

OFFICIAL STATEMENT

\$22,725,000
Taxable General Obligation Corporate Purpose Bonds, Series 2010A
(Build America Bonds – Direct Payment)
(the "Bonds")

\$12,325,000
General Obligation Promissory Notes, Series 2010B
(the "Notes")

(Both issues collectively referred to as the "Obligations")

Milwaukee County, Wisconsin



Detailed information relating to the issues is set forth herein.

The date of this official statement is April 22, 2010.

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NEW ISSUE: FULL BOOK-ENTRY

See "RATINGS" herein

In the opinion of Chapman and Cutler LLP, and Emile Banks & Associates, LLC, Co-Bond Counsel, interest on the Bonds is not excludible from gross income for federal income tax purposes. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes. See "TAXABILITY OF INTEREST – THE BONDS" herein for a more complete discussion.

OFFICIAL STATEMENT

\$22,725,000

**TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2010A
(BUILD AMERICA BONDS – DIRECT PAYMENT)
MILWAUKEE COUNTY, WISCONSIN**

Dated: May 1, 2010

Due: October 1, 2015/2025

The \$22,725,000 Taxable General Obligation Corporate Purpose Bonds, Series 2010A, (Build America Bonds – Direct Payment), (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 public 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" or "DTC"). 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 October 1, commencing on October 1, 2015, as set forth below, and interest on the Bonds, payable semiannually on each April 1 and October 1 commencing on April 1, 2011, 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.

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2015	\$1,530,000	3.125%	2.900%	602245 WB4	2021	\$2,160,000	4.700%	4.730%	602245 WH1
2016	2,020,000	3.250	3.200	602245 WC2	2022	2,160,000	4.875	4.880	602245 WJ7
2017	2,020,000	3.750	3.700	602245 WD0	2023	2,165,000	4.900	4.920	602245 WK4
2018	2,020,000	4.000	4.000	602245 WE8	2024	2,165,000	5.000	5.000	602245 WL2
2019	2,160,000	4.350	4.350	602245 WF5	2025	2,165,000	5.100	5.100	602245 WM0
2020	2,160,000	4.500	4.500	602245 WG3					

The Bonds maturing on October 1, 2019 and thereafter are subject to prior redemption at the option of the County on October 1, 2018 and any date thereafter at a price of par plus accrued interest.

Registrar/Paying Agent: Milwaukee County Treasurer's Office

Delivery: Delivery of the Bonds is expected on May 13, 2010

The date of this Official Statement is April 22, 2010.

(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 THE MAKING OF AN INFORMED INVESTMENT DECISION)

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NEW ISSUE: FULL BOOK-ENTRY

See "RATINGS" herein

Subject to compliance with certain covenants, in the opinion of Chapman and Cutler LLP, and Emule Banks & Associates, LLC, Co-Bond Counsel, under present law, interest on the Notes (i) is excludible from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes. See "TAX EXEMPTION - THE NOTES" and "Forms of Legal Opinion" herein for a more complete discussion. The Notes will not be designated as "Qualified Tax-Exempt Obligations" under Section 265(b)(3) of the Code.

OFFICIAL STATEMENT

\$12,325,000

**GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2010B
MILWAUKEE COUNTY, WISCONSIN**

Dated: May 1, 2010

Due: October 1, 2011/2018

The \$12,325,000 General Obligation Promissory Notes, Series 2010B, (the "Notes") are being issued by Milwaukee County, Wisconsin (the "County") pursuant to Section 67.12(12) of the *Wisconsin Statutes*. Proceeds of the Notes will be used to finance general capital improvement projects within the County, and to pay the cost of issuing the Notes. The Notes will be general obligations of the County for which its full faith and credit and unlimited taxing powers are pledged. The Notes will be issued as fully registered notes 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 Notes. 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 Notes purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Principal, payable on each October 1, commencing on October 1, 2011, as set forth below, and interest on the Notes, payable semiannually on each April 1 and October 1 commencing on April 1, 2011, 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 Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

	Principal	Interest		
<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2011	\$1,235,000	1.000%	0.650%	602245 WN8
2012	1,465,000	2.000	1.000	602245 WP3
2013	1,505,000	2.000	1.300	602245 WQ1
2014	1,540,000	2.000	1.650	602245 WR9
2015	1,580,000	2.125	2.000	602245 WS7
2016	1,620,000	2.500	2.400	602245 WT5
2017	1,665,000	2.750	2.700	602245 WU2
2018	1,715,000	3.000	2.900	602245 WV0

The Notes are not subject to call and prior prepayment.

Registrar/Paying Agent: Milwaukee County Treasurer's Office

Delivery: Delivery of the Bonds is expected on May 13, 2010

The date of this Official Statement is April 22, 2010.

(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 THE MAKING OF AN INFORMED INVESTMENT DECISION)

No dealer, broker, salesman or other person has been authorized by the County, the Co-Financial Advisors 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 Co-Financial Advisors or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Obligations 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 Co-Financial Advisors 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 OBLIGATIONS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS 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 the County's \$22,725,000 Taxable General Obligation Corporate Purpose Bonds, Series 2010A, (Build America Bonds – Direct Payment), (the "Bonds"), and the County's \$12,325,000 General Obligation Promissory Notes, Series 2010B, (the "Notes"), (collectively the "Obligations"), and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

- Issuer:** Milwaukee County, Wisconsin.
- Security:** The Obligations 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 Obligations. (See "THE OBLIGATIONS - Security and Financing" herein.)
- Purpose and Authority:**
- The Bonds:** 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.
- The Notes:** Proceeds of the Notes will be used to finance general capital improvement projects within the County, and to pay the cost of issuing the Notes, pursuant to the Laws of the State of Wisconsin including Section 67.12(12) of the *Wisconsin Statutes* and resolutions adopted by the County Board.
- Optional Redemption:**
- The Bonds:** The Bonds maturing in the years 2019 and thereafter are subject to redemption at the option of the County on October 1, 2018, and on any date thereafter at a price of par plus accrued interest to the date fixed for redemption.
- The Notes:** The Notes are not subject to call and prior prepayment.
- Record Date:** The 15th day of the month preceding the payment date.
- Principal Payments:**
- The Bonds:** Annually, October 1, 2015 through 2025.
The Notes: Annually, October 1, 2011 through 2018.
- Interest Payments:** On each April 1 and October 1, commencing on April 1, 2011.
- Tax Status:**
- The Bonds:** Interest on the Bonds is not excludible from gross income for federal income tax purposes. Interest on the Bonds is not exempt from Wisconsin income or franchise taxes. See "TAXABILITY OF INTEREST – THE BONDS" herein.
- The Notes:** Interest on the Notes (i) is excludible from gross income for federal income tax purposes, (ii) is not an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. See "TAX EXEMPTION – THE NOTES" herein. Interest on the Notes is not exempt from Wisconsin income or franchise taxes.
- Not Bank Qualified:** The Notes will be not designated as "Qualified Tax-Exempt Obligations."

OFFICIAL STATEMENT

\$22,725,000
TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2010A
(BUILD AMERICA BONDS – DIRECT PAYMENT)

\$12,325,000
GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2010B

MILWAUKEE COUNTY, WISCONSIN

Introductory Statement

This Official Statement is provided to furnish information in connection with the sale of \$22,725,000 Taxable General Obligation Corporate Purpose Bonds, Series 2010A, (Build America Bonds – Direct Payment) (the “Bonds”), and \$12,325,000 General Obligation Promissory Notes, Series 2010B, (the “Notes”), (collectively the “Obligations”), by Milwaukee County, Wisconsin (the “County”). The Obligations are issued pursuant to the Constitution and laws of the State of Wisconsin, and resolutions adopted by the County Board of Supervisors. The Obligations 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.

THE OBLIGATIONS

Use of Proceeds

Proceeds of the Obligations will be used to finance capital projects totaling \$34,400,162 for general County purposes pursuant to the County’s 2009 Adopted Capital Improvement Budget. (See page 50-51 for a summary of the adopted capital improvements). A summary of major expenditure categories is as follows:

<u>Project Description</u>	<u>Amount</u>
Acquisition, renovation and improvement of mass transit facilities and equipment, the construction, extension, improvement and equipping of sanitary and storm water sewage systems and other environmental projects, the construction, improvement, renovation and equipping of parks, recreational and cultural facilities (including museum and zoological facilities), the construction and improvement and equipping of health and human service projects, including senior citizen centers and other County buildings, the construction, improvement and equipping of County buildings, including without limitation courthouses, correctional facilities, public safety buildings, museums, performing arts centers, and other County buildings, and the acquisition of capital equipment.	\$ 34,013,480
Acquisition, construction and improvement of public art projects	<u>386,682</u>
Total	\$ 34,400,162

The estimated sources and uses of proceeds are as follows:

<u>Estimated Sources:</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u>
Par Amount	\$ 22,725,000.00	\$ 12,325,000.00	\$ 35,050,000.00
Net OIP	17,918.10	135,450.50	153,368.60
Accrued Interest	33,091.42	9,128.75	42,220.17
Total Sources of Funds	\$ 22,776,009.52	\$ 12,469,579.25	\$ 35,245,588.77
<u>Estimated Uses:</u>			
Project Fund Deposit	\$ 22,317,842.00	\$ 12,082,320.00	\$ 34,400,162.00
Underwriter's Discount	181,800.00	97,777.50	279,577.50
Cost of Issuance (est.)	243,276.10	128,180.00	371,456.10
Debt Service Fund (Accrued Interest)	33,091.42	9,128.75	42,220.17
Debt Service Fund (Additional Proceeds)	--	152,173.00	152,173.00
Total Uses of Funds	\$ 22,776,009.52	\$ 12,469,579.25	\$ 35,245,588.77

Security Provisions

The Obligations 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 Obligations.

The first levy for the Obligations will be made in 2010 for collection in 2011. The first-half taxes are expected to be available to meet the interest payment due on April 1 each year with respect to the Obligations. Surplus first-half taxes and all second-half taxes will be used to meet each October 1 principal and interest payment with respect to the Obligations.

Optional Redemption

The Bonds: The Bonds maturing in the years 2019 and thereafter are subject to redemption at the option of the County on October 1, 2018 and on any date thereafter. Redemption may be in whole or in part of the Bonds subject to redemption. The amounts and maturities of the Bonds to be redeemed shall be selected by the County. If only part of the Bonds having a common maturity date are called for redemption, the specific Bonds to be redeemed will be chosen by lot. All redemptions shall be at a price of par, plus accrued interest to the date of redemption.

The Notes: The Notes are not subject to call and prior prepayment.

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 Paying Agent/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 Paying Agent/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 OBLIGATIONS

The Bonds will be designated "Milwaukee County, Wisconsin, Taxable General Obligation Corporate Purpose Bonds, Series 2010A." The Notes will be designated "Milwaukee County, Wisconsin, General Obligation Promissory Notes, Series 2010B." As originally issued, the Obligations will be dated as of May 1, 2010.

