DHHS-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 \$ 61,764 for 2006.

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, 2006, the County's governmental funds reported combined ending fund balances of \$88,840, as compared to \$ 71,468 for the year ended December 31, 2005.

FINANCIAL HIGHLIGHTS (Continued)

Highlights for Fund Financial Statements (Continued)

- At the end of the 2006 fiscal year, unreserved fund balance for the General Fund was \$5,942 or 0.7% of total General Fund expenditures. At the end of the 2005 fiscal year the unreserved fund balance of the General Fund was \$ 4,404.
- The County's enterprise funds had combined net assets of \$215,627, as of December 31, 2006, compared to \$213,757, as of December 31, 2005.

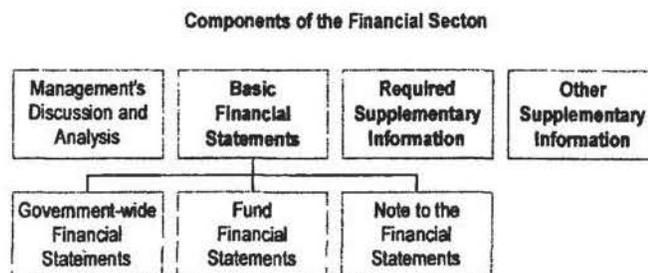
General Financial Highlights

- In April 2006, the County issued \$ 31,595 of General Obligation Bonds to finance various capital needs.
- In November 2006, the Airport, an enterprise fund of the County, issued \$ 25,665 of revenue bonds for improvements to two concourses at General Mitchell International Airport. The Airport also issued \$5,020 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 basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 2006. 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, and parks, recreation and culture. The business-type activities of Milwaukee County include the Airports, DHHS-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, the Marcus Center for Performing Arts, and the Private Industry Council of Milwaukee County are the County's discretely presented component units.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

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 48-49 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 50-54 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 55-57 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 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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Fiduciary funds (Continued)

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 58-59 of this report.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

The notes can be found on pages 62-127 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 128-130 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 131-148 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 the 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 \$ 454,638 at the close of the fiscal year. The County's increase in net assets for this fiscal year amounts to \$ 6,814.

County of Milwaukee, Wisconsin						
Net Assets						
	Governmental Activities		Business-type Activities		Primary Government Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 480,869	\$ 449,346	\$ 139,036	\$ 136,295	\$ 619,905	\$ 585,641
Long-Term Assets	4,442	5,541	-	-	4,442	5,541
Capital Assets	633,651	632,613	363,310	350,629	996,961	983,242
Total Assets	1,118,962	1,087,500	502,346	486,924	1,621,308	1,574,424
Current Liabilities	436,512	420,512	59,033	59,783	495,545	480,295
Long-term Liabilities	443,439	432,921	227,686	213,384	671,125	646,305
Total Liabilities	879,951	853,433	286,719	273,167	1,166,670	1,126,600
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	215,539	239,957	194,022	174,016	409,561	413,973
Restricted	39,594	38,415	16,181	13,742	55,775	52,157
Unrestricted	(16,122)	(44,305)	5,424	25,999	(10,698)	(18,306)
Total Net Assets	\$ 239,011	\$ 234,067	\$ 215,627	\$ 213,757	\$ 454,638	\$ 447,824

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The largest portion of the County's net assets (90.2%) 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 2006, the balance of capital assets net of related debt was \$ 409.5 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.

Composition of Net Assets of the Primary Government
As of December 31, 2006

	Primary Government Total	
	2006	2005
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 409,561	\$ 413,973
Restricted	55,775	52,157
Unrestricted	(10,698)	(18,306)
Total Net Assets	\$ 454,638	\$ 447,824

The restricted net assets portion represents resources that are subject to external restriction on how they may be used. Restricted net assets of \$ 55.8 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 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 \$ 10.7 million as of the end of 2006.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

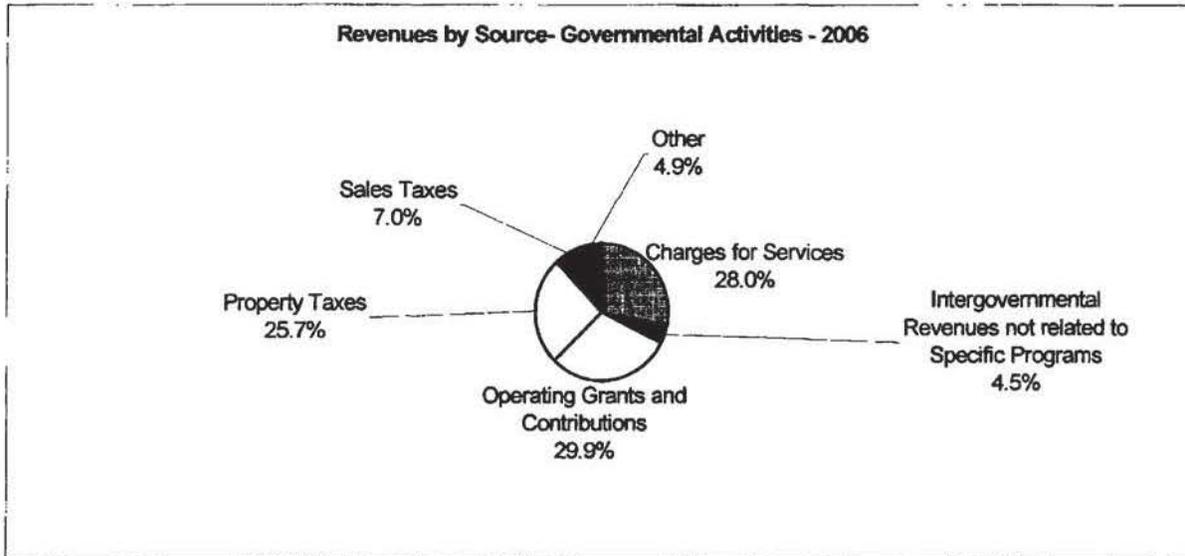
Statement of Activities

The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2006 and 2005:

	County of Milwaukee, Wisconsin Summary of Changes in Net Assets					
	Governmental Activities		Business-type Activities		Primary Government Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 255,925	\$ 243,880	\$ 178,553	\$ 163,226	\$ 434,478	\$ 407,106
Operating Grants and Contributions	272,604	270,785	148,513	140,581	421,117	411,366
Capital Grants and Contributions	-	3,410	10,248	7,127	10,248	10,537
General Revenues:						
Property Taxes	234,317	228,628	-	-	234,317	228,628
Sales Taxes	63,654	62,673	-	-	63,654	62,673
Investment Income and Rents	12,185	4,839	1,698	1,001	13,883	5,840
Intergovernmental Revenues Not Related to Specific Programs	41,332	40,242	-	-	41,332	40,242
Gain on Sale of Capital Assets	93	93	31	31	124	124
Other-Revenue	32,724	33,730	-	-	32,724	33,730
Total Revenues	912,834	888,280	339,043	311,966	1,251,877	1,200,246
Expenses:						
Legislative, Executive, and Staff	65,242	70,546	-	-	65,242	70,546
Courts and Judiciary	58,432	56,517	-	-	58,432	56,517
General Governmental Services	9,884	8,152	-	-	9,884	8,152
Public Safety	146,410	138,885	-	-	146,410	138,885
Public Works and Highways	59,141	88,133	-	-	59,141	88,133
Human Services	398,245	363,558	-	-	398,245	363,558
Parks, Recreation, and Culture	72,361	69,150	-	-	72,361	69,150
Other	19,891	19,222	-	-	19,891	19,222
Interest	16,520	17,497	-	-	16,520	17,497
Airport	-	-	64,254	58,894	64,254	58,894
DHHS-Behavioral Health	-	-	171,064	157,233	171,064	157,233
Transit	-	-	163,619	157,623	163,619	157,623
Total Expenses	846,126	831,660	398,937	373,750	1,245,063	1,205,410
Change in Net Assets Before Transfers	66,708	56,620	(59,894)	(61,784)	6,814	(5,164)
Transfers	(61,764)	(52,809)	61,764	52,809	-	-
Change in Net Assets	4,944	3,811	1,870	(8,975)	6,814	(5,164)
Net Assets- Beginning of the Year	234,067	230,256	213,757	222,732	447,824	452,988
Net Assets- End of the Year	\$ 239,011	\$ 234,067	\$ 215,627	\$ 213,757	\$ 454,638	\$ 447,824

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities



Revenues for the County's governmental activities were \$ 912,834 for the fiscal year 2006, representing an increase of \$ 24,554 over fiscal year 2005. Sources of revenue for 2006 as a percentage of total revenues are shown above. Taxes, both property and sales constitute the largest source of County revenues, amounting to \$ 297,971 for fiscal year 2006, an increase of \$ 6,670 over the fiscal year 2005. Real property taxes of \$ 234,317 represent over 78.6% of total taxes, but only 25.6% of all revenues combined. Sales taxes provided tax revenue of \$ 63,654, or 7.0% of all revenues combined. Governmental activities investment revenue is a combination of investment income and rent income. 2006 investment and rent income of \$ 12,185 increased \$ 7,346 over fiscal year 2005, which is an increase of 151.8 %. Investment income increased \$ 7,007, which represents 95.3% of the total investment and rent income growth. A change in the County's investment strategy and increased interest rates account for the increase in investment income.

Some of the cost of governmental activities was paid for by those who directly benefited from the programs, as a charge for services of \$ 255,925, while other governmental activities were paid for by government and non-profit organizations as operating and capital grants, and contributions of \$ 272,604.

Charges for services increased to \$ 255,925 in 2006, an increase of \$ 12,045 over the 2005 fiscal year. This increase in charges for services represent enrollment growth and thus more collections from the new enrollees in the State of Wisconsin family care program in the Department on Aging. Department on Aging Care Management Organization (CMO) brought membership obligation invoicing and collections inhouse,

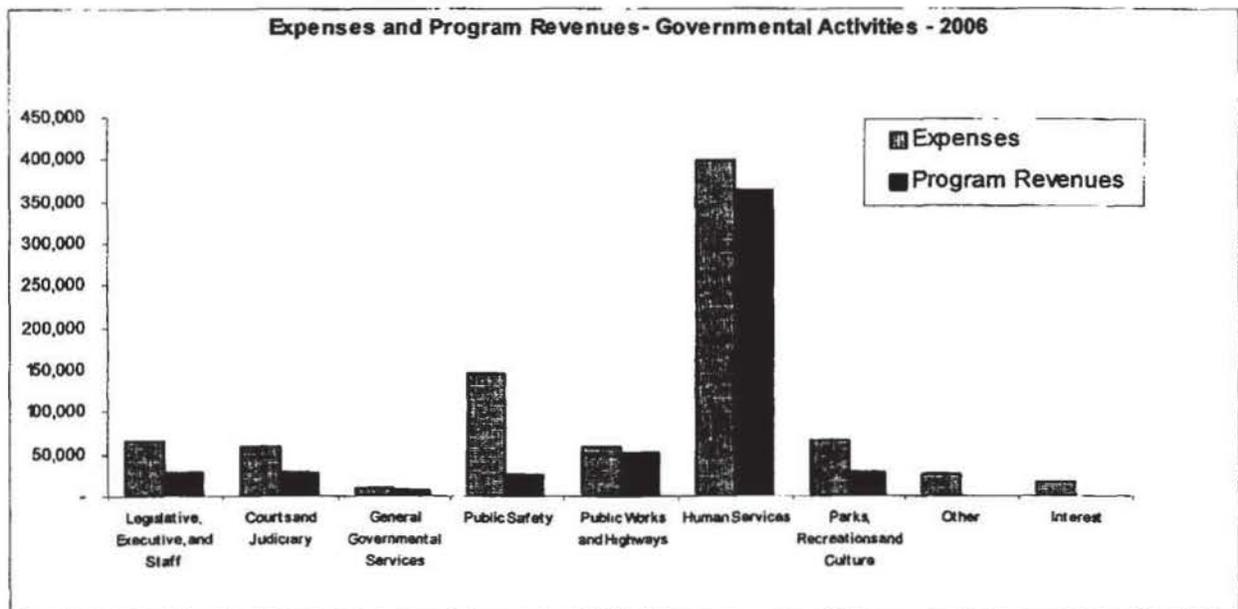
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

which also improved collections. Operating grants and contributions continue to support the majority of the social services with \$ 272,604 of governmental activity funding. This revenue increased by \$ 1,819 over the 2005 fiscal year.

Total cost of all of the County's governmental activities for the fiscal year 2006 was \$ 846,126, representing an increase of \$ 14,466 over 2005 activity. As the chart indicates below, human services continue to be the County's largest program. Human services cost was \$ 398,245, an increase of \$ 34,687 over the prior year, due primarily 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 \$ 35,758.

Public safety represents the second largest expense totaling \$ 146,410 for the operation of correctional facilities, pre-trial holding facilities, county sheriff services, and the district attorney. Public safety expenses increased by \$ 7,525 compared to prior year expenses. The net tax levy cost for public safety for 2006 was \$ 121,271.



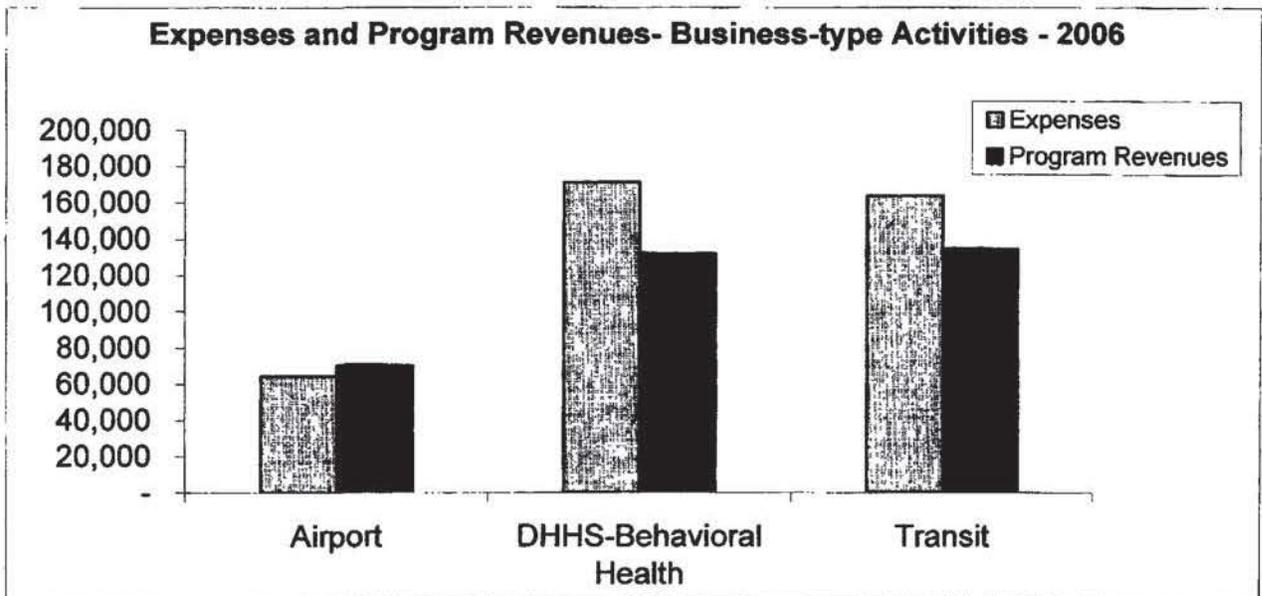
Business-type activities

The Airports recover 96% 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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-type activities (Continued)

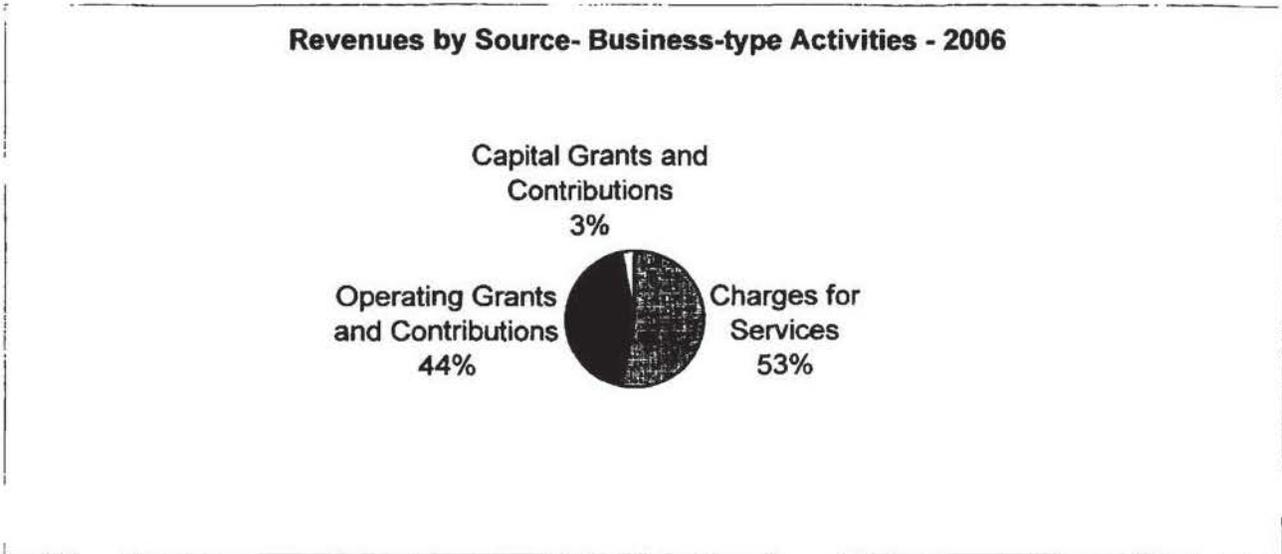
Transit System require operating transfers from the governmental activities funds for support of their operation. Total governmental activity operating support through operating transfers for DHHS-Behavioral Health and the Transit System was \$ 38,705 and \$19,532, respectively, for fiscal year 2006. Total state and federal grants, and contributions for the Transit System was \$ 79,162 for 2006. This is an increase of \$29 over the 2005 fiscal year. Direct support from users of the Transit System was \$45,705 or 28% 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 recent years. Operating grants and contributions, and charges for services for the DHHS-Behavioral Health Division was \$ 69,135, and \$ 50,881, respectively.