The Obligations will be issued as fully registered obligations without coupons and, when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Obligations. 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 Obligations 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 DTC entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE." The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Obligations, in the aggregate principal amount of such series, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's Rating Services' 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 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar, 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, the Paying Agent/Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent/Registrar; disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but neither the County nor the Underwriter takes responsibility for the accuracy thereof.

BOND INSURANCE

If the Bonds or Notes qualify for issuance of any policy of municipal bond insurance or commitment at the option of the bidder, the purchase of any such policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Obligations. Any increased costs of issuance of the Obligations resulting from such purchase of insurance shall be paid by the purchaser, except that, if the County has requested and received a rating on the Obligations from a rating agency, the County will pay the rating fee. Any other rating agency fee shall be the responsibility of the purchaser.

RATINGS

Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively, have assigned the ratings of "Aa2 / AA / AA+" to the Obligations. A rating reflects only the view of the rating agency, from whom an explanation of the significance of such rating may be obtained. The County is not obligated to maintain the current ratings on the Obligations, and there is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Obligations. The County and the Co-Financial Advisors will undertake no responsibility to oppose any revision or withdrawal of such ratings.

UNDERWRITING

Bids for the Obligations were received at a competitive public sale on April 22, 2010.

Robert W. Baird & Co., Inc. has agreed, subject to the conditions of closing set forth in the Official Terms of Offering for the Bonds, to purchase the Bonds at a purchase price of \$22,561,118.10 (consisting of the par amount of the Bonds, plus a net original issue premium of 17,918.10, less an underwriter's discount of \$181,800.00), plus accrued interest.

Robert W. Baird & Co., Inc. has agreed, subject to the conditions of closing set forth in the Official Terms of Offering for the Notes, to purchase the Notes at a purchase price of \$12,362,673.00 (consisting of the par amount of the Notes, plus an original issue premium of \$135,450.50, less an underwriter's discount of \$97,777.50), plus accrued interest.

The Obligations will be offered at the respective initial public offering prices which produce the yields shown on the respective cover pages of this Official Statement. After the Obligations are released for sale to the public, the initial public offering prices and other selling terms may from time to time be varied by the underwriter.

CO-FINANCIAL ADVISORS

The County has retained Public Financial Management, Inc., Milwaukee, Wisconsin, and Peralta Garcia Solutions, LLC, Chicago, Illinois, as Co-Financial Advisors (the "Co-Financial Advisors") in conjunction with the issuance of the Obligations. The Co-Financial Advisors have relied upon governmental officials, this Official Statement, and other sources to provide assistance to the County. The Co-Financial Advisors have reviewed this Official Statement but have not been engaged, nor have they undertaken, to independently verify the accuracy of such information. The Co-Financial Advisors reviewed this Official Statement but have not participated in the preparation of this Official Statement. The Co-Financial Advisors are not public accounting firms and have not been engaged by the County to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards. The Co-Financial Advisors will not participate in the underwriting of the Obligations.

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 Obligations 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 Obligations are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, and Emile Banks & Associates, LLC, Milwaukee, Wisconsin, 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 Obligations, and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Co-Bond Counsel, Chapman and Cutler LLP, has, at the request of the County, supplied the information under the heading "TAXABILITY OF INTEREST – THE BONDS" and "TAX EXEMPTION – THE NOTES."

TAXABILITY OF INTEREST – THE BONDS

Interest on the Bonds is not excludible from gross income of the owners thereof for federal income tax purposes. Owners of the Bonds should consult their tax advisors with respect to the inclusion of interest on the Bonds in gross income for federal tax law purposes. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

TAX EXEMPTION – THE NOTES

Federal tax law contains a number of requirements and restrictions which apply to the Notes, 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 Notes 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 Notes to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

Subject to the compliance by the County with the above-referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the Notes (i) is excludible from the gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, as described below.

In rendering their opinion, Co-Bond Counsel will rely upon certifications of the County with respect to certain material facts within the knowledge of the County relating to the applications of the proceeds of the Notes. The opinion 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.

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 for a corporation, if any, depends upon the alternative minimum taxable income of the corporation (“AMTI”), which is the taxable income of the corporation with certain adjustments. One of the adjustment items using AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of the “adjusted current earnings” of the corporation over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). “Adjusted current earnings” would generally include certain tax-exempt interest, but does not include interest on the Notes.

Ownership of the Notes 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 Notes 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 Notes is the price at which a substantial amount of such maturity of the Notes is first sold to the public. The Issue Price of a maturity of the Notes 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 Notes is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Notes (the “OID Notes”) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Note in the initial public offering at the Issue Price for such maturity, and who holds such OID Note 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 Note 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 Note 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; (d) such original issue discount is not taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations under the Code, as described above; and (e) 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 Notes should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Notes.

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

If a Note is purchased at any time for a price that is less than the stated redemption price of such Note at maturity or, in the case of an OID Note, its Issue Price plus accreted original issue discount (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 Note 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 Note for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Note. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Notes.

An investor may purchase a Note 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 Note 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 obligation. 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 Note. Investors who purchase a Note at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the basis of the Note for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Note.

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 Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations issued prior to enactment. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is 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 Notes. If an audit is commenced, under current procedures the Service may treat the County as a taxpayer, and the owners of the Notes may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Notes 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 Notes, 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 Note 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 Note 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.

The Notes are treated as issued in 2009 or 2010 for purposes of Section 265(b)(7) of the Code relating to interest expense deductibility for financial institutions. The treatment of interest expense for financial institutions owning the Notes may be more favorable than the treatment provided to owners of tax-exempt obligations issued before January 1, 2009, but may be less favorable than treatment provided to owners of bank qualified obligations. Financial institutions should consult their tax advisors concerning such treatment.

NOT BANK QUALIFIED TAX-EXEMPT OBLIGATIONS – THE NOTES

The County will not designate the Notes as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended, as authorized by the respective lien resolutions authorizing the issuance of the Obligations, the County will enter into a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") for the benefit of the owners of the Obligations to provide certain financial information and operating data relating to the County to the Electronic Municipal Market Access system established by the Securities and Exchange Commission ("EMMA"), and to provide notices of the occurrence of certain events enumerated in the Rule to EMMA. 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 Obligations are delivered. The Continuing Disclosure Certificate will be in substantially the form attached hereto as Appendix C. 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 Obligations (although owners of the Obligations 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

Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

CERTIFICATION

As of the date of the settlement of the Obligations, 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.

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COUNTY GOVERNMENT

General

The 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 is the County seat, contains approximately 63.0 percent of the County's population and 48 percent of its taxable property value. The 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, territory was removed by the Wisconsin Territorial Legislature. Nine years later, territory was removed again, and the County attained its present size.

Government and Administration

The County is governed by a County Executive and a 19-member County Board of Supervisors. The County Executive and the County Board are elected to nonpartisan four-year terms. Each supervisor is elected from a district with an average population of approximately 49,000.¹ In addition, six constitutional officers are elected on a partisan basis to serve two-year terms or four-year terms as shown below.

County Officials

(Year sworn into office follows name)

County Executive:

County Clerk (2-year term):

Register of Deeds (2-year term):

Treasurer (2-year term):

Clerk of Circuit Court (4-year term):

Sheriff (4-year term):

District Attorney (2-year term):

Scott Walker (2002)

Joseph J. Czarnecki (2009)

John La Fave (2003)

Dan Diliberti (2005)

John Barrett (1999)

David A. Clarke, Jr. (2002)

John T. Chisholm (2007)

Board of Supervisors

Lee Holloway – Chairperson (1992)

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

Peggy West - 2nd Vice Chairperson (2004)

Mark A. Borkowski (1992)

Gerry P. Broderick (2002)

Paul M. Cesarz (2002)

Elizabeth M. Coggs (1988)

Lynne D. De Bruin (1992)

Marina Dimitrijevic (2004)

Willie Johnson, Jr. (2000)

Patricia Jursik (2007)

Christopher J. Larson (2008)

Theodore A. Lipscomb (2008)

Joseph A. Rice (2004)

Joe Sanfelippo (2008)

James J. Schmitt (1998)

Johnny L. Thomas (2008)

John F. Weishan, Jr. (2000)

County Executive's Office

The 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
- 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 the Wisconsin Statutes. At its annual meeting in November of each year, the County 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 is elected by the members of the County Board following their election every four years and is responsible for presiding at County Board meetings; ruling on procedural matters; representing the County 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 County 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. The 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 Committee on Finance and Audit 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 Committee on Finance and Audit, as well as amendments submitted by individual supervisors. The County Board adopts a final budget, subject to any vetoes by the County Executive, and levies taxes based upon equalized property values.

Section 59.60(3m) of the *Wisconsin Statutes* specifies that all County accounting and budgeting procedures shall comply with generally accepted accounting principles. A summary of the County's budgets for 2009 and 2010 is presented on page 49 of this Official Statement.

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 "The County's Annual Financial Statements" contained in Appendix A.

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended December 31, 2008. As of the date of this publication, receipt of the certificate for the year ended December 31, 2009 is still pending. 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 CAFR, whose contents conform to program standards. Such CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 30 consecutive years (December 31, 1979 through December 31, 2008).

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 the operating results for the general fund and all proprietary funds for the years 2002-2008 is presented on pages 47 and 48 of this Official Statement. The County's 2008 financial statements are included as APPENDIX A. The County realized a general fund surplus of approximately \$796,000 for the fiscal year 2008.

Future Fiscal Outlook. In 2009, a work-group made up of administrative, departmental and County Board staff, along with external experts, developed a consensus-based five-year forecasting model to better understand the structural deficit facing the County. That initial forecast projected a 2010 deficit of \$78.4M growing to \$152.8 million by 2014, assuming no structural changes. The underlying causes of the deficit are: relatively flat, or declining, revenues while expenditures, particularly employee health care benefits and pensions, continue to increase. More detail on the make-up of the structural deficit and actions the County has taken are discussed below.

The forecast has since been updated based on the 2010 Adopted Budget and shows significant improvement despite the impact of the recession. A comparison between the two forecasts is shown below.

Forecast Year	2009 Model	2010 Model
2010	\$ 78.4 M	Balanced
2011	109.8 M	\$ 48.0 M
2012	127.7 M	66.0 M
2013	145.5 M	87.7 M
2014	152.8 M	106.4 M

A portion of the improvement is due to refined assumptions, however, the Department of Administrative Services has identified over \$50 million in structural changes included in the 2010 Adopted Budget, which are also contributing to that improvement. The table below provides more detail.

<u>2010 Structural Change</u>	<u>Impact on 2011</u>
Salaries	(\$ 18.5 M)
Healthcare	(15.5 M)
Pension	(9.1 M)
Alternate Funding for Buses	(9.5 M)
Overtime Reductions	(2.2 M)
Professional Services	3.4 M
Total	(\$ 51.4 M)

Salaries, healthcare and pension reductions were largely driven by the abolishment of approximately 200 positions in the budget through consolidation of duties, eliminating vacancies and privatizing services including janitorial and mainframe support. Professional services increases to reflect these privatized services but overall resulted in a net budget savings. For 2010, stimulus funding was used in the place of operating funds to purchase new buses and the accelerated capital program will finance these purchases in 2011 and 2012. Overtime reductions are anticipated due to operational efficiencies gained by merging the House of Corrections and the Sheriff's office in 2009 and are also part of proposed wage and benefit modifications.

It is important to note that approximately \$10 million of the healthcare, pension and overtime savings are budgeted savings that are dependent on the successful settlement of the County's 2009-2011 labor contracts. Currently, 3 of the 8 unions have settled and included most of the terms anticipated in the budget. However, the County's two largest unions, the American Federation of State and Municipal Employees and the Deputy Sheriffs have not. If anticipated healthcare and benefit savings are not achieved for these unions through a voluntary agreement or binding arbitration, the size of the forecasted structural deficit would increase by approximately \$10 million. An inability to implement these healthcare and pension savings could contribute to a 2010 year end deficit if other expenditure reductions or revenue increases are not identified.

The forecast assumes property tax increases based on a ten-year historical average. The state cap limit reflects an increase in net new construction consistent with the 2008 increase of 0.835 percent or 3.04 percent, whichever is greater, plus the increase of 0.044 percent related to terminated tax incremental districts.

At this stage in the budget process it is not unusual for the County to project funding gaps due to structural imbalances that have yet to be addressed. The County is required by state statute to pass a balanced budget, and as was the case in 2010, the projected budgetary gap will be resolved through a combination of expenditure reductions and revenue increases that have yet to be determined.

The County has faced a structural deficit for several years and continues to take aggressive measures to resolve this challenge.

Employee compensation and fringe benefits continue to present budget challenges for the County. In the original forecast model, from 2010 to 2011, salaries were forecasted to increase \$9.1 million, pension \$8.4 million and healthcare \$13.3 million. 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. As a result of labor negotiations for the 2007 – 2008 contract period, the County was able to secure modest pay increases, employee health care concessions and pension enhancement rollbacks. Arbitration awards were issued and since instituted for the remaining three unions for the 2007 – 2008 contract period. The Labor Relations Division has begun to negotiate successor agreements with all unions for the 2009-2010 contract period. As discussed above, the County has proposed healthcare, pension and overtime modifications that have yet to be agreed to by 5 of the 8 labor unions.

Since 2006, the County has moved aggressively to control the growth in employee health care costs. The steps taken by the County have included the movement to a self-insured health plan for County employees and retirees,

negotiation of changes to health care deductibles and co-payments and the creation of a separate division to focus on employee benefits.

In September 2006, the County converted from a fully insured health plan to a self-insured plan, retroactive to the beginning of the year. Under the self-insured plan, 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.

Focus was also placed on making changes to employee and retiree health care deductibles and co-payments. These health care changes 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 participate in lower cost health plans through lower monthly contributions.

The County's 2007 budget funded the creation of an employee benefits division that focuses on managing and identifying cost-containment opportunities in the areas of employee health care, dental care, life insurance and other benefits. In 2008, the Employee Benefits Division initiated an employee wellness and disease management program that targets services and assistance to high-end health care users in an effort to further contain costs and improve overall employee health and productivity.

Additionally, the County sought a new third-party health care administrator due to a contract dispute with its previous provider. The contract with United Health Care, the new third-party administrator for medical and prescription drug coverage, became effective January 1, 2009 and is projected to provide annual savings in excess of \$15 million.

The combined impact of the above changes is evidenced by a material decrease in the rate of health care cost increases during 2006, 2007 and 2008, with employee health care cost increases of only 2.9 percent, 0 percent, and 2.1 percent, respectively, during that period. 2009 claims cost appear to continue that trend. However, healthcare inflation in southeast Wisconsin is expected to be 9-11%. In 2010 the County is employing a healthcare actuarial firm to do a complete analysis of claims costs to better understand the County's trend line versus the industry standard.

In 2009, the County settled a lawsuit with the actuary who had valued the 2001 pension enhancements for \$40 million. The proceeds from this settlement were used to reduce the County's unfunded liability. In addition, in 2009 Pension Obligation Bonds were issued to also reduce the unfunded liability and ensure adequate funding for the pension system. These two actions have ongoing beneficial impacts to the structural deficit.

The County has also been aggressive and pursuing more efficient options in delivering services. Examples from the 2010 Adopted Budget include cross-training parks maintenance works to provide snow and ice control operations on state and county highways in place of hiring additional temporary snow plow operators, leveraging capital funds to decrease operating expenditures and privatization of janitorial services and mainframe operations.

While fiscal challenges remain, the County has a track record of achieving balanced budgets and through the new five-year forecast, a tool to develop more strategic options for achieving long-term sustainability.

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 (of which \$4.5 million will be placed in a stabilization fund). This resulted in a pension contribution amount of \$34.8 million, which is \$18.3 million less than the \$53.1 million recommended by the actuary.

The County is aggressively pursuing initiatives to limit the growth in required pension contributions. Recent accomplishments include rollbacks of certain pension enhancements approved in 2001 as part of the contract settlement with unions for the 2007 – 2008 contract years. See "The Employees' Retirement System of the County

of Milwaukee” for a complete discussion of budgeting for pension costs and accomplishments related to the rollback of pension enhancements. In addition, the County received authorization from the State, in the Spring of 2008, to offer Pension Obligations Bonds. In March of 2009, the County issued \$400 million in pension obligations.

Pursuant to existing County Ordinance, The County will amortize during 2008, the market value of the ERS assets declined from \$1.66 billion, as of January 1, 2008 to \$1.19 billion as of December 31, 2008. The decline in value of \$500 million will likely require the County to increase contributions to ERS to make up for this loss. The County expects to increase the contribution rate over the next five years to account for this loss.

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 (the “MCTS”), which is separately managed by Milwaukee Transport Services, Inc. (“MTS”), a non-stock, not-for-profit Wisconsin corporation.

Milwaukee County Actuarial Report – Excluding Milwaukee County Transit System

The County administers single-employer defined benefit healthcare and life insurance plans for retired employees. The plans provide health and life insurance contributions for eligible retirees and eligible spouses through the County’s self-insured health insurance plan and the County’s group life insurance plan. The County stopped providing post-retirement health care and life insurance 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 MCTS, 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 fund departments, which the County will continue to fund on a pay-as-you-go basis, is approximately \$1.17 billion.

The ARC for the County was \$109.6 million. Normal cost is \$13.8 million and amortization of the unfunded liability was \$95.8 million. The amortization of the unfunded liability assumes a 30-year amortization using a level dollar amount. The net ARC cost was \$49.5 million, which excluded the retiree health costs that are separately budgeted by the County. The County estimates that the proprietary fund portion of the net ARC cost was \$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 MCTS is separately managed by MTS, Inc., with separate union agreements for its employees. The MCTS has post-retirement health insurance available for employees hired before July 16, 2007, and based on the number of years of service. The MCTS 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 December 31, 2006. The MCTS actuarial accrued liability for OPEB is estimated at \$181.8 million, based on an 8 percent discount rate.

The ARC for MCTS was \$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 the MCTS. The 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 2010 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 require the County to reevaluate its core functions, and the funding assumptions used to support them.

Auditing. The Milwaukee County Department of Audit is an extension of the legislative branch of Milwaukee County and provides the County Board with a constant overview and independent review of County operations. The 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 2008 Milwaukee County Basic Financial Statements, including the report of the independent public accountants thereon, are presented in Appendix A.

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

Debt Administration. In 1994, the 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 3 percent over the principal amount of the preceding year's issue. This cap only applies to corporate purpose bonds that finance the Capital Improvements Program; it does not apply to other debt issued by the County.

The County Board has authorized significantly exceeding the bonding cap during 2009 and 2010 in order to accelerate projects previously scheduled to occur during the four year period of 2009 through 2012. The end result is that the County intends to issue general obligation debt for four years of capital projects during a two year period (2009 and 2010) and then issue no general obligation debt for capital projects during the next two year period (2011 and 2012). This will allow the County to maintain the bonding cap in aggregate during the four year time period while accelerating the capital project plan to take advantage of certain provisions of the ARRA and provide a local economic stimulus.

Investment Policy. The County may purchase investment securities as allowed by Section 66.0603(1m) of the *Wisconsin Statutes* and Milwaukee County Ordinance at prevailing market rates. 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 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%

Services Provided by the County

Health and Human Services. This functional area consists of the Department of Health and Human Services, the Behavioral Health Division and the Department of Aging. In combination, operating revenues support 87.9 percent of expenses in Health and Human Services departments.

The *Department of Health and Human Services (the "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 contract between the state and county.

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

The Economic Support Division (ESD) administers the Energy Assistance Program, Interim Disability Assistance Program and a contract with IMPACT 211, a referral service for individuals in need of social services. Prior to 2010, ESD administered the Food Share, Medical Assistance (Title-XIX) and Child Day Care programs on behalf of the State of Wisconsin. Effective January 1, 2010, the state assumed management of these programs under a hybrid model utilizing the county's represented employees to deliver program services under the supervision of state managers.

The Delinquency and Court Services Division provides custodial intake services, administers a wide continuum of juvenile justice programs and provides support staff for the operation of the Children's Court. The division operates a 120-bed secure juvenile detention center facility, primarily housing juveniles pending a court hearing or those deemed out of compliance with supervision conditions. Juvenile justice programs and services provided to alleged and adjudicated delinquent youth include pre-dispositional secure and non-secure out-of-home placements and monitoring, court diversion supervision and services, post-dispositional placements and services and probation supervision and programs that are designed as alternatives to placement in state correctional facilities.

The Disabilities Services Division provides 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 or purchased, 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 consolidates several housing programs in order to better integrate housing programs with the social services provided by DHHS. The 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 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 with locating affordable housing and provides rent subsidies; HOME/Home Repair, which provides low- or no-interest loans to low-income persons for home repairs and improvements; and they also administer the Community Development Block Grant program.

The EMS program supports the provision of paramedic services in the 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 American Heart Association Community Training Center, which provides public education for Cardio-Pulmonary Resuscitation, Automatic External Defibrillator, Advanced Life Support and Pediatric Advanced Life Support courses. Medical direction and control for the EMS program is provided through a professional services contract with the Medical College of Wisconsin.

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 the 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 services through contracts with community service providers or at community clinics.

The Department on Aging was created in 1991 to administer aging programs and to serve as the County’s designated Area Agency on Aging. The Department on Aging plans for and services the growing needs of the 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 on Aging contains four major program areas: Administration, Area Agency Services, Resource Center and Care Management Organization.