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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-type activities (Continued)



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, 2006, the County's governmental funds reported combined ending fund balances of \$ 88,840. Approximately 6.7% of this amount or \$ 5,942 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 \$ 1,156 for inventories, \$ 30,604 for encumbrances, \$ 5,573 for debt service, \$ 4,664 for 2007 appropriations, \$ 4,901 for 2008 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

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Governmental funds (Continued)

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, 2006, unreserved fund balance of the general fund was \$ 5,942 while total fund balance reached \$ 39,280. 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 0.82% of total fund expenditures, while total fund balance represents 5.4% of that same amount.

The fund balance of the County's general fund increased by, \$15,246 during the 2006 fiscal year. Cost saving measures, an increase in the reserve for encumbrances, and the application of 2006 tax levy to offset a prior year deficit led to this increase.

The debt service fund has a total fund balance of \$ 5,573 all of which is reserved for the payment of debt service. The net increase in the debt service reserve for the current year was \$ 2,594. The reserve was used in 2006, for debt service interest costs, but was replenished with bond premium, of \$2,121 from 2006 general obligation bond issue plus a \$ 2,000 transfer from general fund reserves.

The capital projects fund has a total fund balance of \$ 7,987 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 \$ 468. The fund balance decreased due to the County's continuing goal of completing projects sooner, and due to lower capital funding in recent years.

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, DHHS-Behavioral Health Division, and the Transit System at the end of the year, were \$ 5,424. Total net assets of these same three major funds were \$215,627 as of the end of 2006 and \$ 213,757 as of the end of 2005. The total growth/(decline) in net assets for Airports, DHHS-Behavioral Health Division, and the Transit System funds were \$ 11,376, \$ (306), and \$ (9,200), respectively.

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GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary
Basis
For the Year Ending December 31, 2006
(In Thousands)

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues and Other Sources</u>				
Taxes	\$298,506	\$298,506	\$297,221	\$ (1,285)
Intergovernmental Revenue	289,253	305,545	292,298	(13,247)
Charges for Services	213,074	216,353	228,898	12,545
Other	53,696	53,694	46,648	(7,046)
Total	\$854,529	\$874,098	\$865,065	\$ (9,033)
<u>Expenditures and Other Uses</u>				
Expenditures	\$728,450	\$747,720	\$724,546	\$23,174
Transfers	126,079	126,378	137,015	(10,637)
Total	\$854,529	\$874,098	\$861,561	\$12,537
Change in Fund Balance	\$ -	\$ -	\$ 3,504	\$ 3,504

As shown above, revenues and other financing sources exceeded expenditures and other financing uses by \$ 3.5 million in the General Fund for the year ended December 31, 2006. This is a variance from budget of \$ 3.5 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 \$ 10.2 million in expenditures offset by the inclusion of a negative contribution from reserves for 2006 appropriations of (\$ 1.6) million.

Actual General Fund revenues were less than budgeted revenues by \$ 9.0 million during fiscal year 2006. These decreases in revenues are due to lower inter-governmental revenue of \$ 13.2 million, lower sales tax revenue of \$ 1.2 million and lower other revenue of \$7.0 million offset by an increase in charges for services of \$12.5 million. The reduction in intergovernmental revenue is primarily from the Courts-Children's Division (\$ 1.0 million), Department of Administrative Services-Economic and Community Development (\$6.9 million), and Human Services (\$ 5.3 million). The lower revenue in Courts-Children's Division is a result of lower than anticipated referrals from the courts. Courts federally matched cost reimbursement revenue is reduced due to lower than expected expenditures. The lower revenue in Human Services of \$5.3 million is due to; budgeted grant revenues of \$ 4.8 million to be earned by the Wraparound program, which was never approved. The lower revenue in all of these departments was offset by reduced expenditures in these same departments.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

The County has experienced negative growth in sales tax revenue collections three of the last four years. The trend of negative growth continued in 2006 with lower revenue from sales tax of \$1.2 million as compared to budget.

Actual General Fund expenditures were lower than amended budget expenditures by \$23.1 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 difference between the original budget revenue of \$ 854,529 and the final budget revenue of \$ 874,098 for an increase of \$ 19,569 include the following:

- \$ 5,391 of the associated revenue is from operating department's carryovers, and general carryover of operating grants from the prior year.
- \$ 14,178 are revenue fund transfer requests, from departments, the most significant of which are briefly summarized as follows:
 - The Department of Child Support revenue increased by \$ 2,200, of which \$ 1,392 is from the State of Wisconsin Department of Workforce Development-Special Improvement Fund for Child Support Enforcement. No local match was required to receive these funds.
 - Revenue for Office of the Sheriff increased by \$ 2,244 of which \$ 497 was from the State of Wisconsin Office of Justice Assistance - Homeland Security Program, and \$ 516 was from the State of Wisconsin and Federal Urban Area Security Initiative.
 - The Department of Health and Human Services reflects a revenue increase of \$ 5,550 of which \$ 1,763 is from the Community Options Program-Waiver (COP-W) and Children's Long Term Support Waiver Program grants. \$ 1,400 is from the Department of Health and Human Services Medical Assistance Transportation Program. The State Department of Health & Family Services funds these programs through a contract with Milwaukee County.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- The Department of Parks had a revenue increase of \$ 3,066 to transfer and establish the Parks Service Division, from Facilities Management back to the Department of Parks.
- The remaining \$ 1,118 was primarily from State and Federal grant revenue reimbursement increases for Veterans Service, County Board – Office of Community Business Development Partners, Department of Administrative Services-Persons with Disabilities, Combined Court Related Operations, House of Correction, District Attorney, Highway Maintenance, Department on Aging, and University Extension Services.

The difference between the original budget expenditure of \$ 728,450 (before transfers) and the final budget expenditure of \$ 747,720 (before transfers) for an increased appropriation of \$ 19,270 include the following:

- \$ 5,601 are net expenditure appropriation carryovers, associated with capital outlay and encumbrances, from the prior year.
- \$ 13,669 are fund expenditure transfer requests, from departments, the most significant of which are briefly summarized as follows:
 - The Department of Child Support expenditures increase of \$ 2,275 of which \$ 1,322 was from the State of Wisconsin Department of Workforce Development-Special Improvement Fund for Child Support Enforcement to establish expenditure authority for personal services, commodities, and major maintenance and equipment.
 - Sheriff's had additional expenditure authority of \$ 2,961. \$ 497 was from the Milwaukee County Homeland Security/Equipment grant, which provided equipment to the County and municipalities located within the County. \$ 516 was from the Urban Area Security Initiative to upgrade the County's 800 MHz radio system.
 - \$5,093 was to align the Department of Health and Human Services 2006 Adopted Budget with the actual 2006 State/County Contract for the provision of various human services.
 - The Department of Parks expenditures increased by \$ 4,297 of which \$ 3,050 was to establish operating expenditure authority for Parks maintenance, that was transferred from Facilities Management to the Department of Parks.

Transfers also represent the net budgeted funds to be provided by the General Fund to breakeven the remaining governmental fund departments, proprietary fund

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

departments, and component units (original budget of \$ 126,079 and amended budget of \$ 126,378). The net contribution actually made by the General Fund to other funds was \$ 137,015. The General Fund collects all of the property tax and sales tax revenues of the County, which was \$ 297,971 for 2006. Intergovernmental revenues not related to a specific program were \$ 41,332. 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, 2006 amounts to \$ 996,961 (net of accumulated depreciation of \$ 867,925). 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 is 1.40% (a 0.16% increase in governmental activities and a 3.62% 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 and construction to West Rawson Avenue for a combined cost of \$ 3,490.
- The Airport continued several capital projects, including the D Concourse improvements to increase the area for airline activities, the E Concourse stem remodeling, the Cessna Apron addition, and the outer taxiway extension. The cost of these projects for 2006 are \$2,476, \$1,567, \$2,287 and \$4,656, respectively. All four of these projects are funded with Airport revenue bonds and passenger facility charge (PFC) revenues. Revenue bonds for these projects were issued in 2006.
- Other Airport capital improvements include enhancements to the security system, and an upgrade to the electrical system for a cost of \$1,290.
- Park's continued various infrastructure improvements for a cost of \$ 4,302.
- The South Shore breakwater shoreline protection bike trail construction cost was \$2,182 for 2006.
- Milwaukee County War Memorial HVAC replacement cost was \$ 1,869.
- Continuation of upgrading the County's fleet equipment for a cost of \$ 1,743.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

- \$2,512 was spent on the Transit bus replacement program.
- The Courthouse annex demolition and parking lot construction renovation cost was \$8,739.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Land	\$ 59,520	\$ 59,520	\$ 22,441	\$ 22,441	\$ 81,961	\$ 81,961
Land Improvements	88,439	88,414	43,316	43,244	131,755	131,658
Building and Improvements	302,143	291,233	125,477	137,057	427,620	428,290
Furniture, Vehicles & Equipment	46,081	43,053	68,300	77,277	114,381	120,330
Infrastructure	77,313	77,572	-	-	77,313	77,572
Construction in Progress	60,155	72,821	103,776	70,610	163,931	143,431
Total	\$ 633,651	\$ 632,613	\$ 363,310	\$ 350,629	\$ 996,961	\$ 983,242

Additional information on the County's capital assets can be found in Note 5 on pages 96-101 of this report.

Long-term debt

At December 31, 2006, the County had total debt outstanding of \$ 634,622. Of this amount, \$ 456,597 comprised of general obligation bonds and \$ 178,025 of airport revenue bonds.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 418,112	\$ 420,674	\$ 38,485	\$ 53,049	\$ 456,597	\$ 473,723
Revenue Bonds	-	-	178,025	152,855	178,025	152,855
Totals	\$ 418,112	\$ 420,674	\$ 216,510	\$ 205,904	\$ 634,622	\$ 626,578

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-term debt (Continued)

The County's total debt increased by \$ 8.04 million during the year ended December 31, 2006. This increase is a combination of a net increase in revenue bonds of \$ 25,170 and a net decrease in general obligation bonds of \$17,126. Revenue bond proceeds, from newly issued revenue bonds, exceeded the principal payments on the revenue bonds. In addition, revenue bonds totaling \$ 5.0 million were issued to replace outstanding general obligation bonds. General obligation bond principal payments exceeded the proceeds received from newly issued general obligation bonds therefore general obligation debt decreased. Airport revenue bond refunding of general obligation bond debt for 2005 of \$ 7,775 and for 2006 of \$ 5,020 were issued to refund Airport general obligation debt. The refunding was completed in 2006, which reduced outstanding general obligation bonds.

New general obligation bonds were issued for \$ 31,595 to finance the following capital projects: highways and bridges \$ 1,435; transit bus replacement and improvement, DHHS building renovation and improvement, and parking lot construction, and general government buildings and related improvements for \$ 30,105; and parks, recreational, and cultural facilities \$ 55. New airport revenue bonds were issued in November 2006 for \$ 25,665 to finance the C Concourse expansion for \$ 12,595, the E Concourse stem remodeling for \$ 9,320, the Inline Baggage screening design for \$ 1,670, the North Fixed Base Operator Apron reconstruction for \$ 233, the Cessna Apron addition for \$66, and debt service reserve deposit of \$2,320 plus capitalized interest of \$ 452.

Additional information on the County's long-term debt can be found in Note 8 on pages 102-112 of this report.

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Economic Factors and Next Year's Budget and Rates

- Milwaukee County unemployment rate decreased for 2006 to 5.7%, the national average unemployment rate decreased to 4.6%.
- Equalized value of taxable property increased to \$ 63.6 billion in 2006 from \$ 56.7 billion in 2005.

During the 2006 fiscal year, the County had a net excess of revenues over expenditures of \$ 4,901 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 2008 Appropriations, and will be added to the revenue of the 2008 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.

BASIC FINANCIAL STATEMENTS

COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2006
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 118,691	\$ 59,633	\$ 178,324	\$ 4,638
Cash and Investments -- Restricted	39,423	45,824	85,247	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	1,873	21,973	23,846	2,211
Property Taxes:				
Current Levy	241,882	-	241,882	-
Delinquent	9,296	-	9,296	-
Accrued Interest and Dividends	4,702	-	4,702	-
Notes	1,117	-	1,117	-
Other	10,612	2,877	13,489	-
Due From Other Governments	50,977	4,290	55,267	-
Inventories	1,814	3,904	5,718	87
Prepaid Items	482	309	791	252
Other Assets	-	226	226	-
Total Current Assets	480,869	139,036	619,905	7,188
Noncurrent Assets:				
Long-term Investments	-	-	-	3,866
Contributions Receivable	-	-	-	628
Notes Receivable	4,019	-	4,019	-
Deferred Charges	423	-	423	-
Other Assets	-	-	-	1,050
Capital Assets (Net)				
Land	59,520	22,441	81,961	170
Construction in Progress	60,155	103,776	163,931	1,412
Land Improvements	197,469	127,123	324,592	-
Buildings and Improvements	579,825	296,963	876,788	41,391
Machinery, Vehicles and Equipment	116,878	168,688	285,566	9,635
Infrastructure	132,048	-	132,048	-
Less: Accumulated Depreciation	(512,244)	(355,681)	(867,925)	(17,934)
Total Capital Assets (Net)	633,651	363,310	996,961	34,674
Total Noncurrent Assets	638,093	363,310	1,001,403	40,218
Total Assets	\$ 1,118,962	\$ 502,346	\$ 1,621,308	\$ 47,406
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 51,699	\$ 11,609	\$ 63,308	\$ 2,072
Accrued Liabilities	39,936	3,632	43,568	1,365
Accrued Interest Payable	6,157	1,316	7,473	69
Accrued Pension Payable	27,862	-	27,862	-
Due to Other Governments	1,084	46	1,130	-
Unearned Revenues	244,017	11,810	255,827	1,176
Bonds and Notes Payable	35,696	10,332	46,028	835
Net Pension Obligation	5,127	-	5,127	-
Unfunded Claims and Judgments	750	-	750	-
Landfill Postclosure Costs	261	-	261	-
Compensated Absences Payable	18,306	10,623	28,929	-
Risk Claims	5,816	7,216	12,832	-
Other Current Liabilities	1	2,449	2,450	841
Total Current Liabilities	436,512	59,033	495,545	6,358
Noncurrent Liabilities:				
Bonds and Notes Payable	382,416	35,559	417,975	26,581
Bonds and Notes Payable -- Revenue Bonds	-	170,619	170,619	-
Net Pension Obligation	20,509	-	20,509	-
Unfunded Claims and Judgments	9,250	-	9,250	-
Landfill Postclosure Costs	4,610	-	4,610	-
Compensated Absences Payable	23,822	14,265	38,087	-
Capital Leases	-	-	-	92
Risk Claims	2,832	7,243	10,075	-
Accrued Pension and Postretirement Benefits	-	-	-	8,771
Total Noncurrent Liabilities	443,439	227,686	671,125	35,444
Total Liabilities	879,951	286,719	1,166,670	41,802
NET ASSETS				
Unrestricted (Deficit)	(16,122)	5,424	(10,698)	(6,634)
Restricted for:				
Debt Service	3,594	12,061	15,655	-
Capital Asset Needs	-	4,120	4,120	-
Airport PFC	34,128	-	34,128	-
Other	1,872	-	1,872	4,865
Invested in Capital Assets, Net of Related Debt	215,539	194,022	409,561	7,373
Total Net Assets	239,011	215,627	454,638	5,604
Total Liabilities and Net Assets	\$ 1,118,962	\$ 502,346	\$ 1,621,308	\$ 47,406

COUNTY OF MILWAUKEE
Statement of Activities
For The Year Ended December 31, 2006
(In Thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Functions / Programs								
Primary Government:								
Governmental Activities:								
Legislative, Executive and Staff	\$ (65,242)	\$ 8,839	\$ 19,125	\$ -	\$ (37,278)	\$ -	\$ (37,278)	\$ -
Courts and Judiciary	(58,432)	3,597	24,249	-	(30,586)	-	(30,586)	-
General Governmental Services	(8,884)	6,314	121	-	(3,449)	-	(3,449)	-
Public Safety	(148,410)	5,233	19,906	-	(121,271)	-	(121,271)	-
Public Works and Highways	(59,141)	25,707	24,976	-	(8,458)	-	(8,458)	-
Human Services	(398,245)	179,828	182,859	-	(35,758)	-	(35,758)	-
Parks, Recreation and Culture	(72,361)	26,607	1,368	-	(44,386)	-	(44,386)	-
Other	(19,891)	-	-	-	(19,891)	-	(19,891)	-
Interest	(16,520)	-	-	-	(16,520)	-	(16,520)	-
Total Governmental Activities	(846,126)	255,925	272,804	-	(317,597)	-	(317,597)	-
Business-Type Activities:								
Airport	(64,254)	61,744	216	8,445	-	6,151	6,151	-
DHHS-Behavioral Health	(171,064)	82,873	69,135	45	-	(39,011)	(39,011)	-
Transit	(183,618)	53,936	79,182	1,758	-	(28,763)	(28,763)	-
Total Business-Type Activities	(398,937)	178,553	148,513	10,248	-	(61,623)	(61,623)	-
Total Primary Government	\$ (1,245,063)	\$ 434,478	\$ 421,117	\$ 10,248	(317,597)	(61,623)	(379,220)	-
Component Units:								
Museum	\$ (17,277)	\$ 10,759	\$ 3,634	\$ -	-	-	-	(2,884)
War Memorial Center	(2,792)	438	1,877	-	-	-	-	(677)
Marcus Center	(7,520)	3,131	1,280	-	-	-	-	(3,109)
Private Industry Council	(11,733)	214	11,517	-	-	-	-	(2)
Research Park Corporation	(3,239)	170	-	-	-	-	-	(3,069)
Total Component Units	\$ (42,561)	\$ 14,712	\$ 18,108	\$ -	-	-	-	(9,741)
General Revenues:								
Property Taxes					234,317	-	234,317	-
Sales Taxes					83,654	-	83,654	-
Intergovernmental Revenues Not Related to Specific Program					41,332	-	41,332	-
Investment Income					12,185	1,698	13,883	4,478
Gain on Sale of Capital Assets					93	31	124	-
Other -- Revenue					32,724	-	32,724	5,156
Transfers					(61,764)	61,764	-	-
Total General Revenues and Transfers					322,541	63,493	386,034	9,634
Change in Net Assets					4,944	1,870	6,814	(107)
Net Assets -- Beginning (as restated)					234,067	213,757	447,824	5,711
Net Assets -- Ending					\$ 239,011	\$ 215,627	\$ 454,638	\$ 5,604

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

COUNTY OF MILWAUKEE
Balance Sheet
Governmental Funds
December 31, 2006
(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	\$ 76,496	\$ 6,243	\$ 15,452	\$ 1,909	\$ 100,100
Cash and Investments -- Restricted	5,295	-	-	34,128	39,423
Receivables:					
Accounts (Net of Allowances for Doubtful Accounts)	1,132	-	-	-	1,132
Property Taxes:					
Current Levy	241,882	-	-	-	241,882
Delinquent	9,296	-	-	-	9,296
Accrued Interest	4,702	-	-	-	4,702
Notes Receivable	1,537	3,599	-	-	5,136
Other	10,503	-	109	-	10,612
Due From Other Governments	49,149	-	1,567	-	50,716
Inventories	1,156	-	-	-	1,156
Prepaid Items	289	-	-	54	343
Total Assets	\$ 401,437	\$ 9,842	\$ 17,128	\$ 36,091	\$ 464,498
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 41,256	\$ 101	\$ 9,141	\$ 90	\$ 50,588
Accrued Liabilities	39,310	569	-	-	39,879
Accrued Single-Employer Pension Payable	27,862	-	-	-	27,862
Other Liabilities	-	-	-	1	1
Due to Other Governments	1,084	-	-	-	1,084
Deferred Revenues	252,645	3,599	-	-	256,244
Total Liabilities	362,157	4,269	9,141	91	375,658
Fund Balance:					
Reserved for 2008 Appropriations	4,901	-	-	-	4,901
Reserved for 2007 Appropriations	4,664	-	-	-	4,664
Reserved for Debt Service	-	5,573	-	-	5,573
Reserved for Encumbrances	22,617	-	7,987	-	30,604
Reserved for Inventories	1,156	-	-	-	1,156
Reserved for Health and Safety	-	-	-	70	70
Reserved for Zoo	-	-	-	553	553
Reserved for Parks	-	-	-	711	711
Reserved for Persons with Disabilities	-	-	-	115	115
Reserved for Behavioral Health Division	-	-	-	423	423
Reserved for Airport PFC	-	-	-	34,128	34,128
Unreserved -- Designated for Delinquent Property Tax	5,522	-	-	-	5,522
Unreserved -- Designated for Economic Development	150	-	-	-	150
Unreserved -- Designated for Housing	270	-	-	-	270
Total Fund Balance	39,280	5,573	7,987	36,000	88,840
Total Liabilities and Fund Balance	\$ 401,437	\$ 9,842	\$ 17,128	\$ 36,091	\$ 464,498

COUNTY OF MILWAUKEE
 Reconciliation of the Balance Sheet
 of Governmental Funds
 to the Statement of Net Assets
 For the Year Ended December 31, 2006
 (In Thousands)

Total Fund Balances for Governmental Funds as of 12/31/06 \$ 88,840

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	187,382
Buildings and Improvements	479,590
Machinery, Vehicles and Equipment	45,195
Infrastructure	132,048
Construction in Progress	55,962
Less: Accumulated Depreciation	(381,207)

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:

17,691

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.

12,451

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	(375,361)
Unamortized Debt Issue Costs	423
Pension Obligations	(25,636)
Compensated Absences -- Long-Term	(36,056)
Landfill Postclosure Costs	(4,871)
Unfunded Claims and Judgments	(10,000)

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.

(5,578)

Total Net Assets of Governmental Activities as of 12/31/06

\$ 239,011

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, 2006
(In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental	\$ 292,298	\$ -	\$ 10,677	\$ -	\$ 302,975
Property Taxes	234,317	-	-	-	234,317
Sales Taxes	62,904	-	750	-	63,654
Investment Income and Rents	13,448	1,066	600	1,174	16,288
Charges for Services	228,898	-	-	725	229,623
Fines and Forfeits	3,616	-	-	-	3,616
Licenses and Permits	634	-	-	-	634
PFC Revenues	-	-	-	10,268	10,268
Other	28,950	5,793	14	150	34,907
Total Revenues	<u>865,065</u>	<u>6,859</u>	<u>12,041</u>	<u>12,317</u>	<u>896,282</u>
Expenditures:					
Current:					
Legislative, Executive and Staff	37,729	-	-	-	37,729
Courts and Judiciary	56,964	-	-	-	56,964
General Governmental Services	7,731	-	-	-	7,731
Public Safety	136,634	-	-	-	136,634
Public Works and Highways	13,850	-	-	-	13,850
Human Services	394,560	-	-	59	394,619
Parks, Recreation and Culture	63,366	-	-	828	64,194
Other	10,002	100	-	5,304	15,406
Capital Outlay	-	-	45,608	-	45,608
Debt Service:					
Principal Retirement	-	28,437	-	-	28,437
Interest	-	15,025	-	-	15,025
Total Expenditures	<u>720,836</u>	<u>43,562</u>	<u>45,608</u>	<u>6,191</u>	<u>816,197</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>144,229</u>	<u>(36,703)</u>	<u>(33,567)</u>	<u>6,126</u>	<u>80,085</u>
Other Financing Sources (Uses):					
General Obligation Bonds Issued	-	-	31,595	-	31,595
Premium on Debt Issued	-	2,121	-	-	2,121
Transfers In	2,670	37,176	2,520	-	42,366
Transfers Out	(131,653)	-	(1,016)	(6,126)	(138,795)
Total Other Financing Sources (Uses)	<u>(128,983)</u>	<u>39,297</u>	<u>33,099</u>	<u>(6,126)</u>	<u>(62,713)</u>
Net Change in Fund Balances	15,246	2,594	(468)	-	17,372
Fund Balances - Beginning	24,034	2,979	8,455	36,000	71,468
Fund Balances - Ending	<u>\$ 39,280</u>	<u>\$ 5,573</u>	<u>\$ 7,987</u>	<u>\$ 36,000</u>	<u>\$ 88,840</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, 2006
 (In Thousands)

Net change in fund balances -- total governmental funds \$ 17,372

**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 reported as an expenditure in the Capital Project Fund	45,608
Capital outlay reported as an expenditure in the General Fund	3,582
Items reported as capital outlay that were not capitalized	(1,864)
Depreciation reported in the government-wide statements	(28,667)
Net book value of assets retired	(3,530)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	667
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	(31,595)
Premium on Debt issued	(2,121)
Principal repaid	28,437
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.	(3,370)
Principal payments reduce notes receivable on the Statement of Net Assets but are reported as revenues in the funds.	(3,409)
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	(569)
Amortization of Bond Costs	(926)
Pension Obligations	(25,636)
Landfill Postclosure Costs	8,908
Compensated Absences	(1,067)
Unfunded Claims and Judgments	3,124
Change in net assets of governmental activities	\$ 4,944

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, 2006
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 289,253	\$ 305,545	\$ 292,298	\$ (13,247)
Property Taxes	233,827	233,827	234,317	490
Charges for Services	213,074	216,353	228,898	12,545
Sales Taxes	64,679	64,679	62,904	(1,775)
Investment Income and Rents	8,433	8,432	13,448	5,016
Fines and Forfeits	3,146	3,146	3,616	470
Licenses and Permits	490	490	634	144
Other	41,627	41,626	28,950	(12,676)
Total Revenues	854,529	874,098	865,065	(9,033)
Expenditures:				
Current:				
Legislative, Executive and Staff	39,547	45,979	39,757	6,222
Courts and Judiciary	56,121	59,105	57,543	1,562
General Governmental Services	7,054	9,110	7,748	1,362
Public Safety	137,635	139,613	137,880	1,733
Public Works and Highways	17,518	15,478	13,895	1,583
Human Services	384,537	393,471	397,703	(4,232)
Parks, Recreation and Culture	58,417	62,032	57,181	4,851
Other	27,621	22,932	12,839	10,093
Total Expenditures	728,450	747,720	724,546	23,174
Excess (Deficiency) of Revenues Over (Under) Expenditures	126,079	126,378	140,519	14,141
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2006 Appropriations	(1,573)	(1,573)	(1,573)	-
Transfers In	-	-	2,670	2,670
Transfers Out	(118,047)	(118,346)	(131,653)	(13,307)
Transfers To Component Units	(6,459)	(6,459)	(6,459)	-
Total Other Financing Sources (Uses)	(126,079)	(126,378)	(137,015)	(10,637)
Net Change in Fund Balance	-	-	3,504	3,504
Fund Balances -- Beginning	24,034	24,034	24,034	-
Fund Balances -- Ending	\$ 24,034	\$ 24,034	\$ 27,538	\$ 3,504

COUNTY OF MILWAUKEE
Balance Sheet
Proprietary Funds
December 31, 2006
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	DHHS Behavioral Health	Transit System	Total	
Assets					
Current Assets:					
Cash and Investments	\$ 27,983	\$ 3,901	\$ 27,739	\$ 59,633	\$ 18,591
Cash and Investments -- Restricted	45,824	-	-	45,824	-
Receivables:					
Accounts (Net of Allowances for Uncollectible Accounts and Contractual Adjustments)	7,870	13,826	277	21,973	741
Other	79	-	2,798	2,877	-
Due From Other Governments	-	-	4,290	4,290	261
Inventories	-	471	3,433	3,904	658
Prepaid Items	-	-	309	309	139
Other Assets	-	-	226	226	-
Total Current Assets	81,766	18,196	39,072	139,036	20,390
Capital Assets:					
Land	19,669	-	2,772	22,441	1,382
Construction in Progress	98,461	754	4,561	103,776	4,193
Land Improvements	119,228	1,634	6,261	127,123	10,087
Building and Improvements	199,695	37,528	59,740	296,963	100,235
Furniture, Vehicles and Equipment	7,078	5,094	156,516	168,688	71,683
Total Capital Assets	444,131	45,010	229,850	718,991	187,580
Less Accumulated Depreciation	(194,822)	(35,227)	(125,632)	(355,681)	(131,037)
Net Capital Assets	249,309	9,783	104,218	363,310	56,543
Total Assets	\$ 331,075	\$ 27,981	\$ 143,290	\$ 502,346	\$ 76,933
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 2,010	\$ 6,440	\$ 3,159	\$ 11,609	\$ 1,111
Accrued Liabilities	912	237	3,799	4,948	636
Due To Other Governments	-	46	-	46	-
Unearned Revenues	9,309	113	2,388	11,810	224
Bonds Payable-Current Portion	8,623	390	1,319	10,332	5,020
Compensated Absences	871	3,836	5,916	10,623	1,701
Risk Claims	-	-	7,216	7,216	5,616
Other Liabilities	215	259	1,975	2,449	-
Total Current Liabilities	21,940	11,321	25,772	59,033	14,308
Long-Term Liabilities:					
Bonds Payable -- Long-Term	6,176	6,318	23,065	35,559	37,731
Bonds Payable -- Revenue Bonds	170,619	-	-	170,619	-
Compensated Absences	1,749	6,016	6,500	14,265	4,371
Risk Claims	-	-	7,243	7,243	2,832
Total Long-Term Liabilities	178,544	12,334	36,808	227,686	44,934
Total Liabilities	200,484	23,655	62,580	286,719	59,242
Net Assets					
Unrestricted	3,297	1,251	876	5,424	3,899
Restricted for:					
Debt Service	12,061	-	-	12,061	-
Capital Asset Needs	4,120	-	-	4,120	-
Invested in Capital Assets, Net of Related Debt	111,113	3,075	79,834	194,022	13,792
Total Net Assets	130,591	4,326	80,710	215,627	17,691
Total Liabilities and Net Assets	\$ 331,075	\$ 27,981	\$ 143,290	\$ 502,346	\$ 76,933