Area Agency Services provides a network of support services to the aging population including the Senior Meal Program, contracts for the five senior centers in the County and provides 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.

The Resource Center serves as an information clearinghouse, provides eligibility assessments for persons seeking assistance in any departmental program and acts as a point of entry for the Family Care Program.

The Department on Aging was one of the original five pilot counties to provide Family Care in Wisconsin in 2000. Family Care is a managed care program to provide long-term care services to the community for those who are functionally and financially eligible for the program. Family Care replaces the state’s numerous Long Term Support programs, including the Community Options Program (“COP”), COP Waiver and Community Integration Program with a single, integrated Long Term Care entitlement program. The Milwaukee County Department on Aging – Care Management Organization (“MCDA-CMO”) 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 MCDA-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, Recreation and Culture, the Milwaukee County Zoo, the Milwaukee Public Museum and other cultural institutions that receive County support. As a group, operating revenues support 48.5 percent of expenses relating to Parks, Recreation and Culture.

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

The Parks Department provides a variety of sports and recreation opportunities to County residents and visitors. The Parks Department maintains golf courses, indoor and outdoor aquatic facilities, an indoor ice arena and a sports complex that hosts tournaments, competitions, leagues and tradeshow. The 100-mile Oak Leaf Recreational Trail, along with 84 miles of parkways, provide off-road paved paths for walking and biking. In addition, dozens of parks have baseball or softball fields, basketball courts, sand volleyball, tennis courts, disc golf, rugby fields, cricket courts and other facilities that can be rented or used recreationally. The Parks Department also offers both supervised sports activities as well as leisure recreation in exercise and game room gatherings in its community centers. The centers also host community groups that offer adult educational programs and programs oriented to disadvantaged youth.

The Parks Department maintains over 14 miles of lakefront property and operates five public beaches along Lake Michigan. The Park System operates the McKinley Marina, which is a public, 706-slip facility located near the downtown area on Lake Michigan, a public marina at South Shore Park, which is leased to a private operator, and three additional launch sites along Lake Michigan.

The department also maintains several 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. In 2008, the Domes received a generous donation of over \$500,000 to provide a new lighting system. The Wehr Nature Center fosters environmental awareness and a conservation ethic in the 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 a 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 (the "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 exhibit; 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. Zoo attendance in 2009 was 1,291,242 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, several major capital projects have been completed at the Zoo in recent years. The Animal Health Center was completed in 2003 and enhances the veterinary care of the animal collection; the Karen Peck Katz Conservation Education Center was completed in 2004 and exemplifies "green" construction in its use of environmentally friendly building materials and a rooftop garden; and the Feline Building was reconstructed in 2005 and features larger and more natural looking exhibit spaces for the 18 felines housed at the zoo.

The 2010 Adopted Budget included funding to study the potential for converting the Zoo into a public-private partnership. This initiative is being studied in 2010 with a report anticipated later this year. No formal decisions have been made.

The Milwaukee Public Museum ("MPM") has been operated through a public-private partnership since 1992. The private, not-for-profit organization MPM Inc. operates the museum, and the County owns the buildings and artifacts.

MPM is managed by an independent board of directors, which includes representatives appointed by the County Board and the County Executive.

The MPM continues to be one of the best natural and human history museums in the country. Hosting major international exhibitions annually, the museum's attendance exceeded 665,000 in 2009. The MPM also operates an IMAX theater and the Daniel M. Soref Planetarium to provide additional educational programming. Through its Distant Learning program, the museum provides remote educational programs to students throughout the region, the County, and around the world.

Financial difficulties, which first surfaced publicly in the spring of 2005, resulted in a financial restructuring of the MPM. During that time, the County guaranteed a \$6 million working capital loan on behalf MPM. The MPM financial situation had improved little over the following two years and in May 2007, major MPM stakeholders consented to a comprehensive agreement that would restore the MPM to long-term financial viability. In addition to the loan guarantee already made, the County additionally committed to fixing the level of operational funding to \$3.5 million per year for ten years (2008 – 2017) and funding a minimum of \$4 million over five years (2008 - 2012) for capital improvement projects at the MPM. Lenders agreed to refinance the MPM long-term debt at an interest rate of 2.0 percent over ten years, and donors agreed to establish a Challenge Match grant, of which funds collected would be used to pay off the short-term debt guaranteed by the County. In February 2008, the note and line of credit were fully paid off by contributions received by the MPM, which effectively eliminated this guarantee.

The *Marcus Center for the Performing Arts* is a cultural center that hosts the Milwaukee Symphony Orchestra, Milwaukee Ballet Company, Florentine Opera, Milwaukee Youth Symphony, First Stage Milwaukee and other special arts groups/events entertainment. The County's annual operating contribution to the Marcus Center for 2010 is \$1.28 million. In addition, the County restructured the Marcus Center's loan repayment in 2009, reflecting a one-year extension of the loan repayment until 2011. The County anticipates that the reduced loan repayments will allow the Marcus Center to accelerate major maintenance projects paid through additional available operating funds.

Transportation and Public Works. The Department of Transportation and Public Works (the "DTPW") administers two County airports; the transit/paratransit system; transportation planning and engineering services; architectural, engineering and environmental services; highway maintenance; fleet management; facilities management and real estate services. Operating revenues account for 95.4 percent of the DTPW expenses.

The DTPW Airport Division operates the General Mitchell International Airport ("GMIA") and the 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. Eleven airlines provide approximately 194 daily departures from GMIA. Midwest Airlines has a hub operation at GMIA. Nearly 90 cities are served non-stop or direct, and connections are available to cities throughout the world. A total of 7,946,562 passengers used GMIA in 2009.

The first Federal Aviation Administration (the "FAA") FAR Part 150 Noise (Abatement) Study for GMIA was approved in 1993 by the FAA. GMIA implemented many of 1993 FAR Part 150 Noise Study recommendations including a Residential Noise Mitigation Program, which benefited approximately 1,435 single family homes and duplexes and 64 multi-family complexes. In 2007, GMIA submitted a noise study update to the FAA for approval. The study update included a request for FAA funding to reduce noise impacts to an additional 560 residences. An RFP has been issued for the secondary phase of this project.

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

The Milwaukee County Transit System has an active bus fleet of 479 buses serving 59 routes. Bus fares are collected on approximately 39.4 million trips annually (an amount that does not include passengers entering the bus using a transfer ticket). A major bus replacement program will provide 125 new buses by the end of 2011.

Budgeted fare revenue and federal and state aid account for approximately 89 percent of operating costs. MCTS also has a paratransit program for persons with disabilities.

The DTPW Highway Maintenance Division 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 the County are fully offset by state reimbursement revenues. The Transportation Services Division provides transportation planning and engineering services and cost-effectively plans, designs and implements projects necessary to maintain and enhance the safety and efficiency of the County's highways, bridges and traffic control facilities. Transportation functions include highway engineering, construction management, bridge engineering and traffic engineering.

The DTPW also supports other public works functions including buildings and grounds maintenance, fleet management, real estate services and professional architectural and engineering services. In addition, the department has been instrumental in the implementation of a Guaranteed Energy Savings Performance Contract ("GESPC") pilot project to improve the County's energy efficiency and promote environmental sustainability. The GESPC at the Courthouse complex, Zoo, Parks and the DHHS are substantially complete. Upon substantial completion of the GESPC implementation, the Energy Service Company, as a part of the GESPC work, will provide an Energy Auditing and Analysis Service Contract. The County anticipates that the installation of energy conservation measures will reduce utility costs in participating departments by approximately \$200,000 annually, which will be used to offset the cost of the loans used to finance the improvements. The County is currently in the process of reviewing proposals for Phase 2 of the Performance Contracting, which has been proposed for the Courthouse, Criminal Justice Facility, Children's Court Center, Fleet, Parks Administration, Transit Administration and Maintenance buildings, and other Parks facilities.

Courts and Judiciary. The Courts and Judiciary function includes the Department of Combined Court Related Operations and the Department of Child Support Enforcement. State and other non-tax revenues support approximately 40.4 percent of the County's cost of the Courts and Judiciary function.

The *Department of Combined Court Related Operations*, the First Judicial Administrative District of the state system, currently has 47 judges and 22.5 full-time equivalent court commissioners. The Department of Combined Court Related Operations includes the Chief Judge and is made up of three divisions:

Family Court Commissioner Division conducts hearings for family matters of separation, divorce, domestic abuse and harassment cases; conducts paternity hearings and monitors the job search task for those individuals liable for child support; and provides mediation services and custody studies for the Family Courts as mandated by Section 767.11 of the *Wisconsin Statutes*.

The Register in Probate maintains all records and files of probate proceedings and assists the courts in adjudicating matters involving probate, trusts, guardianships of persons and estates, conservatorship, protective placements, involuntary commitments, temporary restraining orders and injunctions in individuals at risk cases.

The County-funded State Court Services consists of three sections: the Chief Judge, Alternatives to Incarceration, and the Clerk of Circuit Court. The Clerk of Circuit Court includes the following divisions: Administration, Criminal, Civil, and Children's. The Chief Judge is responsible for the oversight of administration of judicial activities in the 47 Circuit Courts within the District. Alternatives to Incarceration provides programs designed to reduce pretrial failure to appear and re-arrest rates, enhance public safety, reduce overcrowding at the Criminal Justice Facility and House of Correction and enhance the processing and adjudication of criminal cases. 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 are also summoned by the Clerk of Circuit Court.

The *Department of Child Support Enforcement* implements and administers the Child Support Enforcement Act pursuant to Title IV-D of the Federal Social Security Act and Sections 49.22 and 59.53(5) of the *Wisconsin Statutes*, under contract with the Wisconsin Department of Workforce Development. The department has four divisions: Case Management (Establishment and Enforcement), Financial, Legal and Operations. The department monitors approximately 141,000 cases annually for establishment and enforcement of child support obligation, maintains

Milwaukee County family court orders on Kids Information Data System (“KIDS”), the statewide support computer system and represents the department’s interests in family court hearings in the County.

Public Safety. The Public Safety function includes the Office of the Sheriff, the District Attorney and the Medical Examiner. For 2009, budgeted operating revenues support approximately 17.9 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 the following divisions: Administration Bureau, Emergency Management Division, Police Services Bureau and Detention Services Bureau including the County Correctional Facility South formerly known as the House of Correction (“HOC”).

The Administration Bureau performs management and support functions for the Sheriff as well as community relations activities, communications, training and public information. Included in these duties are leadership, personnel management, preparation of the annual budget, fiscal monitoring, accounting and payroll functions. Also included in this bureau is the Internal Affairs Division, which investigates all incidents involving Sheriff’s Office personnel.