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, 2006
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	DHHS Behavioral Health	Transit System	Total	
Operating Revenues:					
Charges for Services:					
Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances	\$ -	\$ 50,773	\$ -	\$ 50,773	\$ -
Net Patient Service Revenues	-	50,773	-	50,773	-
Rentals and Other Service Fees	50,323	102	139	50,564	34,729
Admissions and Concessions	11,408	6	-	11,412	-
Transit Fares	-	-	45,705	45,705	-
Total Charges for Services	61,729	50,881	45,844	158,454	34,729
Other Revenues	15	11,992	8,123	20,130	818
Total Operating Revenues	61,744	62,873	53,967	178,584	35,547
Operating Expenses:					
Personnel Services	15,507	73,188	108,223	196,918	35,220
Contractual Services	13,745	8,967	24,143	46,855	10,952
Intra-County Services	9,305	3,613	888	13,806	1,780
Commodities	1,998	7,593	13,061	22,652	3,681
Depreciation and Amortization	14,000	818	12,794	27,612	8,747
Maintenance	1,079	-	492	1,571	1,755
Insurance and Claims	-	-	-	-	5,753
Client Payments	2,222	76,543	2,900	81,665	2,263
Total Operating Expenses	57,856	170,722	162,501	391,079	70,151
Operating Income (Loss)	3,888	(107,849)	(108,534)	(212,495)	(34,604)
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	216	69,135	79,162	148,513	525
Investment Income	1,698	-	-	1,698	-
Interest Expense	(6,398)	(342)	(1,118)	(7,858)	(1,979)
Total Nonoperating Revenues (Expenses)	(4,484)	68,793	78,044	142,353	(1,454)
Income (Loss) Before Contributions and Transfers	(596)	(39,056)	(30,490)	(70,142)	(36,058)
Capital Contributions	8,445	45	1,758	10,248	(1,977)
Transfers In	6,588	39,056	19,995	65,639	36,167
Transfers Out	(3,061)	(351)	(463)	(3,875)	(1,502)
Changes in Net Assets	11,376	(306)	(9,200)	1,870	(3,370)
Net Assets -- Beginning	119,215	4,632	89,910	213,757	21,061
Net Assets -- Ending	<u>\$ 130,591</u>	<u>\$ 4,326</u>	<u>\$ 80,710</u>	<u>\$ 215,627</u>	<u>\$ 17,691</u>

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, 2006
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	DHHS Behavioral Health	Transit System	Total	
Cash Flows Provided (Used) by Operating Activities:					
Receipts from Customers and Users	\$ 62,676	\$ 60,482	\$ 54,390	\$ 177,548	\$ 5,395
Receipts from Interfund Services	-	-	-	-	29,686
Payments to Suppliers	(18,426)	(94,330)	(40,343)	(153,099)	(24,570)
Payments to Employees	(15,260)	(73,030)	(106,974)	(195,264)	(35,309)
Payments for Interfund Services Used	(9,305)	(3,613)	(888)	(13,806)	(2,546)
Net Cash Flows Provided (Used) by Operating Activities	<u>19,685</u>	<u>(110,491)</u>	<u>(93,815)</u>	<u>(184,621)</u>	<u>(27,144)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:					
Intergovernmental Revenues	216	69,135	79,162	148,513	525
Transfers From Other Funds	6,588	39,056	19,995	65,639	36,167
Transfers (To) Other Funds	(3,061)	(351)	(463)	(3,875)	(1,502)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>3,743</u>	<u>107,840</u>	<u>98,694</u>	<u>210,277</u>	<u>35,190</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:					
Proceeds from Bonds	26,216	1,363	875	28,454	8,095
Capital Contributions	8,445	45	1,758	10,248	-
Principal Payment on Bonds	(16,497)	(316)	(1,154)	(17,967)	(8,390)
Interest Paid on Bonds	(6,296)	(348)	(1,095)	(7,739)	(2,037)
Acquisition of Capital Assets	(36,284)	(752)	(3,257)	(40,293)	(5,064)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(24,416)</u>	<u>(6)</u>	<u>(2,873)</u>	<u>(27,297)</u>	<u>(7,396)</u>
Cash Flows Provided (Used) by Investing Activities:					
Investment Income	1,698	-	-	1,698	-
Net Cash Flows Provided (Used) by Investing Activities	<u>1,698</u>	<u>-</u>	<u>-</u>	<u>1,698</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	710	(2,659)	2,006	57	650
Cash and Cash Equivalents at Beginning of Year	73,107	6,560	25,733	105,400	17,941
Cash and Cash Equivalents at End of Year	<u>\$ 73,817</u>	<u>\$ 3,901</u>	<u>\$ 27,739</u>	<u>\$ 105,457</u>	<u>\$ 18,591</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 3,888	\$ (107,849)	\$ (108,534)	\$ (212,495)	\$ (34,604)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:					
Depreciation and Amortization	14,000	818	12,794	27,612	8,747
(Increase) Decrease in Assets:					
Accounts Receivable	223	(2,391)	(111)	(2,279)	(209)
Other Receivables	(79)	-	(469)	(548)	-
Due From Other Governments	-	-	563	563	19
Inventories	-	(86)	(393)	(479)	19
Prepaid Items	-	-	38	38	(40)
Other Assets	-	-	21	21	-
Increase (Decrease) in Liabilities:					
Accounts Payable	618	2,163	(402)	2,379	(285)
Accrued Liabilities	(10)	(225)	99	(136)	(13)
Due To Other Governments	-	(3,020)	-	(3,020)	-
Unearned Revenues	631	-	419	1,050	(36)
Compensated Absences	257	383	(1,668)	(1,028)	(76)
Risk Claims	-	-	2,818	2,818	(666)
Other Liabilities	157	(284)	1,010	883	-
Total Adjustments	<u>15,797</u>	<u>(2,642)</u>	<u>14,719</u>	<u>27,874</u>	<u>7,460</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 19,685</u>	<u>\$ (110,491)</u>	<u>\$ (93,815)</u>	<u>\$ (184,621)</u>	<u>\$ (27,144)</u>
Noncash investing, financing, and related activities:					
Capital assets contributed from/(to) the general government	<u>\$ (2,572)</u>	<u>\$ (1,120)</u>	<u>\$ 14</u>	<u>\$ (3,678)</u>	<u>(3,124)</u>

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

COUNTY OF MILWAUKEE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2006
(In Thousands)

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and Investments:		
US Government Securities	\$ 54,586	\$ -
Notes and Bonds	491,901	-
Federal Agency and Mortgage	52,817	-
Real Estate Investments Trust	78,466	-
Common and Preferred Stocks	874,670	-
Venture Capital Investments	23,302	-
Deposits	17,664	26,116
Total Cash and Investments	1,593,406	26,116
Receivables:		
Pension Trust Fund Contribution	27,864	-
Accrued Interest and Dividends	6,546	-
Other	34,123	-
Securities Lending	153,669	-
Other Assets	2,286	-
Total Assets	1,817,894	26,116
<u>Liabilities</u>		
Accounts Payable	-	150
Agency Deposits	-	25,966
Securities Lending	153,669	-
Other Liabilities	6,029	-
Total Liabilities	159,698	26,116
<u>Net Assets</u>		
Held in Trust for Pension Benefits	\$ 1,658,196	\$ -

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, 2006
 (In Thousands)

	Total
Additions:	
Contributions:	
County of Milwaukee	\$ 27,435
Plan Participants	545
	27,980
Investment Income	
Net Appreciation in Fair Value	173,519
Interest and Dividends	33,341
Other Income	663
Total Investment Income	207,523
Security Lending Income	
Less: Security Lending Rebates and Fees	6,835
Net Security Lending Activity	(6,552)
Net Security Lending Activity	283
Investment Expense	
Net Investment Income	(4,301)
Net Investment Income	203,505
Total Additions	231,485
Deductions:	
Benefits Paid to Retirees and Beneficiaries	(130,731)
Administrative Expenses	(2,322)
Withdrawal of Membership Accounts	(13)
Total Deductions	(133,066)
Change In Plan Net Assets	98,419
Plan Net Assets Held In Trust for Pension Benefits	
Beginning of Year	1,559,777
End of Year	\$ 1,658,196

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, 2006
(In Thousands)

	Museum	War Memorial Center	Marcus Center	Private Industry Council	Research Park Corporation	Total
Assets						
Current Assets:						
Cash and Investments	\$ 807	\$ 62	\$ 3,437	\$ 168	\$ 164	\$ 4,638
Accounts Receivable	508	-	169	1,354	180	2,211
Inventories	76	-	11	-	-	87
Prepaid Items	180	-	52	19	1	252
Total Current Assets	1,571	62	3,669	1,541	345	7,188
Noncurrent Assets:						
Long-Term Investments	-	-	1,649	-	2,217	3,866
Contributions Receivable	628	-	-	-	-	628
Land	-	-	-	170	-	170
Construction in Progress	1,353	-	59	-	-	1,412
Buildings and Improvements	18,946	-	19,356	3,089	-	41,391
Machinery, Vehicles and Equipment	8,900	-	550	185	-	9,635
Less: Accumulated Depreciation	(8,431)	-	(9,134)	(369)	-	(17,934)
Other	246	-	206	147	451	1,050
Total Noncurrent Assets	21,642	-	12,686	3,222	2,668	40,218
Total Assets	\$ 23,213	\$ 62	\$ 16,355	\$ 4,763	\$ 3,013	\$ 47,406
Liabilities						
Current Liabilities:						
Accounts Payable	\$ 813	\$ -	\$ 227	\$ 972	\$ 60	\$ 2,072
Accrued Liabilities	661	-	242	457	5	1,365
Accrued Interest Payable	69	-	-	-	-	69
Deferred Revenues	752	-	416	6	2	1,176
Notes Payable	100	-	411	250	74	835
Other Liabilities	711	-	64	-	66	841
Total Current Liabilities	3,106	-	1,360	1,685	207	6,358
Noncurrent Liabilities:						
Capital Leases -- Long-term	92	-	-	-	-	92
Accrued Pension and Postretirement Benefits	8,771	-	-	-	-	8,771
Bonds and Financing Charges Payable	20,546	-	2,808	3,094	133	26,581
Total Noncurrent Liabilities	29,409	-	2,808	3,094	133	35,444
Total Liabilities	32,515	-	4,168	4,779	340	41,802
Net Assets						
Unrestricted (Deficit)	(13,983)	1	4,559	253	2,536	(6,634)
Restricted	4,651	61	16	-	137	4,865
Invested in Capital Assets, Net of Related Debt	30	-	7,612	(269)	-	7,373
Total Net Assets	(9,302)	62	12,187	(16)	2,673	5,604
Total Liabilities and Net Assets	\$ 23,213	\$ 62	\$ 16,355	\$ 4,763	\$ 3,013	\$ 47,406

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, 2006
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Marcus Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
Revenues:						
Intergovernmental	\$ 132	\$ -	\$ -	\$ 11,517	\$ -	\$ 11,649
Interest on Investments and Rents	499	632	2,445	-	902	4,478
County Program Support	3,502	1,677	1,280	-	-	6,459
Charges for Services:						
Contributions and memberships	6,488	144	205	15	50	6,902
Other	4,271	294	2,926	199	120	7,810
Other	1,243	53	440	-	3,420	5,156
Total Revenues	<u>16,135</u>	<u>2,800</u>	<u>7,296</u>	<u>11,731</u>	<u>4,492</u>	<u>42,454</u>
Expenses:						
Human Services	-	-	-	11,733	-	11,733
Public Works and Highways	-	-	-	-	3,239	3,239
Parks, Recreation and Culture	17,277	2,792	7,520	-	-	27,589
Total Expenses	<u>17,277</u>	<u>2,792</u>	<u>7,520</u>	<u>11,733</u>	<u>3,239</u>	<u>42,561</u>
Changes in Net Assets	(1,142)	8	(224)	(2)	1,253	(107)
Net Assets -- Beginning (as restated)	(8,160)	54	12,411	(14)	1,420	5,711
Net Assets -- Ending	<u>\$ (9,302)</u>	<u>\$ 62</u>	<u>\$ 12,187</u>	<u>\$ (16)</u>	<u>\$ 2,673</u>	<u>\$ 5,604</u>

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

Milwaukee County
Notes to the Financial Statements
December 31, 2006
(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 2006, the County adopted Governmental Accounting Standards Board 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. 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 objective of this statement is to improve the understandability and usefulness of the information that state and local governments present as supplementary information in the statistical section. In addition, this statement establishes and modifies requirements related to the supplementary information presented in a governmental entity's statistical section. This statement applies to state and local governmental entities that prepare a statistical section that accompanies the basic financial statements. Adopting GASB Statement No.44 did not have a significant impact on the County's financial statements for the year ended December 31, 2006.

Note 1-Summary of Significant Accounting Policies (Continued)

Also in 2006, the County adopted Governmental Accounting Standards Board 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. 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, as well as stand-alone financial reports of OPEB plans, or 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 when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. Milwaukee County does not have an OPEB plan and is not aware of any component unit that also maintains an OPEB Plan.

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.

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

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 five 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 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 five major discretely presented component units, which are described below.

The Milwaukee County War Memorial Center, Inc ("The War Memorial 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 War Memorial Center has a December 31st year-end. Effective January 1, 2006, the Marcus Center for the Performing Arts was granted tax-exempt status by the Internal Revenue Service and the Wisconsin Department of Revenue and now operates as a separate entity.

The Marcus Center for the Performing Arts ("Marcus Center") is a not-for-profit non-stock corporation that offers facilities and services to a wide range of performing arts within the state. This cultural center is home to the Milwaukee

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

Symphony Orchestra, the Milwaukee Ballet Company, the Milwaukee Youth Symphony Orchestra, the Florentine Opera Company, First Stage Milwaukee and other special arts groups within the state. January 1, 2006, the Marcus Center was granted tax-exempt status by the Internal Revenue Service and the Wisconsin Department of Revenue and now operates as a separate entity from the War Memorial Center. The governing body of the Marcus Center consists of a twenty-five member Board of Directors. The County Executive appoints seven board members. The Board of Directors provides oversight and governance for the Marcus Center. The President and CEO oversee the day-to-day operations. The Marcus Center is presented as a discretely presented component unit of the County because the County owns the majority of the economic resources available to the Marcus Center (the building) and the majority of the Marcus Center's debt has been issued by Milwaukee County, therefore the Marcus Center has imposed specific financial burdens on the County. The Marcus Center has a fiscal year ending December 31st.

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.

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

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

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

Marcus Center for the Performing Arts
929 North Water Street
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

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.

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Related Organizations (Continued)

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 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

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

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.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

All Financial Statements (Continued)

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 inter-governmental 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 five-month availability period for these receivables of approximately \$ 9.2 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 the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds (Continued)

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.

DHHS 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 Transport 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. It also funds costs associated with new employee health 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 held

Note 1-Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments (Continued)

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, Trust funds, 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 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. At the end of 2006, these restricted assets were \$ 16,974. 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

Note 1-Summary of Significant Accounting Policies (Continued)

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

4. Restricted Assets (Continued)

Interest and 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. Restricted Airport Passenger Facility Charges totaled \$ 28,693 at the end 2006.

In addition, at the end of 2006, the Airport had \$ 28,850 of 2004, 2005, and 2006 revenue bond proceeds that was unspent, and for purposes of this report, are considered restricted.

In addition, the County has restricted \$ 5,435 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. 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

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)

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 pay benefits for retirement were approximately \$ 1,505 in 2006 and \$ 1,248 in 2005.

Note 1-Summary of Significant Accounting Policies (Continued)

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

6. Compensated Absences (Continued)

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 \$ 10,623 and \$ 18,306, 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.

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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 to retire

Note 1-Summary of Significant Accounting Policies (Continued)

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

8. Equity Classifications (Continued)

Fund Statements (Continued)

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, 2006, this allowance was \$ 8,000. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at December 31, 2006. 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 2006, the amount of capitalized interest was \$ 1,176.

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 \$ 101 as of December 31, 2006 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 34.

14. Unearned 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.

Note 1-Summary of Significant Accounting Policies (Continued)

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

16. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances of purchase orders, contracts and other commitments for the expenditure of funds 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 2006 appropriations and encumbrances. For budget purposes, fund balance-reserved for 2006 appropriations – is reflected as other financing sources whereas, for accounting purposes, it is reflected as part of fund

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

Budgetary Information (Continued)

balance. For budget purposes, encumbrances are recorded as expenditures as opposed to a reservation of fund balance.

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 2006 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 2006 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	\$ 720,836	\$ (128,983)
Encumbrances	10,169	-
Reserved for 2006 Appropriation	-	(1,573)
Transfers to Component Units	(6,459)	(6,459)
Non-GAAP Budgetary Basis	<u>\$ 724,546</u>	<u>\$ (137,015)</u>

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

Budgetary Basis of Accounting (Continued)

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

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 2006, the County's actual operating and debt service levy rates were 3.39 per \$ 1,000 of equalized value and \$.85 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	\$ 178,324
Cash and Investments- Restricted	85,247
Subtotal	263,571

Statement of Fiduciary Net Assets:

Cash and Investments	
Pension Trust Fund	1,593,406
Agency Fund	26,116
Total	\$1,883,093

Deposits-County/Agency	\$ 130,271
Investments-County/Agency	159,416
Pension Deposits	17,664
Pension Investments	1,575,742
Total	\$1,883,093

Cash Deposits

The carrying amount of the County's deposits at December 31, 2006 was \$ 130,271 and the bank balance was \$ 142,415.

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 \$ 142,415 deposits with financial institutions, \$ 4,369 was covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund, \$ 130,833 was collateralized with government securities held in a separate financial institution in the County's name, and \$ 7,213 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, 2006 the County had the following investments:

Investment Type	Fair Value
U S Agency	\$ 67,412
Government Agency Guaranteed Adjustable Rate Securities	35,038
Government Guaranteed Adjustable Rate Securities	2,028
U S Treasuries	6,782
Municipal Bonds	9,156
Municipal Adjustable Rate Notes	4,800
Guaranteed Investment Contracts	7,599
Commercial Paper	4,899
Corporate Bonds	8,018
Investment in Money Market Funds	13,684
Total	\$ 159,416

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 or 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, 2006, the County had the following investments and maturities:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U S Agency	\$ 67,412	\$ 12,957	\$ 52,942	\$ 1,513	-
Government Agency Guaranteed Adjustable Rate Securities	35,038	34,978	60	-	-
Government Guaranteed Adjustable Rate Securities	2,028	2,028	-	-	-
U S Treasuries	6,782	-	6,782	-	-
Municipal Bonds	9,156	-	8,120	1,036	-
Municipal Adjustable Rate Notes	4,800	4,800	-	-	-
Guaranteed Investment Contracts	7,599	-	-	-	7,599
Commercial Paper	4,899	4,899	-	-	-
Corporate Bonds	8,018	999	4,606	2,413	-
Investment in Money Market Funds	13,684	13,684	-	-	-
Totals	\$ 159,416	\$ 74,345	\$ 72,510	\$ 4,962	\$ 7,599

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
U S Agency	\$ 67,412	AAA	Aaa
Government Agency Guaranteed Adjustable Rate Securities	35,038	AAA	Aaa
Government Guaranteed Adjustable Rate Securities	2,028	AAA	Aaa
U S Treasuries	6,782	AAA	Aaa
Municipal Bonds	9,156	AAA	Aaa
Municipal Adjustable Rate Notes	4,800	AAA	Aaa
Guaranteed Investment Contracts	7,599	N/A	N/A
Commercial Paper	4,899	AAA	Aaa
Corporate Bonds	8,018	AAA	Aaa
Investment in Money Market Funds	13,684	AAA	Aaa
Total	\$ 159,416		

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 3- Deposits and Investments (Continued)

Concentration of Credit Risk-Investments (Continued)

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 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, 2006, 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, 2006 was \$ 17,664 and the bank balance was \$ 20,989.

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, 2006, all deposits with banks are fully insured by the Federal Depository Insurance Corporation or the State Deposit Guarantee Fund. 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, 2006 the Pension Trust Fund had the following investments:

Investment Type	Fair Value
Domestic Common and Preferred Stocks	\$ 551,977
Corporate Bonds and Conv Debentures	457,393
International Common and Preferred Stocks	322,693
Federal Agency and Mortgage-Backed Certificates	52,817
International Fixed Income	34,508
US Government, State Obligations	54,586
Real Estate Investments Trusts	78,466
Venture Capital	23,302
Total	\$ <u>1,575,742</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, 2006, \$ 2,875 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.

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, 2006 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	\$ 7,955	2.71
CM Backed Securities	4,501	4.19
CMO Corporate	11,430	2.41
CMO Government Agencies	18,365	4.78
Corporate	168,175	6.29
Government	63,101	5.88
Health Care	2,714	1.80
Information Technology	6,313	1.31
Other	107,967	0.08
U.S. Gov't Mortgages	22,758	3.78
U.S. Private Placements	12,902	7.30
Non U.S.	15,581	3.21
Other*	222,305	N/A
Totals	<u>\$664,067</u>	

* Includes \$ 218,673 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) 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

Note 3- Deposits and Investments (Continued)

Credit Risk-Investments-Pension Trust Fund (Continued)

purchase 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 MCM 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, 2006 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	\$ 30,552
AA1	3,543
AA2	1,991
AA3	1,902
A1	5,846
A2	50,601
A3	9,787
BAA1	8,746
BAA2	31,402
BAA3	17,321
BA1	19,718
BA2	22,263
BA3	14,685
B1	20,008
B2	7,126
B3	13,269
CAA1	8,898
CAA2	1,085
NR	4,486
Total Credit Risk Fixed Income Securities	273,229
U.S. Government and Agencies	107,403
Mutual Funds (Not Rated)	218,673
Total Investment in Fixed Income	<u>\$599,305</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, 2006.

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, 2006 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	\$ 2,093	\$ 668	\$ 2,761
Brazilian Real	-	1,319	1,319
British Pound Sterling	12,980	-	12,980
Canadian Dollar	5,255	3,880	9,135
Danish Krone	391	-	391
Euro Currency Unit	28,075	-	28,075
Hong Kong Dollar	2,164	-	2,164
Japanese Yen	23,659	-	23,659
Mexican New Paso	-	2,804	2,804
Norwegian Krone	504	988	1,492
S African Comm Rand	1,053	-	1,053
Singapore Dollar	1,106	2,218	3,324
South Korean Won	1,025	1,605	2,630
Swedish Krona	1,041	475	1,516
Swiss Franc	7,914	-	7,914
Thailand Baht	-	1,985	1,985
Totals	\$ 87,260	\$ 15,942	\$103,202

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

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	\$ 4,702	\$ -	\$ -	\$ -	\$ 4,702
Taxes:					
Current Levy	241,882	-	-	-	241,882
Delinquent	9,296	-	-	-	9,296
Accounts	3,490	-	-	-	3,490
Notes	1,537	3,599	-	-	5,136
Other	10,503	-	109	-	10,612
Due from Other Governments	49,149	-	1,567	-	50,716
Gross Receivables	320,559	3,599	1,676	-	325,834
Less: Allowance for					
Uncollectibles	(2,358)	-	-	-	(2,358)
Net Total Receivables	<u>\$318,201</u>	<u>\$ 3,599</u>	<u>\$ 1,676</u>	<u>\$ -</u>	<u>\$323,476</u>

Of the delinquent taxes receivable of \$ 9,296, \$ 5,206 are not expected to be collected within one year.

At December 31, 2006 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	\$ 7,870	\$ 21,826	\$ 277	\$ 29,973
Other	79	-	2,798	2,877
Due from Other Governments	-	-	4,290	4,290
Gross Receivables	7,949	21,826	7,365	37,140
Less: Allowance for				
Uncollectibles	-	(8,000)	-	(8,000)
Net Total Receivables	<u>\$ 7,949</u>	<u>\$ 13,826</u>	<u>\$ 7,365</u>	<u>\$ 29,140</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, 2006:

General Fund	\$ 1,537
Debt Service Fund	3,599
Total	<u>\$ 5,136</u>

Amounts Due Within One Year \$ 1,117

Amounts Due In More Than One Year \$ 4,019

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:

Unearned Revenue - Governmental Activities:

2006 Property Tax Levy	\$ 241,882
Delinquent Tax Receivables	4,701
State and Federal Revenue	
Unavailable for Current Expenditures	2,615
Other Unearned Revenue	7,046
Total Deferred Revenue	<u>256,244</u>
Other Deferred Credits:	
Public Works Services	224
Less: Amounts Earned but Not Available	<u>(12,451)</u>
Net Unearned Revenue	<u>\$ 244,017</u>

Unearned Revenue - Business-Type Activities:

Airport	\$ 9,309
Other Deferred Credits:	
Behavioral Health	113
Transit	2,388
Total Unearned Revenue	<u>\$ 11,810</u>

Note 5- Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2006.

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 59,520	\$ -	\$ -	\$ 59,520
Construction in progress	72,831	27,329	(40,005)	60,155
Total Capital Assets, not being Depreciated	132,351	27,329	(40,005)	119,675
Capital Assets, Being Depreciated				
Land Improvements	195,883	8,220	(6,634)	197,469
Buildings	531,368	18,816	(1,954)	548,230
Fixed Equipment Buildings	23,886	7,966	(257)	31,595
Infrastructure	128,289	6,268	(2,509)	132,048
Machinery and Equipment	77,011	10,428	(9,835)	77,604
Vehicles and related Equipment	36,836	1,524	(1,669)	36,691
Furniture and Fixtures	1,011	1,775	(203)	2,583
Capital Lease Equipment	222		(222)	-
Total Capital Assets, Being Depreciated	994,506	54,997	(23,283)	1,026,220
Less: Accumulated Depreciation				
Land Improvements	(107,469)	(5,417)	3,856	(109,030)
Buildings	(251,109)	(14,216)	1,971	(263,354)
Fixed Equipment Buildings	(12,912)	(1,540)	124	(14,328)
Infrastructure	(50,717)	(6,728)	2,710	(54,735)
Machinery and Equipment	(47,702)	(7,001)	8,604	(46,099)
Vehicles and related Equipment	(23,266)	(2,457)	1,734	(23,989)
Furniture and Fixtures	(848)	(54)	193	(709)
Capital Lease Equipment	(221)	-	221	-
Total Accumulated Depreciation	(494,244)	(37,413)	19,413	(512,244)
Net Capital Assets Being Depreciated	500,262	17,584	(3,870)	513,976
Governmental Activities Capital Assets- Net	\$ 632,613	\$ 44,913	\$ (43,875)	\$ 633,651

Governmental activities capital assets, net of accumulated depreciation, at December 31, 2006 are comprised of the following:

General Capital Assets, Net	\$577,108
Internal Service Fund Capital Assets, Net	56,543
Total	<u>\$633,651</u>

Note 5- Capital Assets (Continued)

Primary Government (Continued)

Depreciation was charged to governmental functions as follows:

Legislative and Executive, and Staff	\$	4,495
Courts and Judiciary		40
General Governmental Services		1,910
Public Safety		4,967
Public Works and Highways		12,763
Human Services		2,986
Parks, Recreation, and Culture		10,252
Total	\$	<u>37,413</u>

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2006.

	<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	\$ 22,441	\$ -	\$ -	\$ 22,441
Construction in progress	70,610	40,765	(7,599)	103,776
Total Capital Assets, not being Depreciated	93,051	40,765	(7,599)	126,217
Capital Assets, Being Depreciated				
Land Improvements	124,102	7,849	(4,828)	127,123
Buildings	228,835	1,110	(36,261)	193,684
Fixed Equipment Buildings	95,084	15,439	(7,244)	103,279
Machinery and Equipment	13,263	2,281	(371)	15,173
Vehicles and related Equipment	146,946	4,157	-	151,103
Furniture and Fixtures	3,410	647	(1,645)	2,412
Total Capital Assets, Being Depreciated	611,640	31,483	(50,349)	592,774
Less: Accumulated Depreciation				
Land Improvements	(80,858)	(5,177)	2,229	(83,806)
Buildings	(164,218)	(6,252)	26,401	(144,069)
Fixed Equipment Buildings	(22,644)	(4,802)	26	(27,420)
Machinery and Equipment	(8,907)	(951)	340	(9,518)
Vehicles and related Equipment	(75,960)	(13,787)	358	(89,389)
Furniture and Fixtures	(1,475)	(150)	146	(1,479)
Total Accumulated Depreciation	(354,062)	(31,119)	29,500	(355,681)
Net Capital Assets Being Depreciated	257,578	364	(20,849)	237,093
Business-type Activities Capital Assets- Net	\$ 350,629	\$ 41,129	\$ (28,448)	\$ 363,310

Note 5- Capital Assets (Continued)

Primary Government (Continued)

Depreciation was charged to business-type activities as follows:

Airport	\$ 14,000
Behavioral Health	818
Transit System	<u>12,794</u>
Total	\$ <u>27,612</u>

Increases in accumulated depreciation of \$ 31,119 include depreciation expense of \$ 27,612 and adjustments during the year of \$ 3,507 so as to agree to asset value in County capital asset detail. The adjustment was for assets that had been depreciated and eliminated from presentation in prior years financials but should have continued to be presented. A similar increase was made to capital assets for this adjustment.

Discretely Presented Component Units

Of the County's five component units, three have reportable capital assets, the Marcus Center for the Performing Arts, the Milwaukee Public Museum, and the Private Industry Council of Milwaukee County.

The capital assets of the Marcus Center for the Performing Arts consist of the following:

Building Improvements	\$ 16,917
Parking Structure and Improvements	2,439
Furniture and Fixtures	63
Construction in Progress	59
Equipment and Computers	487
Less: Accumulated Depreciation	<u>(9,134)</u>
Capital Assets, Net	<u>10,831</u>

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

Construction in progress	\$ 1,353
Building additions and improvements	18,946
Furniture, equipment and exhibits improvements	8,876
Living Collections	24
Less: Accumulated depreciation	<u>(8,431)</u>
Capital Assets, Net	\$ <u>20,768</u>

Note 5- Capital Assets (Continued)

Discretely Presented Component Units (Continued)

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

Land	\$ 170
Building	1,730
Building Improvements	1,359
Computer Equipment	14
Furniture and Fixtures	171
Less: Accumulated Depreciation	<u>(369)</u>
Capital Assets, Net	<u>\$ 3,075</u>

Construction Commitments

Following is a list of major capital projects either started or continuing in 2006. These reflect projects for both governmental funds and proprietary funds.

<u>Project Area</u>	<u>Project Description</u>	<u>2006 Appropriations</u>	<u>2006 Expenditures</u>	<u>Committed</u>
Airport	C CONCOURSE GATE EXPANSION-CONSTRUCTION	\$ 23,980	\$ 14,511	\$ 9,845
Airport	D CONCOURSE IMPROVEMENTS	-	9,548	1,345
Airport	GMIA OUTER TAXIWAY EXTENSION	1,988	4,656	512
Airport	GMIA - E CONCOURSE STEM REMODEL	9,320	2,427	4,842
Airport	GMIA, PHASE I MITIGATION PROGRAM	-	2,041	968
Airport	ELECTRICAL SYSTEM UPGRADE	-	1,251	27
Airport	NORTH FIXED BASED OPERATOR AIRPORT	1,861	1,180	42
Airport	GMIA - TERMINAL APRON JOINT REPAIR	589	746	-
Airport	CESSNA APRON ADDITION (DESIGN)	529	577	-
Airport	GMIA - IN-LINE BAGGAGE SCREEN	1,670	523	210
Airport	WEST PERIMETER ROAD CONSTRUCTION	460	399	57
Airport	GMIA BAG CLAIM REMODELING	1,696	376	858
Airport	GMIA PART 150 NOISE STUDY	-	245	588
Airport	LJT RW & AMP; TW REHABILITATION	344	186	-
Airport	TERMINAL HVAC REPLACEMENTS	400	170	185
Airport	GMIA C CONCOURSE GATE TAXIWAY	-	162	103
Airport	GMIA - MASTER PLAN UPDATE	-	159	279
BHD	FIRE ALARM SYSTEM-ELEVATOR	1,149	1,208	189
BHD	PSYCHIATRIC FIRE ALARM SYSTEM	-	215	124
BHD	BHD PHONE SYSTEM	-	150	-
Courthouse Complex	COURTHOUSE ANNEX DEMOLITION	9,890	8,742	710
Courthouse Complex	COURTHOUSE ROOF REPLACEMENT	440	338	8
Environmental	COUNTY-WIDE SANITARY SEWERS REPLACE	961	269	189
Genl Govt	CATC & " " BUILDING ROOF	-	191	27
Highways	WEST RAWSON AVENUE 27TH TO 6TH	1,973	1,936	8