The Emergency Management Division administers a county-wide emergency plan to mitigate all hazards, maintains communications and enhances public awareness campaigns to assure the community has knowledge of typical hazards and outlines preventive measures which can be taken.

The Police Services Bureau is responsible for patrolling the County airports, County grounds, County parks and expressways. In addition, the Police Services Bureau includes the Civil Process Unit, Criminal Investigation Division, the Drug Enforcement Unit, the High Intensity Drug Trafficking Area, the SWAT team, the bomb disposal unit and the dive team. In addition, they serve state-mandated civil writs such as temporary restraining orders, commitments to mental health, body attachments, writs of restitution/assistance, executions and evictions.

The Detention Services Bureau includes the County Correctional Facilities Central (CCFC) formerly known as the Criminal Justice Facility (the “CJF”), the County Correctional Facility South (CCFS) formerly known as the HOC, Inmate Transportation, Medical and Psychiatric Services units, Court Services, Support Administration, and Central Records. The CCFC is a secure detention facility with a design capacity of 990 and 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 has the authority to transfer inmates between the CCFC and the CCFS in order to maximize the use of available beds.

In 2009, management of the CCFS was transferred to the Office of the Sheriff. The CCFS operates the Adult Correctional Center, which maintains custody of all sentenced prisoners in the County committed by authorized courts for periods not exceeding one year and from other jurisdictions as authorized by County ordinance; provides rehabilitation, education, work, recreation and training; provides medical, dental and other necessary services in conjunction with the Detention Bureau; processes and considers applications for parole; and releases prisoners upon expiration of sentence, parole, or upon orders of the courts or other recognized authorities.

The Detention Bureau also operates a program of home detention using electronic surveillance equipment and other systems of control and supervises inmates who have community access under court order to work, attend school, provide childcare or to receive medical attention. In 2009, the Community Correctional Center (“CCC”) was closed and inmates with community access who had been housed at the CCC were either transferred to home detention or relocated to the CCFC or Adult Correctional Center.

The *Milwaukee County District Attorney’s Office*, pursuant to Section 978.05 of the *Wisconsin Statutes*, has jurisdiction for criminal and juvenile cases in the circuit courts of Milwaukee County. General Crimes Division staff are responsible for general felony and misdemeanor courts; Violent Crimes Division staff are responsible for all specialized felony courts; Juvenile Division staff are responsible for the Children’s Court of Milwaukee County; and the Community Prosecution Unit supervises community prosecutors in six Milwaukee police district stations

and the Domestic Violence Unit, which prosecutes all domestic violence cases in three specialized courts. District attorneys and assistant district attorneys present evidence, argue motions, negotiate cases and conduct jury and court trials.

The District Attorney's Office investigates police shootings of civilians and deaths in police custody, public corruption, major multi-jurisdictional crimes, industrial deaths and injuries, as well as providing post-charging investigation on major crimes, and maintains office security. The District Attorney's Office also operates the Witness Security Program, which seeks to insure that witnesses who are threatened or intimidated are able to safely appear and testify in court and the Diversion and Treatment Alternatives to Criminal Charges Program, and administers federal and state grant funded programs, including the Victim/Witness Program, the Victims of Crime Act, the Byrne Justice Assistance Grant Prosecution of Drug Crimes, Violence Against Woman Acts, and the High Intensity Drug Trafficking Area grant, among others.

The *Milwaukee County 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 arrange for the final disposition 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.

General Governmental Services. The General Governmental Services group includes the County Treasurer, County Clerk, Register of Deeds and an Election Commission. As a group, budgeted operating revenues support 95.0 percent of the costs of these departments.

The *County Treasurer* traditionally produces revenues in excess of expenditures because Interest on Delinquent Property Taxes are included in this operating budget. Due to the current recession and increased rates of default, Interest on Delinquent Property Taxes increased in actual terms by 45 percent between 2008 and 2009. The 2010 Budget of \$2.8 million assumes that the rate of increase will level off in 2010.

The Register of Deeds collects revenues in two areas: general recording fees and real estate transfer fees. Both of these revenues are driven by real estate sales. As home sales have decreased, estimates of both general recording fees and real estate transfer fees have declined.

Administration. The Administrative function includes the Department of Administrative Services, Corporation Counsel and personnel-related agencies such as the Personnel Review Board, Civil Service Commission and Ethics Board. As a group, operating revenues support 7.5 percent of expense for administrative functions.

The *Department of Administrative Services* is responsible for a variety of governmental functions. The various divisions provide services for other departments including information management, risk management, human resources, labor relations, human resources, administration and financial oversight, procurement and employee benefits.

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 the County of 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 County Executive and the County Board.

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 the County of 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 County Executive and the County Board.

The County has 5,457 funded full-time equivalent positions budgeted in 2010.² The number of individuals actually employed by the County fluctuates on a seasonal basis. As of March 16, 2009, approximately 77 percent of all individuals employed by the County were organized and represented by labor organizations as described below.

Milwaukee County Employees by Union Representation

Union	Approximate Number of Employees Represented	Contract Expiration Date*
Milwaukee District Council 48 AFSCME, AFL-CIO and Affiliated Locals	3,291	12/31/2008
Milwaukee Deputy Sheriff's Association	413	12/31/2008
Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO	335	12/31/2011
Milwaukee Building and Construction Trades Council, AFL-CIO	84	12/31/2011
Association of Milwaukee County Attorneys	49	12/31/2008
Technicians, Engineers and Architects of Milwaukee County	34	12/31/2011
Milwaukee County Firefighters Association	20	12/31/2008
District No. 10 International Association of Machinists and Aerospace Workers	5	12/31/2011
Total Represented Employees	4,231	

* With the exception of the Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO, and the Milwaukee Buildings and Construction Trades Council, AFL-CIO, no union has settled its respective contract for 2009-2011

The Employees' Retirement System of the County of Milwaukee. The ERS was established in 1938 and is a single-employer defined benefit pension plan. The ERS is substantially noncontributory from members. However, participants meeting certain criteria have the option to contribute to membership accounts. Employees who were enrolled in ERS prior to 1971 receive contributions to their member accounts by the County.

County Contribution

The County makes contributions to the ERS based upon actuarially determined contribution requirements, with adjustments made at the discretion of the County Board and the County Executive. The actuarial requirements are based on the annual normal cost (the actuarial liability for future benefits and expenses allocated to the current year) and the amortization of the unfunded actuarial accrued liability plus interest. 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. Liabilities and contribution rates are determined using the Aggregate Entry Age Normal method of funding. The actuary reviewed the percentage of payroll growth and salary increase in the last five years. 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.

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 2007, 2008 and 2009 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 herein for 2007, 2008 and 2009 funding (see below). A substantial portion of the current year's contribution is paid to the ERS in the following year.

² This count represents the number of actual positions funded in the 2010 Adopted Budget. Departments may also budget salary dollars for special premiums, salary adjustments, shift differentials, overtime or vacancy and turnover, which modify the overall funded count. By including the aforementioned salary dollars, the funded full-time equivalent is 5,649.

Eligibility for Normal Retirement

The normal retirement benefit is a monthly pension payment for the life of the participant beginning at normal retirement age. For Deputy Sheriff participants with less than 15 years of service, the normal retirement age is 57 or age 55 with 15 years of service. For all other participants the normal retirement age is 60, although some labor agreements require a minimum of five years of creditable service at age 60. Certain active participants are also eligible to retire when their age added to their years of service equals 75 ("Rule of 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. The most recent actuarial valuation indicates that as of January 1, 2010 there were 4,870 active participants and 8,931 inactive participants. The inactive participants include 1,568 deferred benefit retirees, 6,692 retired participants receiving benefits and 671 beneficiaries of retired participants receiving benefits.

Amount of Normal Retirement Benefit

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 based on a percentage of the final average salary equal to the three highest consecutive years of earnings, except for represented sheriffs, which is the five highest consecutive years of earnings, as defined in the Ordinance and labor agreements, multiplied by the number of years of credited service. These percentages are: 2.5 percent for deputy sheriffs, deputy sheriff lieutenants, deputy sheriff executive staff and district attorney 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 of the first full month's benefits is provided. There are also accidental or ordinary disability, deferred, early retirement 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.

Since 2001, a series of pension enhancements as well as rollbacks have occurred. Eligible participants receive benefits as determined by their hire date and by their respective labor agreements. The following bullet points identify the significant changes that impacted the ERS, along with any changes that have taken place since the adoption to limit the provisions impact.

- In 2001, the vesting requirement was set to five years. Most participants are immediately vested at age 60. No changes have been made to these provisions.
- A bonus of 7.5 percent per year, up to a maximum of 25 percent, was added to the final average salary for non-deputy sheriff 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 non-deputy sheriff employees whose membership in the ERS began after December 31, 1981, or June 30, 1995 for a non-represented deputy sheriff. For general employees, the benefit is 2% of final average salary per year of service, which benefit shall not exceed 80%. The average salary for participants who joined the system prior to January 1, 1982 (see prior bullet point), is multiplied by 125%.
- Again in 2001, for all non-sheriff members, a backdrop benefit option was added that provided a lump sum cash payment for the total of monthly benefits, adjusted for COLA increases and compounded interest, that the member would be entitled to from a prior (backdrop) date to the date the member terminates employment. The backdrop date may not be prior to the earliest date a member was eligible to retire. Since that date, new hires are no longer eligible for the backdrop benefit. Members not eligible for backdrop benefits are elected officials, deputy sheriffs, and non-represented employees hired after March 15, 2002. All other unions adopted a similar rule to make new employees ineligible for this benefit at dates ranging from November 4, 2005 to June 19, 2007.

Some of the enhancements described earlier resulted in 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 have declined since the peak in 2004, with an average of 236 retirements since 2005. The table below shows annual retirements since 2001.

Year	Number of Retirements
2002	350
2003	290
2004	750
2005	186
2006	219
2007	296
2008	243

The accelerated retirements which followed the pension changes effective in 2001 have increased backdrop payments. As of December 31, 2008, the County has paid out a total of \$144.3 million in lump sum payments for the backdrop to 1,126 individuals upon retirement. Pension changes effective in 2001 that led to an accelerated retirement rate and poor ERS investment returns in 2008 have led to a sharp increase in ERS contributions, causing a severe strain on the County's budget.

In an effort to address the growing unfunded prior service liability, stabilize annual contribution levels and to achieve budgetary savings, the 2007 budget created a Pension Obligation Bond Work Group ("POB 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 POB Work Group was charged with developing the proposal for the issuance of pension obligation bonds for review and approval by the Committee on Finance and Audit, the County Board and the County Executive.

In March of 2009 the County issued \$400 million in pension notes to fund a portion of the unfunded actuarial accrued liability ("UAAL"). The plan of finance for the \$400 million in pension notes was for an overall level debt service structure. In conjunction with the pension financing the County also created a pension-related Stabilization Fund and committed to providing \$2,000,000 of funding annually.