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

Project Area	Project Description	2006 Appropriations	2006 Expenditures	Committed
Highways	RECONSTRUCT N. PORT WASHINGTON	\$ 1,720	\$ 1,604	\$ 25
Highways	W. COLLEGE AVENUE WHITNALL PARK	710	690	-
Highways	RESURFACE CTH & QUOT; U" 76TH STREET	-	246	10
Highways	WEST OKLAHOMA AVE., W. BELOIT	-	245	3
Highways	W. SILVER SPRING DRIVE-N 124TH	1,112	207	58
HOC	LOTTER REPLACE-CONVERT HVAC	-	184	180
HOC	VENTILIATE TAILOR SHOP	288	150	127
Hum Svcs	WEST ENTRANCE ACCESSIBILITY	-	388	74
Hum Svcs	WASHINGTON PARK SENIOR CENTER	277	258	24
Hum Svcs	MCGOVERN PARK- HVAC	227	214	9
Hum Svcs	VLIET EXTERIOR IMPROVEMENT	90	169	32
Museum	MUSEUM ROOF REPLACEMENT	430	241	61
Other Agencies	WAR MEMORIAL HVAC REPLACEMENTB	1,464	1,915	73
Other Agencies	FLEET GENERAL EQUIPMENT CONSTRUCTION	1,642	1,450	634
Other Agencies	MILWAUKEE COUNTY HISTORICAL SOCIETY	1,745	831	673
Other Agencies	IMSD COMMUNICATION SYSTEM	-	550	48
Other Agencies	SHERIFF CELLULAR PHONE 911 UPGRADE	200	331	-
Other Agencies	UPGRADE 64 MOBILE DATA COMPUTER	126	314	16
Other Agencies	MENTAL HEALTH DP EQUIPMENT	288	304	3
Other Agencies	IMSD DP EQUIPMENT	314	285	2
Other Agencies	IMSD ENTERPRISE SERVER	-	240	17
Other Agencies	FLEET AIRPORT EQUIPMENT CONSTRUCTION	350	217	1,595
Other Agencies	GENESYS HR RECOMMENDATIONS	-	207	17
Other Agencies	800 MHZ BACK-UP GENERATOR & AMP	-	167	-
Other Agencies	MARCUS CENTER FIRE ALARM SYSTEM	(10)	163	-
Other Agencies	BACK-UP AND CITY MILW DATA CENTER	-	159	101
Other Agencies	CAPITAL MONITORING DATABASE	350	159	362
Parks	SOUTH SHORE BIKE TRAIL	-	1,814	2,329
Parks	OAK LEAF TRAIL - LOOMIS TO DREXEL	30	616	70
Parks	LINCOLN CREEK PARKWAY ROAD RENOVATION	-	331	-
Parks	SOUTH SHORE BREAK WATER BASIC PLAN	2,277	324	28
Parks	COUNTY-WIDE PLAY AREA REDEVELOP	449	267	99
Parks	GRANT PARK MAIN BRIDGE	-	232	-
Parks	WASHINGTON PARK POTABLE WATER	(80)	214	15
Parks	COUNTYWIDE TRAIL AND HARD SURFACE	316	211	72
Parks	WEHR NATURE CENTER SOUTH	97	203	-
Parks	WEHR NATURE CENTER NORTH	-	193	-
Parks	VARIOUS GOLF TEES, DRAINAGE & AMP	200	189	-
Transit	BUS REPLACEMENT - ORION BUSES	2,600	2,512	-
Transit	BAYSHORE MALL PARK-RIDE LOT	300	300	-
Transit	SCHEDULE/RUNCUTTING/OPERATORS	-	113	356
Zoo	FELINE BUILDING	-	386	67
Zoo	WINTER QUARTERS UPGRADE	311	295	23
Zoo	AVIARY AIR CONDITIONING REPLACE	-	230	21

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

Project Area	Project Description	2006 Appropriations	2006 Expenditures	Committed
Zoo	BIG CAT BUILDING AIR CONDITIONING	\$ 213	\$ 213	\$ -

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.

Note 6- Interfund Transfers

The composition of interfund transfers as of December 31, 2006 is as follows:

	Transfers From								Total
	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Business Type Airport	Business Type Behavioral Health	Business Type Transit	Internal Service Fund	
General Fund	\$ -	\$ -	\$ 354	\$ -	\$ -	\$ 351	\$ 463	\$ 1,502	\$ 2,670
Capital Projects	2,312	-	-	208	-	-	-	-	2,520
Non-Major									
Governmental Funds	-	-	-	-	-	-	-	-	-
Debt Service	33,453	-	662	-	3,061	-	-	-	37,176
Internal Service									
Risk Management	77	-	-	-	-	-	-	-	77
IMSD	17,932	-	-	-	-	-	-	-	17,932
DPW	18,158	-	-	-	-	-	-	-	18,158
Business-type									
Airport	670	-	-	5,918	-	-	-	-	6,588
BHD	39,056	-	-	-	-	-	-	-	39,056
Transit	19,995	-	-	-	-	-	-	-	19,995
Total	\$ 131,653	\$ -	\$ 1,016	\$ 6,126	\$ 3,061	\$ 351	\$ 463	\$ 1,502	144,172
Less: Government-wide eliminations									(82,408)
Total Transfers- Government-wide Statement of Activities									\$ 61,764

Note 6- Interfund Transfers (Continued)

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 \$ 2,034 for the year ended December 31, 2006. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2007	\$ 2,386
2008	1,881
2009	1,783
2010	1,514
2011	439
	<u>\$ 8,003</u>

Note 8- Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Amortized Accretion, Loss, Discount Premium	Payments & Adjustments	Ending Balance	Due in One Year
Governmental Activities:						
General Obligation Bonds	\$ 420,674	\$ 31,477	\$ 883	\$ (34,922)	\$ 418,112	\$ 35,696
Pension Obligation	-	25,636	-	-	25,636	5,127
Unfunded Claims and Judgments	13,124	1,000	-	(4,124)	10,000	750
Landfill Post-closure costs	13,779	-	-	(8,908)	4,871	261
Risk Claims	9,114	4,950	-	(5,616)	8,448	5,616
Compensated Absences	47,748	30,811	-	(36,431)	42,128	18,306
Totals	<u>\$ 504,439</u>	<u>\$ 93,874</u>	<u>\$ 883</u>	<u>\$ (90,001)</u>	<u>\$ 509,195</u>	<u>\$ 65,756</u>

Note 8- Long-term Liabilities (Continued)

Changes in Long-term Liabilities (Continued)

	Beginning Balance	Additions	Amortized Accretion, Loss, Discount Premium	Payments & Adjustments	Ending Balance	Due in One Year
Business-type Activities:						
General Obligation Bonds	\$ 53,049	\$ 2,238	\$ 38	\$ (16,840)	\$ 38,485	\$ 2,926
Revenue Bonds	152,855	30,959	80	(5,869)	178,025	7,406
Compensated Absences	25,916	11,298	-	(12,326)	24,888	10,623
Risk Claims	11,641	6,707	-	(3,889)	14,459	7,216
Totals	\$ 243,461	\$ 51,202	\$ 118	\$ (38,924)	\$ 255,857	\$ 28,171

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	\$ 30,158	\$ 11,421	\$ (16,600)	\$ 24,979	\$ 1,561
Vacation time earned	14,909	15,735	(17,079)	13,565	13,162
Overtime earned	1,307	1,203	(1,298)	1,212	1,212
Holiday pay	1,374	2,452	(1,454)	2,372	2,371
Totals	\$ 47,748	\$ 30,811	\$ (36,431)	\$ 42,128	\$ 18,306

	Beginning Balance	Additions	Payments & Adjustments	Ending Balance	Due in One Year
Business-type Activities:					
Retirement sick pay payout	\$ 16,776	\$ 1,583	\$ (2,937)	\$ 15,422	\$ 1,557
Vacation time earned	8,548	8,513	(8,492)	8,569	8,169
Overtime earned	234	964	(599)	599	599
Holiday pay	358	238	(298)	298	298
Totals	\$ 25,916	\$ 11,298	\$ (12,326)	\$ 24,888	\$ 10,623

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 \$ 57,271 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.

Risk claims includes accruals for workers compensation and other insurance claims of the Risk Management Fund and Transit System.

Note 8- Long-term Liabilities (Continued)

Changes in Long-term Liabilities (Continued)

Unfunded claims and judgments include estimated costs for outstanding medical, environmental, and other claims. At December 31, 2006 the outstanding amount of claims and judgments due within one year totaled \$ 750.

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 \$ 4,871 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.

Governmental Activities General Obligation Debt						
Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/06	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 Museum Refunding Bonds, Series 1999A	05/27/99	10/01/13	4.67%	2,290	1,210	240
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	31,030	17,810	2,630
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	45,622	3,168	475
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	44,860	6,244	839
Refunding Bonds (Taxable), Series 2001A	06/01/01	12/01/11	6.06%	2,610	1,250	232
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	45,376	34,224	3,439

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 12/31/06	Interest to Maturity
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	\$ 37,830	\$ 20,477	\$ 6,143
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	55,841	27,899	3,468
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	36,926	22,487	7,477
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	92,151	92,151	23,374
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	32,848	12,702	458
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	23,237	18,336	6,084
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	25,095	22,727	6,583
Wisconsin Trust Loan	05/19/04	03/15/09	6.00%	19,167	12,112	1,455
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	22,619	21,679	7,885
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	58,929	58,625	17,062
General Obligation Corporate Purpose Bonds, Series 2006A	04/01/06	10/01/21	4.14	29,501	29,501	13,984
Total Governmental Activities -- General Obligation Debt					\$ 410,528	\$ 114,468
Discount					(635)	
Loss					(8,266)	
Accretion					8,671	
Premium					7,814	
Total Governmental Activities -- General Obligation Debt, Net					\$ 418,112	
Short-Term					35,696	
Long-Term					382,416	
Total Debt per Statement of Net Assets -- Governmental Activities					\$ 418,112	

The ratio of the aggregate indebtedness of all taxing authorities located within the County to equalized value of the taxable property was approximately 4.24% including 0.71% related to direct County indebtedness at December 31, 2006. 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, 2006 under Wisconsin Statutes, the County could borrow an additional \$ 2,723,862.

Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

At December 31, 2006, the weighted average interest rate of general obligation bonds and notes outstanding was 3.86%. 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>
2007	\$ 35,696	\$ 18,156	\$ 53,852
2008	42,816	16,014	58,830
2009	43,036	18,089	61,125
2010	40,869	16,159	57,028
2011	41,444	15,291	56,735
2012-2016	169,640	26,934	196,574
2017-2021	<u>37,027</u>	<u>3,825</u>	<u>40,852</u>
	410,528	<u>\$114,468</u>	<u>\$ 524,996</u>
Premium	7,814		
Accretion	8,671		
Discount	(635)		
Loss	<u>(8,266)</u>		
	<u>\$418,112</u>		

On April 1 2006, the County issued \$ 31,595 of General Obligation Corporate Purpose Bonds, Series 2006A. Total proceeds of \$ 33,725 (par amount of bond issue of \$ 31,595, plus a net premium of \$2,121, plus accrued interest of \$ 9) 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 2006 Adopted Capital Improvement Budget. The bonds of \$ 29,501 and \$ 2,094 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	\$ 1,435
Transit, Parks, Recreation and Culture, Health & Human Services, and General Government	30,105
Public Art Projects	<u>55</u>
Total	<u>\$ 31,595</u>

Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

These bonds have semi-annual interest payments on April 1 and October 1 through 2021. The interest rate is 4.0% for 2007 through 2008, no payment in 2009, and 5.00% for 2010, through 2021.

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. Revenue bonds are special obligations of the County, payable solely from revenues generated from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport.

Business-type Activities General Obligation and Revenue Bond Debt

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/06	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 1999A	05/01/99	10/01/14	4.60%	6,825	3,640	766
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	4,803	407	61
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	1,695	915	135
General Airport Revenue Bonds, Series 2000A	06/01/00	12/01/25	5.80%	83,565	69,795	40,819
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	2,365	356	48
Airport Refunding Bonds, Series 2001A	10/01/01	12/01/11	4.47%	1,450	725	95
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	4,549	3,351	337
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	3,495	2,023	607
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	7,109	3,552	441
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	4,299	2,763	919
General Airport Revenue Bonds, Series 2003A	01/01/03	12/01/22	4.88%	7,125	6,000	2,584
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	8,111	7,874	1,997
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	702	253	9

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 Indebted- ness	Principal Outstanding 12/31/06	Interest to Maturity
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	8/1/2018	3.95%	\$ 2,713	\$ 2,439	\$ 850
General Airport Revenue Bonds, Series 2004A	03/31/04	12/01/29	4.47%	37,360	35,565	22,871
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	1,855	1,743	524
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	1,991	1,956	761
General Airport Revenue Bonds, Series 2005A	12/22/05	12/01/30	4.90%	29,010	28,845	24,758
Airport Refunding Bonds, Series 2005B	12/22/05	12/01/14	3.65%	7,755	7,005	1,322
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	4,096	4,075	1,186
General Obligation Corporate Purpose Bonds, Series 2006A	04/01/06	10/01/21	4.14%	2,094	2,094	1,089
General Airport Revenue Bonds, Series 2006A	11/16/06	12/01/31	4.60%	25,665	25,665	19,740
Airport Refunding Bonds, Series 2006B	11/16/06	12/01/15	4.08%	5,020	5,020	949
Total Business-Type Debt					\$ 216,219	\$ 123,120
Discount					(2,695)	
Loss					(633)	
Accretion					173	
Premium					3,446	
Total Business-Type Debt, Net					\$ 216,510	
Short-Term					\$ 10,332	
Long-Term General Obligation Debt					35,559	
Long-Term Airport Revenue Bonds					170,619	
Total Debt Per Statement of Net Assets-Business-type Activities					\$ 216,510	

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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>
2007	\$ 10,332	\$ 10,943	\$ 21,275
2008	10,843	10,349	21,192
2009	11,369	9,919	21,288
2010	11,129	9,399	20,528
2011	11,021	8,888	19,909
2012-2016	53,570	35,759	89,329
2017-2021	43,490	23,199	66,689
2022-2026	40,305	11,682	51,987
2027-2031	24,160	2,982	27,142
	<u>216,219</u>	<u>\$123,120</u>	<u>\$ 339,339</u>
Premium	3,446		
Accretion	173		
Discount	(2,695)		
Loss	(633)		
	<u>\$216,510</u>		

Business-type Activities- Revenue Bonds

On November 16, 2006, the County issued \$25,665 of Airport Revenue Bonds, Series 2006A. The 2006 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, Airport Revenue Bonds, Series 2005A, dated December 15, 2005 (the "Outstanding Revenue Bonds"), and any additional airport revenue bond which may hereafter be issued by the County, as provided in the General Resolution. The 2006 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2006 Bonds. The 2006 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Bonds, Series 2006A interest rate is 4.0% for 2008 through 2016, 5.00% for 2021 through 2031.

Note 8- Long-term Liabilities (Continued)

Business-type Activities- Revenue Bonds (Continued)

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 outstanding revenue 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.

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 outstanding revenue bonds. 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 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 outstanding revenue bonds. The Series 2003 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 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 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 on a parity with the County's outstanding revenue bonds. The Series 2000 Bonds are not a

Note 8- Long-term Liabilities (Continued)

Business-type Activities- Revenue Bonds (Continued)

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.

Advance and Current Refundings

On November 16, 2006 the County issued \$5,020 of Airport Revenue Refunding Bonds, Series 2006B (collectively, the "2006 Bonds"). The 2006 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 outstanding revenue bonds. The 2006 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2006 Bonds. The proceeds will be used to current refund the County's General Obligation Airport Bonds 1996A and 1997A.

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 2006 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Refunding Bonds, Series 2006B interest rate is 5.0% for 2007 through 2015.

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, 2006, \$ 106,151 of bonds outstanding is considered defeased.

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Note 8- Long-term Liabilities (Continued)

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 \$ 15,635 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 \$ 5,435 on certain buildings. The loan and guarantee remain unchanged.

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. The guarantee decreases over the term of the loan and is currently \$ 600.

In order to develop the Milwaukee County Research Park, Tax Incremental District #2 was formed in 1994 by the City of Wauwatosa, and redevelopment lease notes were issued by the Wauwatosa Redevelopment Authority in 1997 to fund infrastructure development costs of \$ 8,860. In 2004, the Wauwatosa Redevelopment Authority issued additional notes of \$ 24,500 for construction of facilities at the Milwaukee County Research Park, which was also part of the City of Wauwatosa Tax Incremental District #2. The County has agreed to guarantee the payment of the notes, if the tax increments generated by Tax Incremental District #2 are insufficient to pay principal and interest due on the 1997 and 2004 notes. The 1997 and 2004 redevelopment lease notes outstanding as of December 31, 2006 was \$ 32,000.

The County has guaranteed the repayment of a working line of credit in the amount of \$ 6,000 made to the Milwaukee Public Museum by two local banks. The outstanding amount of the working line of credit for which the County is liable is \$ 3,811.

[This section intentionally left blank]

Note 9- Net Assets

Governmental Activities

Restricted net assets consist of the following:

Net Assets- Restricted for Debt Service	\$	3,594
Net Assets- Restricted for Airport PFC		34,128
Net Assets- Restricted for Health & Safety		70
Net Assets- Restricted for Zoo		553
Net Assets- Restricted for Parks		711
Net Assets- Restricted for Persons with Disabilities		115
Net Assets- Restricted for Behavioral Health Division		423
Total	\$	<u>39,594</u>

Business-type Activities

Restricted net assets consist of the following:

Net Assets- Restricted for Revenue Bonds	\$	12,061
Net Assets- Restricted for Capital Asset Needs at the Airport		4,120
Total	\$	<u>16,181</u>

Discretely Presented Component Units

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

Restricted Building Account-War Memorial	\$	61
Restricted for Programming Events- Marcus Center for the Performing Arts		16
Research Development Fund-Research Park		137
Total	\$	<u>214</u>

[This section intentionally left blank]

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	\$	1,800
Educational Lecture Costs		68
Purchase and Maintenance of Collections		323
Restricted for time		252
Held by Friends of the Museum		94
Capital Campaign		473
Endowment Fund		
Purchase and Maintenance of Collections -		429
Internship Programs		78
Total Temporarily Restricted Assets	\$	<u>3,517</u>

Permanently Restricted

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

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 except for the Transit System participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a claims reserve. In accordance with Governmental Accounting Standards Board

Note 10- Risk Management (Continued)

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, 2006 was \$ 8,448.

The County has recognized \$ 8,448 of claims liabilities in the Risk Management Fund. The Risk Management Fund has \$ 8,448 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>12/31/2006</u>	Year ended <u>12/31/2005</u>
Beginning of year Liability	\$ 9,114	\$ 9,503
Current Year Claims and Changes in Estimates	4,953	5,533
Claims Payments	<u>(5,619)</u>	<u>(5,922)</u>
End of Year Liability	<u>\$ 8,448</u>	<u>\$ 9,114</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 2006 were \$ 1,677. 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 \$4.9 were made to the Memorial during 2006.

Effective January 1, 2006, the Marcus Center for the Performing Arts was granted tax-exempt status by the Internal Revenue Service and the Wisconsin Department of Revenue and now operates as a separate entity. Total

Note 11- Related Party Transactions (Continued)

appropriations received by the Marcus Center from Milwaukee County for the fiscal year ending December 31, 2006 were \$ 1,280.

Milwaukee County has legal title to the Milwaukee Public Museum building, exhibits and artifacts, including any building improvements and additions funded 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. The amendment to the Lease and Management Agreement expires December 31, 2009. Total funding received by the Museum was \$ 3,462 and \$ 3,547 for the years ending August 31, 2006 and 2005, 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

Note 11- Related Party Transactions (Continued)

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.

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 June 2007, the County issued \$ 32,625 million of General Obligation Corporate Purpose Bonds, Series 2007A. The bonds are being used to finance capital projects pursuant to the County's 2007 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

Note 13- Commitments and Contingencies (Continued)

Storm and Sanitary Sewer System (Continued)

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 2007, the commitment is \$ 2,378.

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, 2006.

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 self-insured Health Maintenance Organization (HMO) or a self-insured Preferred Provider Option (PPO).

As of December 31, 2006, the County had 1,360 retirees enrolled in the HMO health plan. The 2006 expenditures for the HMO health plan were \$ 17,857, including \$ 281 in administrative expenditures. The County's 2006 HMO expenditures also included reimbursement of Medicare Part B premiums for HMO health plan retirees of \$ 849. The total HMO expenditures were offset by \$ 266 in retiree contributions for certain retirees who were responsible for the partial or full health benefit premium cost.

As of December 31, 2006, the County had 4,546 retirees enrolled in the PPO health plan. The 2006 expenditures for the PPO health plan were \$ 40,874,

Note 14- Other Post-employment Benefits (Continued)

including \$ 942 in administrative expenditures. The County's 2006 PPO expenditures also included reimbursement of Medicare Part B premiums for PPO health plan retirees of \$ 4,521. The total PPO expenditures were offset by \$ 890 in retiree contributions for certain retirees who were responsible for the partial or full health benefit premium cost.

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 life insurance benefit for retirees is financed each year with current tax levy funds. The 2006 expenditures for life insurance benefits covering 5,412 retirees were \$ 596. The expenditure was offset by \$ 128 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. All assets accumulated for the payment of benefits within the retirement plan may legally be used to pay any member or beneficiary of two systems within the plan.

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 15 years of service, the normal retirement age is 57 or age 55 and 15 years of service. 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

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

Plan Description and Provisions (Continued)

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% 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.

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

Plan Description and Provisions (Continued)

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.

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.

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

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 \$ 988 and \$ 973, in 2006 and 2005, respectively.

Investments – Investments, primarily stocks, bonds, certain governmental loans and mortgage-backed certificates, are stated at quoted fair value. Temporary 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

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

**Summary of Significant Accounting Policies- Pension Fund
(Continued)**

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 2006 and 2005, the net investment income realized from the security lending was \$ 283 and \$ 318 respectively.

Securities loaned and the collateral held were as follows:

	<u>As of December 31</u>	
	<u>2006</u>	<u>2005</u>
Fair Value of Securities Loaned:	\$ 154,351	\$ 126,529
Fair Value of Collateral:	\$ 159,323	\$ 130,135
Percent Collateral to Securities Loaned:	103.22%	102.85%

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 \$ 153,669 and \$ 126,947 and U.S. Treasury securities of \$ 5,654 and \$ 3,188, for the years ending December 31, 2006 and 2005, 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 \$ 5,654 and \$ 3,188 for years ended December 31, 2006 and 2005, 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:

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

Actuarial Assumptions and Methods (Continued)

	<u>ERS</u>	<u>OBRA</u>
Valuation Date	1/1/07	1/1/07
Actuarial Cost Method	Entry Age Normal	Unit Credit Method
Amortization Method	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed
Remaining Amortization Period	5-30 Years	5-30 Years
Asset Valuation Method	5-Year smoothed Market	Market
Actuarial Assumptions:		
Investment Rate of Return	8.0%	8.0%
Projected Salary Increases	3.5%	3.0%
Mortality-Healthy Pensioners	Sex-Distinct UP- 1994 Mortality Table	Sex-Distinct UP- 1994 Mortality Table
Mortality-Disabled Pensioners	RP2000 Disabled Mortality Table	-
Inflation Rate	3.0%	3.0%

2007 Changes in Plan Provisions or Actuarial Assumptions

- Changed disability assumption from assuming 100% of disabilities are Ordinary to 10% Ordinary and 90% Accidental for represented employee and 95% Ordinary and 5% Accidental for non-represented employees.
- Changed the backdrop assumption from 70% of eligible employees elect a backdrop with an average backdrop period of four years to 75% of eligible employees elect a backdrop, where 75% are assumed to take the maximum period available to them and 25% take half the maximum period available.
- Increase annual compensation limit to \$ 225,000.
- Increase annual benefit limit to \$ 180,000.

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%
- Increase in backdrop utilization assumption from 50% to 70%

2005 Changes in Plan Provisions or Actuarial Assumptions

- Increase annual compensation limit to \$ 210,000.
- Increase annual benefit limit to \$ 170,000.

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

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 2006. 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 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	12/31/06	\$ 52,638	52.1%	\$ 25,636
	12/31/05	37,608	94.2%	-
	12/31/04	33,248	105.7%	(2,000)
	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
OBRA	12/31/06	\$ 481	92.6%	-
	12/31/05	386	94.5%	-
	12/31/04	338	103.1%	-

County contributions totaling \$ 27,435 and \$ 35,415 were recorded in 2006 and 2005 respectively. The 2006 and 2005 contributions were less than the total

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

Contributions Required and Contributions Made (Continued)

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 12.3% and 15.7% of annual covered payroll for 2006 and 2005, 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, 2006 and 2005 was \$ 3,843 and \$ 3,530 respectively, leaving net assets available less than the actuarial accrued liability of (\$ 2,582) and (\$ 2,440) respectively. The County made contributions to the OBRA system totaling \$ 462 in 2006.

The accrued pension payable at December 31, 2006 of \$ 27,862 represents the pension expense of ERS and OBRA recorded in 2006 that will be paid by June 2007.

Note 16-Restatement of Net Assets-Component Units

Net assets of the component units as included on the Combining Statement of Revenues, Expenses and Changes in Fund Net Assets-Component Units has been restated as a result of the Marcus Center obtaining tax-exempt status from the Internal Revenue Service and the Wisconsin Department of Revenue. The Marcus Center is now a separate entity from the War Memorial Center. The reason for the change in Net Assets as reported, is due to the War Memorial being a cash basis of accounting entity and the Marcus Center being an accrual basis of accounting entity.

Net Assets-December 31, 2005 (as reported)	\$(6,685)
Determination of the Marcus Center	
As a component unit	12,411
Adjustment to War Memorial Center	<u>(15)</u>
Net Assets January 1, 2006 As Restated	<u>\$ 5,711</u>

Note 17-New Accounting Pronouncements

In June 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

Note 17-New Accounting Pronouncements (Continued)

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 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							
	1/1/07	\$ 1,525,532	\$ 1,931,220	78.99%	\$ 405,688	\$ 223,005	181.92%
	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%)**
OBRA							
	1/1/07	\$ 1,261	\$ 3,843	32.80%	\$ 2,582	\$ 7,057	36.6%
	1/1/06	1,090	3,530	30.90%	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%

* 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. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids the analysis of the Retirement System's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, or the larger the percentage, if negative, the stronger the Retirement System.

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>
	2006	\$ 52,548	\$ 52,638	\$ 27,435	52.10%	\$ 25,636
	2005	37,608	37,438	35,415	94.20%	-
	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	2,648	30.80%	5,938
 <u>OBRA</u>						
	2006	\$ 481	\$ 499	\$ 462	92.60%	\$ -
	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%	-

OTHER SUPPLEMENTARY INFORMATION

**Combining and Individual Fund
Financial Statements and Schedules**

BUDGETARY COMPARISON

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, 2006
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 289,253	\$ 305,545	\$ 292,298	\$ (13,247)
Property Taxes	233,827	233,827	234,317	490
Charges for Services	213,074	216,353	228,898	12,545
Sales Taxes	64,679	64,679	62,904	(1,775)
Investment Income and Rents	8,433	8,432	13,448	5,016
Fines and Forfeits	3,146	3,146	3,616	470
Licenses and Permits	490	490	634	144
Other	41,627	41,626	28,950	(12,676)
Total Revenues	854,529	874,098	865,065	(9,033)
Expenditures:				
Current:				
County Board	4,987	5,047	4,817	230
Department of Audit	2,370	2,333	2,210	123
Veterans Service	285	384	326	58
Disadvantaged Business Development	645	666	608	58
Procurement	901	774	569	205
Office of Handicapped	821	974	543	431
County Executive	944	993	963	30
Civil Service Commission	63	60	57	3
Personnel Review Board	165	186	182	4
Corporation Counsel	1,915	2,155	1,955	200
Department of Human Resources	4,439	4,539	4,232	307
Department of Administrative Services	3,426	3,585	3,397	188
Housing	18,586	24,283	19,898	4,385
Legislative, Executive and Staff	39,547	45,979	39,757	6,222
County-funded State Court Services	37,816	38,523	38,200	323
Child Support Enforcement	18,305	20,582	19,343	1,239
Courts and Judiciary	56,121	59,105	57,543	1,562
Election Commission	986	980	680	300
County Treasurer	1,100	1,107	1,182	(75)
County Clerk	623	636	575	61
Register of Deeds	4,345	6,387	5,311	1,076
General Governmental Services	7,054	9,110	7,748	1,362
Sheriff	73,491	74,782	74,110	672
House of Correction	44,060	44,525	44,162	363
District Attorney	16,518	16,403	15,661	742
Public Safety and Non-Departmental Court	3,566	3,903	3,947	(44)
Public Safety	137,635	139,613	137,880	1,733
Highway Maintenance	15,158	15,305	13,848	1,457
Administration	2,360	173	47	126
Public Works and Highways	17,518	15,478	13,895	1,583

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, 2006
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
County Health Related Programs	\$ 36,081	\$ 37,637	\$ 37,023	\$ 614
Department on Aging	18,573	18,595	17,491	1,104
Department on Aging – CMO	148,586	148,760	159,253	(10,493)
Department of Human Services	181,297	188,479	183,936	4,543
Human Services	<u>384,537</u>	<u>393,471</u>	<u>397,703</u>	<u>(4,232)</u>
Department of Parks	37,712	41,165	37,249	3,916
Zoological Department	20,372	20,451	19,650	801
UW Extension Service	333	416	282	134
Parks, Recreation and Culture	<u>58,417</u>	<u>62,032</u>	<u>57,181</u>	<u>4,851</u>
Other	27,621	22,932	12,839	10,093
Total Expenditures	<u>728,450</u>	<u>747,720</u>	<u>724,546</u>	<u>23,174</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>126,079</u>	<u>126,378</u>	<u>140,519</u>	<u>14,141</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2006 Appropriations	(1,573)	(1,573)	(1,573)	-
Transfers In	-	-	2,670	2,670
Transfers Out	(118,047)	(118,346)	(131,653)	(13,307)
Transfers To Component Units	(6,459)	(6,459)	(6,459)	-
Total Other Financing Sources (Uses)	<u>(126,079)</u>	<u>(126,378)</u>	<u>(137,015)</u>	<u>(10,637)</u>
Net Change in Fund Balance	-	-	3,504	3,504
Fund Balances -- Beginning	24,034	24,034	24,034	-
Fund Balances -- Ending	<u>\$ 24,034</u>	<u>\$ 24,034</u>	<u>\$ 27,538</u>	<u>\$ 3,504</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, 2006
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Investment Income and Rents	\$ -	\$ -	\$ 1,066	\$ 1,066
Other	6,889	7,039	5,793	(1,246)
Total Revenues	<u>6,889</u>	<u>7,039</u>	<u>6,859</u>	<u>(180)</u>
Expenditures:				
Current -- Other	-	-	100	(100)
Debt Service:				
Principal Retirement	28,440	28,440	28,437	3
Interest	14,578	14,578	15,025	(447)
Total Expenditures	<u>43,018</u>	<u>43,018</u>	<u>43,562</u>	<u>(544)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(36,129)</u>	<u>(35,979)</u>	<u>(36,703)</u>	<u>(724)</u>
Other Financing Sources (Uses):				
Premium on Debt Issued	-	-	2,121	2,121
Wisconsin Trust Fund Proceeds	-	300	-	(300)
Transfers In	33,941	33,491	37,176	3,685
Total Other Financing Sources (Uses)	<u>33,941</u>	<u>33,791</u>	<u>39,297</u>	<u>5,506</u>
Net Change in Fund Balance	(2,188)	(2,188)	2,594	4,782
Fund Balances - Beginning	2,979	2,979	2,979	-
Fund Balances - Ending	<u>\$ 791</u>	<u>\$ 791</u>	<u>\$ 5,573</u>	<u>\$ 4,782</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, 2006
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 6,327	\$ 23,317	\$ 10,677	\$ (12,640)
Sales Tax	750	750	750	-
Investment Income and Rents	-	90	600	510
Other	-	3,475	14	(3,461)
Total Revenues	<u>7,077</u>	<u>27,632</u>	<u>12,041</u>	<u>(15,591)</u>
Expenditures:				
Capital Outlay	40,830	72,940	58,089	14,851
Total Expenditures	<u>40,830</u>	<u>72,940</u>	<u>58,089</u>	<u>14,851</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33,753)</u>	<u>(45,309)</u>	<u>(46,048)</u>	<u>(739)</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	34,503	31,520	31,595	75
Transfers In	-	13,239	2,520	(10,719)
Transfers Out	(750)	-	(1,016)	(1,016)
Total Other Financing Sources (Uses)	<u>33,753</u>	<u>44,759</u>	<u>33,099</u>	<u>(11,660)</u>
Net Change in Fund Balance	-	(550)	(12,949)	(12,399)
Fund Balances - Beginning	8,455	8,455	8,455	-
Fund Balances - Ending	<u>\$ 8,455</u>	<u>\$ 7,905</u>	<u>\$ (4,494)</u>	<u>\$ (12,399)</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, 2006
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 50,755	\$ 53,259	\$ 50,323	\$ (2,936)
Admissions and Concessions	10,818	10,818	11,406	588
Total Charges for Services	<u>61,573</u>	<u>64,077</u>	<u>61,729</u>	<u>(2,348)</u>
Other Revenues	15	15	15	-
Total Operating Revenues	<u>61,588</u>	<u>64,092</u>	<u>61,744</u>	<u>(2,348)</u>
Operating Expenses:				
Personnel Services	14,711	15,728	15,507	221
Contractual Services	13,318	15,777	16,220	(443)
Intra-County Services	9,174	9,218	9,305	(87)
Commodities	1,815	1,944	2,135	(191)
Depreciation and Amortization	15,251	15,251	14,000	1,251
Maintenance	783	1,415	1,761	(346)
Other	715	1,078	2,268	(1,190)
Total Operating Expenses	<u>55,767</u>	<u>60,411</u>	<u>61,196</u>	<u>(785)</u>
Operating Income (Loss)	<u>5,821</u>	<u>3,681</u>	<u>548</u>	<u>(3,133)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	100	100	216	116
Investment Income	745	745	1,698	953
Interest Expense	(7,852)	(7,852)	(6,398)	1,454
Total Nonoperating Revenues (Expenses)	<u>(7,007)</u>	<u>(7,007)</u>	<u>(4,484)</u>	<u>2,523</u>
Income (Loss) Before Transfers	(1,186)	(3,326)	(3,936)	(610)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	3,907	3,907	8,445	4,538
Transfers In	-	-	6,588	6,588
Transfers Out	<u>(2,721)</u>	<u>(581)</u>	<u>(3,061)</u>	<u>(2,480)</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,036</u>	<u>\$ 8,036</u>