Including the contribution from the 2009 pension note proceeds, the most recent valuation of the ERS dated January 1, 2009 indicates a 95.7 percent funded status. This funded ratio is based on an actuarial value of assets of \$1,968,518,479 and an accrued liability of \$2,057,376,988. However, the ERS incurred market losses of \$486,133,267 during 2008 that are not fully reflected in the actuarial value of the assets. The County expects to increase the contribution rate over the next five years to account for this loss (a five-year period is used to allow for a smoothing in contributions and avoid large contribution increases or decreases as a result of market changes).

In addition, the County received a settlement of \$45 million as a result of a lawsuit with Mercer, Inc. over the pension changes in 2001. Per County Board policy, these settlement proceeds will be amortized over a 5-year period.

The following table indicates projected and actual actuarial required contribution and County contribution to the ERS for the years 2002 – 2009.

Actuarial Required Contribution vs. Actual Pension Contribution

Year	Annual Required Contribution PROJECTED (\$ millions)*	Annual Required Contribution ACTUAL (\$ millions)*	County Contribution (\$ millions)*	
2002	(\$0.50)	\$8.50	\$2.60	
2003	\$20.50	\$25.20	\$34.00	The County contribution included \$15.0 million for the 2003 contribution and an additional, unbudgeted \$19.0 million to cover contribution variances for 2001, 2002 and 2003. The additional \$19.0 million was funded by a State Land Trust Loan.
2004	\$40.10	\$33.20	\$34.90	
2005	\$37.80	\$37.60	\$35.40	
2006	\$45.90	\$46.90	\$27.40	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.
2007	\$59.00	\$52.40	\$49.30	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.
2008	\$49.70	\$53.10	\$39.40	This contribution anticipated 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 \$12.9 million to be used for amortization of the unfunded liability. The County's contribution also includes a contribution of \$4.5 million for the creation and funding of a pension stabilization fund. If the County is unable to issue the pension obligation bonds, the stabilization fund contribution will be used to offset an actuarial contribution requirement of \$49.7 million.
2009	\$56.50		\$48.30	This contribution includes debt service costs of \$20,965,083, a stabilization fund contribution of \$2,000,000, an unfunded actuarial accrued liability cost of \$2,609,402 and normal costs of \$22,698,585. These amounts are based on the proposal for the issuance of pension obligation bonds as approved in the 2009 Budget. The Pension Obligation Bonds were sold on March 19, 2009. The debt service costs for 2009 are \$15,373,750, which is \$5,591,333 less than the budgeted amount of \$20,965,083.

* The County prepares its budget using the actuary's projected annual required contribution. The actual annual required contribution is not available until the actuarial valuation is completed during the current fiscal year. Therefore, the contribution amount the County budgets for and the final contribution amount the actuary determines may vary.

COMMUNITY CHARACTERISTICS

Population, Income, and Employment Trends

The below shows the population of the County as recorded in the United States Department of Commerce, Bureau of the Census and the current estimate from the State of Wisconsin, Department of Administration.

Population Statistics

Year	Population
2009	931,830
2000	940,164
1990	959,275
1980	964,988
1970	1,054,249

The Bureau of Economic Analysis provides estimates of Available per capita income data for the County, State and for the U.S. since 2004 are presented in the following table.

Per Capita Personal Income

Year	Milwaukee County	State of Wisconsin	United States
2008	Unavailable	\$ 37,770	\$ 40,166
2007	35,852	36,272	38,564
2006	34,121	34,461	36,744
2005	32,357	32,706	34,650
2004	31,428	31,705	32,937
2003	30,698	30,710	31,472
2002	30,355	29,994	30,804
2001	29,802	29,380	30,527
2000	28,222	28,572	29,847

The Department of Workforce Development provides estimates of the unemployment rate for the County and the State of Wisconsin. The below table provides the average annual unemployment rate for the years 2003 through 2008. Annual average unemployment rates are not yet available for 2009.

Labor Force Statistics for Milwaukee County (Not Seasonally Adjusted)

Year	Labor Force	Employment	Unemployment	<u>Unemployment Rate</u>	
				Milwaukee County	National Average
2003	463,069	430,573	32,496	7.0%	6.0%
2004	456,447	427,655	28,792	6.3%	5.5%
2005	452,960	426,638	26,322	5.8%	5.1%
2006	456,548	430,972	25,943	5.6%	4.6%
2007	470,621	444,436	25,576	5.6%	4.6%
2008	468,606	442,839	26,185	5.5%	5.8%
2009*	448,229	406,726	41,503	9.3%	9.7%

Source: Wisconsin Department of Workforce Development – Office of Economic Advisors

* Seasonally unadjusted data as of December 2009

Location and Transportation System

The 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. Reconstruction of the Marquette Interchange – the heart of the southeastern Wisconsin freeway system – was finished in 2008 and major reconstruction on I-94 from Milwaukee to Illinois began in 2009.

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 2008, the Port of Milwaukee handled approximately 3.1 metric tons of materials. Port traffic from 2004 – 2008 increased 23 percent in comparison to traffic from 1999 – 2003. Innovation Fuels, a New York-based renewable fuel company that manufactures, markets and distributes biodiesel fuel to customers around the world, recently acquired a 310,000 barrel (43,000 metric tons) capacity terminal located on ten acres in the Port of Milwaukee. This facility will be used for the sale and distribution of biodiesel and other renewable fuels into and out of the Midwest. The Port of Milwaukee is also home to Lake Express, which operates a high-speed auto/passenger ferry service between Milwaukee and Muskegon, Michigan.

Nearly 90 cities are served non-stop or direct, and connections are available to cities throughout the world. A total of 7,946,562 passengers used GMIA in 2009. For more information on GMIA, see "COUNTY GOVERNMENT - Services Provided by the County."

Education

The 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.

Business Outlook Survey

According to the Milwaukee Metropolitan Association of Commerce Business Outlook Survey, First Quarter, 2010, after a challenging 2009, Milwaukee area businesses have indicated more optimistic expectations toward growth prospects in 2010. For the first quarter 2010, year-over-year, 48 percent of businesses surveyed see sales increases, while 51 percent predict profit gains. Employment gains are expected to be limited with 25 percent of companies surveyed predicting increases; however, this is an increase over those predicting employment increases in the 2009 fourth quarter survey of 20 percent. The survey contains responses from 141 Milwaukee area firms, employing more than 75,100 people.

Largest Private-Sector Employers by Employment in Milwaukee County

Company	Business Description	Approximate Employment
Aurora Health Care Inc.	Health Care System	21,570
Wheaton Franciscan Healthcare	Health Care System	9,371
Roundy's Supermarkets Inc.	Retail Supermarkets	6,800
Columbia St. Mary's Health System	Health Care System	5,371
Northwestern Mutual	Insurance, Investment Products	5,000
The Medical College of Wisconsin	Private Medical School	4,833
Froedert & Community Health	Health Care System	4,446
Marshall & Ilsley Corp	Bank Holding Company	4,230
AT&T Wisconsin	Telecommunication Services	4,200
Wisconsin Energy Corp	Electric & Natural Gas Utility	4,150
Harley-Davidson Inc	Motorcycles & Accessories	3,819
ProHealth Care Inc	Health Care System	3,619
Children's Hospital	Health Care System	3,385
Rockwell Automation Inc	Industrial Automation Products	3,300
US Bank NA	Banking Services	3,281
Potawatomi Bingo Casino	Casino	2,745
Briggs & Stratton Corp	Small Gasoline Engines	2,600
Johnson Controls Inc	Control Systems, Batteries & Auto Interiors	2,500
Marquette University	University	2,194
Wells Fargo	Banking & Financial Services	2,144
Assurant Health	Health Insurance	2,000
Bon-Ton Department Stores	Department Stores	1,973
Cargill Meat Solutions	Meat Processor	1,848
United Health System Inc	Health Care System	1,800
MillerCoors LLC	Beer Brewery	1,700
Journal Communications Inc	Diversified Media Company	1,650
Rexnord Corp	Power Transmission Equipment	1,560
The Marcus Corp	Theaters and Hotel Properties	1,556
Chase	Global Financial Services	1,524
Bucyrus International Inc	Heavy Mining Equipment	1,400
Joy Global Inc	Manufactures & Distributes Mining Equip	1,200
Extendicare Health Services	Skilled Nursing Homes	1,150

Source: The Business Journal of Greater Milwaukee, Book of Lists, December 25, 2009

Major Industrial Taxpayers in the County

Name of Company	Type of Business or Services	2009 Full Market Value	% of County's 2009 Full Market Value
Harley -Davidson	Manufacturer, motorcycles	\$ 111,801,600	0.17%
Miller Brewing Co.	Manufacturer, beer and aluminum cans	65,810,400	0.10%
Bucyrus International	Manufacturer, mining equipment	55,407,200	0.08%
Journal/Sentinel Inc.	Publishing, printing and broadcasting	42,516,800	0.06%
Rockwell Automation	Manufacturer, electrical/electronic products	38,825,600	0.06%
Briggs & Stratton Corp.	Manufacturer, small engines	25,716,000	0.04%
Rexnord Industries/Falk	Manufacturer, power transmissions	22,000,800	0.03%
VTLC Development	Real estate development	18,890,500	0.03%
Quad/Graphics Inc.	Printing	18,707,900	0.03%
GLM Holdings	Manufacturer/distributor, specialty chemicals	18,602,900	0.03%
P.P.G. Industries Inc.	Manufacturer, coatings and resins	16,703,300	0.02%
Brady Worldwide Inc.	Manufacturer, safety and facility identification	16,390,400	0.02%
Patrick Cudahy	Manufacturer, processes meats	15,173,200	0.02%
All Glass Aquarium	Manufacturer, aquariums	14,314,100	0.02%
Hondo Incorporated	Manufacturer, bottling and beverage containers	12,679,000	0.02%
Dentice, Joseph & Ellen	Real estate development	12,447,600	0.02%
P & H Mining Equip.	Manufacturer, mining equipment	12,779,000	0.02%
General Electric	Manufacturer, medical equipment	11,597,200	0.02%
Super Steel Products	Manufacturer, metal products	11,323,500	0.02%
Palermos Properties	Distributor, frozen pizza	10,911,100	0.02%
Bostik Inc.	Manufacturer, adhesives and sealants	10,651,400	0.02%
Aldrich Chemical Co.	Manufacturer/distributor, specialty chemicals	9,933,800	0.01%
Badger Meter, Inc.	Manufacturer, flow measurement products	9,895,200	0.01%
Krones Inc	Manufacturer machines for packaging	9,479,200	0.01%
Alliance Development	Distributor	9,448,200	0.01%
		\$ 602,005,900	0.90%
Total 2009 Milwaukee County Equalized Value (TID Included)		\$ 66,836,154,500	