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
 (Non-GAAP Budgetary Basis)
 DHHS Behavioral Health Enterprise Fund
 For the Year Ended December 31, 2006
 (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	\$ 45,037	\$ 48,549	\$ 50,773	\$ 2,224
Net Patient Service Revenues	45,037	48,549	50,773	2,224
Rentals and Other Service Fees	46	46	102	56
Admissions and Concessions	12	12	6	(6)
Total Charges for Services	45,095	48,607	50,881	2,274
Other Revenues	18,369	18,369	11,992	(6,377)
Total Operating Revenues	63,464	66,976	62,873	(4,103)
Operating Expenses:				
Personnel Services	65,706	73,091	73,188	(97)
Contractual Services	8,479	9,965	9,986	(21)
Intra-County Services	5,158	5,167	3,613	1,554
Commodities	6,180	8,510	7,813	697
Depreciation and Amortization	706	706	818	(112)
Maintenance	73	220	36	184
Other	73,497	79,435	76,559	2,876
Total Operating Expenses	159,799	177,094	172,013	5,081
Operating Income (Loss)	(96,335)	(110,118)	(109,140)	978
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	61,833	69,702	69,135	(567)
Interest Expense	(279)	(279)	(342)	(63)
Total Nonoperating Revenues (Expenses)	61,554	69,423	68,793	(630)
Income (Loss) Before Transfers	(34,781)	(40,695)	(40,347)	348
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	-	-	45	45
Transfers In	34,781	40,695	39,056	(1,639)
Transfers Out	-	-	(351)	(351)
Change in Net Assets	\$ -	\$ -	\$ (1,597)	\$ (1,597)

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, 2006
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 140	\$ 140	\$ 139	\$ (1)
Transit Fares	40,541	40,541	45,705	5,164
Total Charges for Services	40,681	40,681	45,844	5,163
Other Revenues	9,505	9,505	8,123	(1,382)
Total Operating Revenues	<u>50,186</u>	<u>50,186</u>	<u>53,967</u>	<u>3,781</u>
Operating Expenses:				
Personnel Services	107,636	107,636	108,223	(587)
Contractual Services	23,446	23,450	24,146	(696)
Intra-County Services	661	661	888	(227)
Commodities	14,982	14,982	13,061	1,921
Depreciation and Amortization	12,935	12,935	12,794	141
Maintenance	846	867	712	155
Other	583	1,164	2,900	(1,736)
Total Operating Expenses	<u>161,089</u>	<u>161,695</u>	<u>162,724</u>	<u>(1,029)</u>
Operating Income (Loss)	<u>(110,903)</u>	<u>(111,509)</u>	<u>(108,757)</u>	<u>2,752</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	80,237	80,890	79,162	(1,728)
Interest Expense	(1,354)	(1,354)	(1,118)	236
Total Nonoperating Revenues (Expenses)	<u>78,883</u>	<u>79,536</u>	<u>78,044</u>	<u>(1,492)</u>
Income (Loss) Before Transfers	(32,020)	(31,973)	(30,713)	1,260
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	10,470	10,470	1,758	(8,712)
Transfers In	20,399	20,352	19,995	(357)
Transfers Out	-	-	(463)	(463)
Change in Net Assets	<u>\$ (1,151)</u>	<u>\$ (1,151)</u>	<u>\$ (9,423)</u>	<u>\$ (8,272)</u>

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, 2006
(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	\$ 545	\$ 711	\$ 115	\$ 468	\$ -	\$ 70	\$ 1,909
Cash and Investments – Restricted	-	-	-	-	34,128	-	34,128
Prepaid Items	54	-	-	-	-	-	54
Total Assets	<u>\$ 599</u>	<u>\$ 711</u>	<u>\$ 115</u>	<u>\$ 468</u>	<u>\$ 34,128</u>	<u>\$ 70</u>	<u>\$ 36,091</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 45	\$ -	\$ -	\$ 45	\$ -	\$ -	\$ 90
Other Liabilities	1	-	-	-	-	-	1
Total Liabilities	<u>46</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>91</u>
Fund Balances:							
Reserved	553	711	115	423	34,128	70	36,000
Total Fund Balances	<u>553</u>	<u>711</u>	<u>115</u>	<u>423</u>	<u>34,128</u>	<u>70</u>	<u>36,000</u>
Total Liabilities and Fund Balances	<u>\$ 599</u>	<u>\$ 711</u>	<u>\$ 115</u>	<u>\$ 468</u>	<u>\$ 34,128</u>	<u>\$ 70</u>	<u>\$ 36,091</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2006
(In Thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Health and Safety	
Revenues:							
Investment Income and Rents	\$ 34	\$ 1	\$ 4	\$ -	\$ 1,135	\$ -	\$ 1,174
Charges for Services	649	76	-	-	-	-	725
PFC Revenues	-	-	-	-	10,268	-	10,268
Other	117	16	(7)	-	-	24	150
Total Revenues	800	93	(3)	-	11,403	24	12,317
Expenditures:							
Current:							
Human Services	-	-	4	55	-	-	59
Parks, Recreation and Culture	788	40	-	-	-	-	828
Other	-	-	-	-	5,304	-	5,304
Total Expenditures	788	40	4	55	5,304	-	6,191
Excess (Deficiency) of Revenues Over (Under) Expenditures	12	53	(7)	(55)	6,099	24	6,126
Other Financing Sources (Uses)							
Transfers Out	-	-	-	-	(6,126)	-	(6,126)
Total Other Financing Sources (Uses)	-	-	-	-	(6,126)	-	(6,126)
Net Changes in Fund Balance	12	53	(7)	(55)	(27)	24	-
Fund Balances – Beginning	541	658	122	478	34,155	46	36,000
Fund Balances – Ending	\$ 553	\$ 711	\$ 115	\$ 423	\$ 34,128	\$ 70	\$ 36,000

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, 2006
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
<u>Assets</u>				
Current Assets:				
Cash and Investments	\$ 4,740	\$ 5,290	\$ 8,561	\$ 18,591
Accounts Receivable (Net of Allowances for Uncollectible Accounts)	63	678	-	741
Due From Other Governments	-	261	-	261
Inventories	-	658	-	658
Prepaid Items	139	-	-	139
Total Current Assets	4,942	6,887	8,561	20,390
Capital Assets:				
Land	-	1,382	-	1,382
Construction in Progress	2,127	2,062	4	4,193
Land Improvements	-	10,087	-	10,087
Building and Improvements	746	99,489	-	100,235
Furniture, Machinery and Equipment	32,231	39,338	114	71,683
Total Capital Assets	35,104	152,358	118	187,580
Less Accumulated Depreciation	(23,718)	(107,209)	(110)	(131,037)
Net Capital Assets	11,386	45,149	8	56,543
Total Assets	\$ 16,328	\$ 52,036	\$ 8,569	\$ 76,933
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	\$ 332	\$ 778	\$ 1	\$ 1,111
Accrued Liabilities	150	484	2	636
Unearned Revenues	-	224	-	224
Bonds Payable - Current Portion	1,370	3,650	-	5,020
Compensated Absences	626	1,075	-	1,701
Risk Claims	-	-	5,616	5,616
Total Current Liabilities	2,478	6,211	5,619	14,308
Long-Term Liabilities:				
Compensated Absences	1,316	2,950	105	4,371
Risk Claims	-	-	2,832	2,832
Bonds Payable -- Long-Term	12,011	25,720	-	37,731
Total Long-Term Liabilities	13,327	28,670	2,937	44,934
Total Liabilities	15,805	34,881	8,556	59,242
<u>Net Assets</u>				
Unrestricted	2,518	1,376	5	3,899
Invested in Capital Assets, Net of Related Debt	(1,995)	15,779	8	13,792
Total Net Assets	523	17,155	13	17,691
Total Liabilities and Net Assets	\$ 16,328	\$ 52,036	\$ 8,569	\$ 76,933

COUNTY OF MILWAUKEE
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Internal Service Funds
 For The Year Ended December 31, 2006
 (In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Operating Revenues:				
Charges for Services	\$ -	\$ 28,722	\$ 6,007	\$ 34,729
Other	40	630	148	818
Total Operating Revenues	<u>40</u>	<u>29,352</u>	<u>6,155</u>	<u>35,547</u>
Operating Expenses:				
Personnel Services	9,969	24,699	552	35,220
Contractual Services	3,558	7,344	50	10,952
Intra-County Services	(28)	1,935	(127)	1,780
Commodities	320	3,359	2	3,681
Depreciation and Amortization	2,923	5,823	1	8,747
Maintenance	616	1,139	-	1,755
Insurance and Claims	-	-	5,753	5,753
Other	-	2,263	-	2,263
Total Operating Expenses	<u>17,358</u>	<u>46,562</u>	<u>6,231</u>	<u>70,151</u>
Operating Income (Loss)	<u>(17,318)</u>	<u>(17,210)</u>	<u>(76)</u>	<u>(34,604)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	140	385	-	525
Interest Expense	(641)	(1,338)	-	(1,979)
Total Nonoperating Revenues (Expenses)	<u>(501)</u>	<u>(953)</u>	<u>-</u>	<u>(1,454)</u>
Income (Loss) Before Contributions and Transfers	<u>(17,819)</u>	<u>(18,163)</u>	<u>(76)</u>	<u>(36,058)</u>
Capital Contributions	(1,474)	(503)	-	(1,977)
Transfers In	17,932	18,158	77	36,167
Transfers Out	-	(1,502)	-	(1,502)
Change in Net Assets	<u>(1,361)</u>	<u>(2,010)</u>	<u>1</u>	<u>(3,370)</u>
Net Assets -- Beginning	1,884	19,165	12	21,061
Net Assets -- Ending	<u>\$ 523</u>	<u>\$ 17,155</u>	<u>\$ 13</u>	<u>\$ 17,691</u>

COUNTY OF MILWAUKEE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2006
(In Thousands)

	<u>Information Management Services</u>	<u>Public Works Services</u>	<u>Risk Management</u>	<u>Total</u>
Cash Flows Provided (Used) by Operating Activities:				
Receipts from Customers and Users	\$ -	\$ 4,770	\$ 625	\$ 5,395
Receipts from Interfund Services	-	24,379	5,507	29,886
Payments to Suppliers	(4,594)	(14,171)	(5,805)	(24,570)
Payments to Employees	(9,871)	(24,837)	(601)	(35,309)
Payments for Interfund Services Used	(72)	(1,935)	(539)	(2,546)
Net Cash Flows Provided (Used) by Operating Activities	<u>(14,537)</u>	<u>(11,794)</u>	<u>(813)</u>	<u>(27,144)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:				
Intergovernmental Revenues	140	385	-	525
Transfers From Other Funds	17,932	18,158	77	36,167
Transfers (To) Other Funds	-	(1,502)	-	(1,502)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>18,072</u>	<u>17,041</u>	<u>77</u>	<u>35,190</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:				
Proceeds from Bonds	3,574	4,521	-	8,095
Principal Payment on Bonds	(1,808)	(6,582)	-	(8,390)
Interest Paid on Bonds	(658)	(1,379)	-	(2,037)
Acquisition of Capital Assets	(3,117)	(1,947)	-	(5,064)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(2,009)</u>	<u>(5,387)</u>	<u>-</u>	<u>(7,396)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,526	(140)	(736)	650
Cash and Cash Equivalents at Beginning of Year	3,214	5,430	9,297	17,941
Cash and Cash Equivalents at End of Year	<u>\$ 4,740</u>	<u>\$ 5,290</u>	<u>\$ 8,561</u>	<u>\$ 18,591</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss):	\$ (17,318)	\$ (17,210)	\$ (76)	\$ (34,604)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	2,923	5,823	1	8,747
(Increase) Decrease in Assets:				
Accounts Receivable	-	(249)	40	(209)
Due From Other Governments	-	19	-	19
Inventories	-	19	-	19
Prepaid Items	(40)	-	-	(40)
Increase (Decrease) in Liabilities:				
Accounts Payable	(200)	(85)	-	(285)
Accrued Liabilities	(17)	8	(4)	(13)
Unearned Revenues	-	27	(63)	(36)
Risk Claims	-	-	(666)	(666)
Compensated Absences	115	(146)	(45)	(76)
Total Adjustments	<u>2,781</u>	<u>5,416</u>	<u>(737)</u>	<u>7,460</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ (14,537)</u>	<u>\$ (11,794)</u>	<u>\$ (813)</u>	<u>\$ (27,144)</u>

Noncash investing, financing, and related activities:

Capital assets contributed from/(to) the general government	<u>\$ (1,422)</u>	<u>\$ (1,702)</u>	<u>\$ -</u>	<u>\$ (3,124)</u>
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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, 2006
 (In Thousands)

	<u>January 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2006</u>
<u>CIVIL COURT ORDERED AGENCY FUND FOR FAMILY SUPPORT/PAYMENTS</u>				
Cash and Investments	\$ 14,162	\$ 72,812	\$ 70,919	\$ 16,055
Total Assets	<u>\$ 14,162</u>	<u>\$ 72,812</u>	<u>\$ 70,919</u>	<u>\$ 16,055</u>
Agency Deposits	\$ 14,162	\$ 66,406	\$ 64,513	\$ 16,055
Total Liabilities	<u>\$ 14,162</u>	<u>\$ 66,406</u>	<u>\$ 64,513</u>	<u>\$ 16,055</u>
<u>OTHER AGENCY FUNDS</u>				
Cash and Investments	\$ 9,362	\$ 58,543	\$ 57,844	\$ 10,061
Other Receivables	-	36,004	36,004	-
Total Assets	<u>\$ 9,362</u>	<u>\$ 94,547</u>	<u>\$ 93,848</u>	<u>\$ 10,061</u>
Accounts Payable	\$ 1,144	\$ 22,470	\$ 23,464	\$ 150
Agency Deposits	8,218	45,752	44,059	9,911
Total Liabilities	<u>\$ 9,362</u>	<u>\$ 68,222</u>	<u>\$ 67,523</u>	<u>\$ 10,061</u>
<u>SUMMARY</u>				
Cash and Investments	\$ 23,524	\$ 131,355	\$ 128,763	\$ 26,116
Other Receivables	-	36,004	36,004	-
Total Assets	<u>\$ 23,524</u>	<u>\$ 167,359</u>	<u>\$ 164,767</u>	<u>\$ 26,116</u>
Accounts Payable	\$ 1,144	\$ 22,470	\$ 23,464	\$ 150
Agency Deposits	22,380	112,158	108,572	25,966
Total Liabilities	<u>\$ 23,524</u>	<u>\$ 134,628</u>	<u>\$ 132,036</u>	<u>\$ 26,116</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 2008A, dated June 1, 2008 (the "Securities"). The Securities are being issued pursuant to Authorizing Resolutions adopted by the Governing Body of the Issuer on March 20, 2008, and an Award Resolution adopted by the Governing Body of the Issuer on May 22, 2008 (collectively, the "Resolution") and delivered to Robert W. Baird & Co., 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 22, 2008 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 Fiscal Year that ended December 31, 2007, 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 the 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 the 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 the 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 4th day of June 2008.

Chairperson of the County Board

County Clerk

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