Source: Wisconsin Department of Revenue

Major Non-Industrial Taxpayers in the County

Name of Company	Type of Business	2009 Full Market Value	% of County's 2009 Full Market Value
Northwestern Mutual Life Insurance Co.	Insurance	\$ 348,466,357	0.52%
Bayshore Town Center LLC	Real Estate	345,364,935	0.52%
Mayfair Property Inc.	Shopping Mall	290,292,537	0.43%
US Bank Corp	Banking	272,626,855	0.41%
Metropolitan Associates	Real Estate	143,606,728	0.21%
Southridge Mall LLC	Real Estate	138,388,621	0.21%
Marcus Corp/Milw City Center/Pfister	Hotels, Theaters,	132,329,512	0.20%
Wheaton Franciscan Services	Health Care	115,588,537	0.17%
Columbia St Mary's	Health Care	112,188,168	0.17%
M & I Marshall & Isley Bank	Banking	107,337,432	0.16%
Towne Realty	Real Estate	101,910,261	0.15%
Nnn 411 East Wisconsin LLC	Real Estate	97,271,062	0.15%
Crichton-Hauck/Shoreline/Juneau Village	Real Estate	96,445,055	0.14%
Centerpoint Properties	Real Estate	78,781,108	0.12%
GE Medical Systems	Health Care	78,764,341	0.12%
100 E. Wisconsin Ave Joint Venture	Real Estate	77,773,124	0.12%
Wal-Mart	Retailer	70,683,965	0.11%
Renaissance Lafayette Apts	Real Estate	67,132,084	0.10%
Aurora Health	Health Care	66,806,284	0.10%
Riverbend Place	Real Estate	65,649,504	0.10%
Mandel Group	Real Estate	64,051,564	0.10%
Liberty Property Limited	Real Estate	61,608,459	0.09%
Flanders Westborough	Real Estate	61,474,725	0.09%
Geneva Exchange Fund	Real Estate	60,983,624	0.09%
875 East Wisconsin- Vanguard Advisors	Real Estate	60,365,223	0.09%
		<u>\$ 3,115,890,065</u>	<u>4.66%</u>
Total 2009 Milwaukee County Equalized Value (TID Included)		<u>\$ 66,836,154,500</u>	

Source: Wisconsin Department of Revenue

Major Construction Projects Panned and In Process in the County

Construction Projects Located in the City of Milwaukee

Project Name	Municipality	Project Type	Estimated Project Costs
Saint John's on the Lake	City of Milwaukee	Residential - Multi-Family	\$ 40,000,000
Marquette University	City of Milwaukee	University	37,404,044
Mandel Northtown	City of Milwaukee	Dormitory	34,500,000
Milwaukee Block 10 Property	City of Milwaukee	Commercial/Hotel	16,600,000
US Bank	City of Milwaukee	Commercial	15,000,000
Brewery Project	City of Milwaukee	Commercial/ Parking Structure	10,215,000
Latitude	City of Milwaukee	Multi-Family Residential	7,126,845
South Water Works	City of Milwaukee	Multi-Family Residential	5,700,000
TOTAL			\$ 166,545,889

Construction Projects Located in Other Municipalities

Project Name	Municipality	Project Type	Estimated Project Costs
Mount Tosa	City of Wauwatosa	Residential	\$ 45,000,000
Stone Pointe	City of Wauwatosa	Residential	40,000,000
Enclave	City of Wauwatosa	Residential	23,000,000
Six Points East	City of West Allis	Commercial/ Residential	14,000,000
Toldt Siz Points Crossing Phase 2	City of West Allis	Residential	12,000,000
University School of Milwaukee	Village of River Hills	Institutional	10,600,000
Sacred Heart at Monastery Lake	City of Franklin	Residential - Senior Housing	10,000,000
Walmart (expansion)	City of Franklin	Commercial	7,000,000
Lexington Homes	City of Greenfield	Residential	6,000,000
Berkshire- Greendale	Village of Greendale	Residential	5,850,000
Vesta Inc. Expansion	City of Franklin	Industrial	5,500,000
Staybridge Suites	City of Franklin	Commercial	5,374,345
Clement Manor	City of Greenfield	Residential	5,000,000
Elizabeth Residence	City of Greenfield	Residential	5,000,000
TOTAL			\$ 194,324,345
GRAND TOTAL			\$ 360,870,234

Notes:

[1] Excludes projects financed by counties, cities or villages.

[2] All projects included in the table are either approved for construction or currently under construction.

[3] At time of this publication the Village of Fox Point, City of Oak Creek, Village of Shorewood, and Village of West Milwaukee had not responded to our information request.

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.

Bonds and Notes Authorized But Not Issued

In addition to the Obligations, the County anticipates the issuance of approximately \$30 million in airport revenue bonds during 2010. 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 by Issue

The County's existing general obligation debt by issue as of January 1, 2010 plus the Obligations is as follows:

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. CABs, Series 1993A	\$ 57,669,714	12/01/2011	0.00%	\$ 14,201,566
	04/01/2001	G.O. Bonds, Series 2001A	41,325,000	10/01/2016	5.00%	17,500,000
2	06/01/2001	Taxable Ref. Bonds, 2001A	2,610,000	12/01/2011	6.25% - 6.30%	500,000
3	10/01/2001	G.O. Ref. Bonds, Series 2001A	49,925,000	12/01/2011	4.00%	8,625,000
4	10/01/2001	G.O. Airport Bonds, 2001A (AMT)	1,450,000	12/01/2011	4.30% - 4.50%	290,000
	02/01/2002	G.O. Bonds, Series 2002A	41,225,000	08/01/2017	5.00% - 5.25%	20,200,000
5	06/01/2002	G.O. Ref. Bonds, Series 2002A	62,950,000	09/01/2010	5.00%	7,850,000
	02/01/2003	G.O. Bonds, Series 2003A	25,950,000	08/01/2018	5.00% - 5.25%	15,600,000
6	07/01/2003	G.O. Ref. Bonds, Series 2003A	100,025,000	08/01/2017	2.50% - 3.90%	100,025,000
	02/01/2004	G.O. Bonds, Series 2004A	26,950,000	08/01/2019	3.00% - 4.125%	20,000,000
	11/01/2005	G.O. Bonds, Series 2005A	24,610,000	12/01/2020	4.00% - 5.00%	19,650,000
7	11/01/2005	G.O. Ref. Bonds, Series 2005B	63,025,000	10/01/2015	5.00% - 5.25%	59,795,000
	04/01/2006	G.O. Bonds, Series 2006A	31,595,000	10/01/2021	5.00%	28,980,000
	06/01/2007	G.O. Bonds, Series 2007A	32,625,000	12/01/2022	4.00% - 4.25%	31,330,000
	09/01/2007	State Trust Fund Loan - Housing	1,000,000	03/15/2017	5.25%	935,204
	05/01/2008	G.O. Bonds, Series 2008A	30,860,000	12/01/2023	3.25% - 4.25%	30,340,000
8	04/02/2009	Taxable Pension Notes, Series 2009A	265,000,000	12/01/2028	2.86% - 6.84%	265,000,000
	08/01/2009	Taxable Bonds, Series 2009C (BABs)	24,775,000	10/01/2024	4.20% - 5.40%	24,775,000
	08/01/2009	G.O. Notes, Series 2009D	17,250,000	10/01/2016	2.00% - 2.625%	17,250,000
8	12/08/2009	State Trust Fund Loan	2,000,000	03/15/2019	4.50%	2,000,000
	11/15/2009	Taxable Bonds, Series 2009E (BABs)	30,365,000	08/01/2024	2.25% - 5.25%	30,365,000
	11/15/2009	G.O. Notes, Series 2009F	15,610,000	08/01/2019	2.00% - 3.50%	15,610,000
	Subtotal					
	05/01/2010	Taxable Bonds, Series 2010A (BABs)	22,725,000	10/01/2025	3.125% - 5.10%	22,725,000
	05/01/2010	G.O. Notes, Series 2010B	12,325,000	10/01/2020	1.00% - 3.00%	12,325,000
Subtotal						35,050,000

Notes regarding outstanding refunding debt are presented on the following page.

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 June 4, 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 2 below).
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. On November 17, 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.
8. On August 12, 2009, the County issued \$17,250,000 General Obligation Promissory Notes, Series 2009D. A portion of the issue was utilized to refund certain maturities totaling \$9,205,000 of the County's outstanding General Obligation Refunding Bonds, Series 1999A, and \$740,000 of the County's outstanding General Obligation Museum Refunding Bonds, Series 1999A. The refunding bonds are included in this figure for total general obligation debt, and the refunded bonds are excluded.

General Obligation Annual Debt Service Schedule

Year	Existing Levy Supported General Obligation Debt		Existing Airport Supported General Obligation Debt		Series 2010A Bonds		Series 2010B Notes		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2010	\$ 62,652,248	\$ 34,231,766	\$ 584,162	\$ 184,208	-	-	-	-	\$ 63,236,410	\$ 34,415,974	\$ 97,652,384
2011	64,388,726	32,303,823	619,666	156,406	-	1,406,385	1,235,000	387,972	66,243,391	34,254,586	100,497,977
2012	63,627,044	30,000,173	875,773	135,641	-	992,743	1,465,000	261,513	65,967,817	31,390,069	97,357,886
2013	65,023,081	27,383,694	1,099,579	107,616	-	992,743	1,505,000	232,213	67,627,660	28,716,266	96,343,926
2014	61,554,729	24,668,899	1,103,156	71,330	-	992,743	1,540,000	202,113	64,197,885	25,935,084	90,132,970
2015	43,632,010	22,096,171	301,836	33,823	1,530,000	992,743	1,580,000	171,313	47,043,847	23,294,049	70,337,895
2016	41,461,708	20,152,360	298,706	22,957	2,020,000	944,930	1,620,000	137,738	45,400,415	21,257,985	66,658,400
2017	40,135,519	18,279,117	297,588	11,606	2,020,000	879,280	1,665,000	97,238	44,118,108	19,267,241	63,385,349
2018	32,164,884	16,404,588	-	-	2,020,000	803,530	1,715,000	51,450	35,899,884	17,259,568	53,159,452
2019	31,621,353	14,814,367	-	-	2,160,000	722,730	-	-	33,781,353	15,537,097	49,318,450
2020	30,230,000	13,230,090	-	-	2,160,000	628,770	-	-	32,390,000	13,858,860	46,248,860
2021	29,270,000	11,620,804	-	-	2,160,000	531,570	-	-	31,430,000	12,152,374	43,582,374
2022	27,965,000	10,034,779	-	-	2,160,000	430,050	-	-	30,125,000	10,464,829	40,589,829
2023	26,450,000	8,493,119	-	-	2,165,000	324,750	-	-	28,615,000	8,817,869	37,432,869
2024	25,170,000	6,982,548	-	-	2,165,000	218,665	-	-	27,335,000	7,201,213	34,536,213
2025	18,210,000	5,492,178	-	-	2,165,000	110,415	-	-	20,375,000	5,602,593	25,977,593
2026	19,400,000	4,246,614	-	-	-	-	-	-	19,400,000	4,246,614	23,646,614
2027	20,670,000	2,919,654	-	-	-	-	-	-	20,670,000	2,919,654	23,589,654
2028	22,015,000	1,505,826	-	-	-	-	-	-	22,015,000	1,505,826	23,520,826
2029	-	-	-	-	-	-	-	-	-	-	-
Subtotal	725,641,303	304,860,569	5,180,467	723,587	22,725,000	10,972,045	12,325,000	1,541,547	765,871,770	318,097,748	1,083,969,518

Approximately 69.7 percent of County's general obligation debt (including the Obligations) will be retired within ten years. This rate of principal repayment includes general obligation debt issued by the County on behalf of the County airports. Approximately \$5.2 million of the County's outstanding general obligation debt is for the airports. Pursuant to the lease agreements with the airlines, signatory airlines are obligated to pay all principal and accrued interest payments on debt issued on behalf of the airports.

Airport Revenue Debt

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

Airport Revenue Debt by Issue

Date of Issue	Type of Obligation	Amount Issued	Final Maturity	Interest Rates Outstanding	Principal Outstanding
06/01/2000	Airport Revenue, Series 2000A	\$83,565,000	12/01/2025	5.25% - 6.00%	\$58,770,000
01/01/2003	Airport Revenue, Series 2003A	7,125,000	12/01/2022	4.00% - 5.50%	4,875,000
03/31/2004	Airport Revenue, Series 2004A	37,360,000	12/01/2029	4.50% - 5.00%	32,715,000
12/22/2005	Airport Revenue, Series 2005A	29,010,000	12/01/2030	4.00% - 5.25%	28,545,000
12/22/2005	Airport Revenue Ref., Series 2005B	7,755,000	12/01/2014	4.00%	4,650,000
11/16/2006	Airport Revenue, Series 2006A	25,665,000	12/01/2031	4.00% - 5.00%	24,400,000
11/16/2006	Airport Revenue Ref., Series 2006B	5,020,000	12/01/2015	5.00%	2,165,000
11/15/2007	Airport Revenue, Series 2007A	13,445,000	12/01/2032	4.125% - 5.00%	12,880,000
12/10/2009	Airport Revenue, Series 2009A	12,690,000	12/01/2032	3.00% - 5.125%	12,690,000
12/10/2009	Airport Revenue Ref., Series 2009B	2,350,000	12/01/2014	2.25% - 4.00%	2,350,000
Total					\$169,000,000

The revenues of the Airport System are derived from rentals, fees and charges paid by users of the Airport System, including airlines (the "Signatory Airlines") that 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. The Standby Reimbursement Agreement with U.S. Bank was scheduled to end as of August 1, 2008. To continue the agreement, the industrial revenue bonds must still be outstanding and Midwest Airlines was required to provide an updated appraisal of the hangars. In September 2008, the Standby Reimbursement Agreement (Agreement) was extended for a one-year period to allow additional time for the appraisals to be completed. On June 25, 2009, the County Board of Supervisors approved a three-year extension of Agreement to August 15, 2012. On June 23, 2009, it was announced that Republic Airways Holding, Inc. will be purchasing Midwest Airlines, Inc. Milwaukee County is in the process of determining if the purchase has an impact on the Credit Assistance Agreement or the Airport beyond the change in ownership.

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 PIC (Private Industry Council of Milwaukee County, Inc.). The maximum amount of the County's liability under this guaranty is \$1 million plus interest. The guarantee decreases over the term of the loan, and is currently at \$400,000.

City of Wauwatosa Redevelopment Authority. In order to develop the Milwaukee County Research Park, the City of Wauwatosa created the Tax Incremental District #2 ("TID #2") in 1994. In 1997, the Wauwatosa Redevelopment Authority issued redevelopment lease revenue bonds of \$8,860,000 to fund infrastructure development costs in TID #2. The 1997 bonds were retired in 2007 with redevelopment refunding lease revenue bonds of \$6,200,000. 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 a developer in order to induce a corporation to move to a building constructed in the Milwaukee County Research Park. The County has agreed to guarantee the payment of the lease revenue bonds, if the tax increments generated by TID #2 are insufficient to pay the principal and interest due on the bonds. The 2004 and 2007 redevelopment lease bonds outstanding as of December 31, 2007 was \$23,500,000 and \$6,200,000, respectively.

Short-Term Debt

The County has the authority to issue tax anticipation notes and revenue anticipation notes. The last time the County utilized either of these short-term financing options was 1994.

Under Section 67.12(1)(b) of the *Wisconsin Statutes*, the County has the authority to issue its obligations in anticipation of the issuance of promissory notes that the County has covenanted to issue (i.e., note anticipation notes). On March 19, 2009, the County issued \$135,000,000 Taxable Pension Notes, Series 2009B (constituting note anticipation notes) for a five-year term with a maturity of \$135,000,000 in 2014. The interest payable on the note anticipation notes is subject to annual appropriation. The County has covenanted to issue \$135,000,000 in Taxable Promissory Notes for a twenty-year term, which will pay the principal of the note anticipation notes. The note anticipation notes do not constitute an indebtedness of the County for debt limit purposes.

Short-Term Debt by Issue

Date of Issue	Type of Obligation	Amount Issued	Final Maturity	Interest Rate Outstanding	Principal Outstanding
04/02/2009	Taxable Pension NANs, 2009B	\$135,000,000	12/01/2013	5.39%	\$135,000,000
	Total				<u>\$135,000,000</u>

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 5 percent of the equalized value of taxable property in the County, as last determined by the 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 Obligations will be as follows:

2009 Equalized Value	\$	66,836,154,500
Legal Debt Limit (5% of Equalized Value)	\$	3,341,807,725
Existing Debt	\$	730,821,700
Plus: Series A Bonds		22,725,000
Plus: Series B Notes		12,325,000
Debt Outstanding	\$	<u>765,871,700</u>
Reserved for obligations to refund Series 2009B	\$	135,000,000
Effective remaining borrowing capacity	\$	2,440,936,025

General Obligation Indirect Debt ³

Governmental Unit	Outstanding Debt 12/31/2009	Percentage Within County	Amount Allocable To the County
<i>Villages:</i>			
Village of Bayside	\$ 11,009,257	96.14%	\$ 10,584,672
Village of Brown Deer	8,320,000	100.00%	8,320,000
Village of Fox Point	13,975,000	100.00%	13,975,000
Village of Greendale	335,000	100.00%	335,000
Village of Hales Corners	8,831,545	100.00%	8,831,545
Village of River Hills	3,450,537	100.00%	3,450,537
Village of Shorewood	17,658,487	100.00%	17,658,487
Village of West Milwaukee	7,871,749	100.00%	7,871,749
Village of Whitefish Bay	19,245,000	100.00%	19,245,000
Villages Subtotal	<u>\$ 90,696,575</u>		<u>\$ 90,271,991</u>
<i>Cities:</i>			
City of Cudahy	\$ 33,695,000	100.00%	\$ 33,695,000
City of Frankln	45,165,000	100.00%	45,165,000
City of Glendale	16,320,303	100.00%	16,320,303
City of Greenfield	27,110,176	100.00%	27,110,176
City of Milwaukee	696,254,012	100.00%	696,254,012
City of Oak Creek	6,875,000	100.00%	6,875,000
City of South Milwaukee	24,480,000	100.00%	24,480,000
City of St. Francis	0	100.00%	0
City of Wauwatosa	46,385,756	100.00%	46,385,756
City of West Allis	80,092,577	100.00%	80,092,577
Cities Subtotal	<u>\$ 976,377,824</u>		<u>\$ 976,377,824</u>
<i>School Districts:</i>			
Brown Deer	8,448,714	100.00%	\$ 8,448,714
Cudahy	\$ 13,876,000	100.00%	13,876,000
Fox Point-Bayside Schools	3,160,000	97.94%	3,094,951
Franklin Public Schools	9,860,000	100.00%	9,860,000
Glendale-River Hills	5,660,000	100.00%	5,660,000
Greendale	13,510,000	100.00%	13,510,000
Greenfield	60,010,000	100.00%	60,010,000
Maple Dale-Indian Hill	3,500,000	100.00%	3,500,000
Milwaukee Area Technical College	81,890,000	81.88%	67,050,062
Milwaukee Public	108,220,138	99.99%	108,212,397
Nicolet High School	1,475,000	99.40%	1,466,104
Oak Creek-Franklin	57,560,000	100.00%	57,560,000
Shorewood	12,875,000	100.00%	12,875,000
South Milwaukee	46,505,000	100.00%	46,505,000
St. Francis	1,756,071	100.00%	1,756,071
Wauwatosa	2,745,000	100.00%	2,745,000
West Allis - West Milwaukee	42,300,000	93.51%	39,554,138
Whitefish Bay	1,385,000	100.00%	1,385,000
Whitnall	3,180,000	100.00%	3,180,000
School District Subtotal	<u>\$ 477,915,923</u>		<u>\$ 460,248,437</u>
Metropolitan Sewerage District	<u>\$ 892,725,569</u>	99.93%	<u>\$ 892,068,541</u>
Total Overlapping Debt			<u>\$ 2,418,966,793</u>

Source: Milwaukee County Department of Administration, April 2010 survey of taxing jurisdictions

³ The proportion of indirect debt attributable to the County was determined by calculating the ratio of equalized value (without tax incremental districts) located within the 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 general obligation debt. The amount shown is broken out for the City of Milwaukee that was issued for school purposes

Direct and Indirect Debt ⁴

Dec. 31 Year	Direct County Debt	Milwaukee Metropolitan Sewerage District Debt	Cities, Villages, Schools, and Technical College, Debt	Total Direct and Indirect Debt Year End
2009	\$ 730,205,554	\$ 892,068,541	\$ 1,526,898,252	\$ 2,418,966,793
2008	439,255,699	906,086,611	1,532,230,557	2,877,572,867
2007	452,851,389	768,021,334	1,495,112,978	2,715,985,701
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

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

Year	Population	Equalized Value (TID Included)	Total Direct Debt	Percent of Equalized Value	Per Capita	Total Direct and Indirect Debt	Percent of Equalized Value	Per Capita
2009	931,830	66,836,154,500	730,205,554	1.09%	784	3,149,172,347	4.71%	3,380
2008	938,490	68,224,068,500	439,255,699	0.64%	468	2,877,572,867	4.22%	3,066
2007	937,324	67,119,283,700	452,851,389	0.67%	483	2,715,985,701	4.05%	2,898
2006	936,892	63,609,181,500	457,863,014	0.72%	489	2,637,172,897	4.15%	2,815
2005	938,995	56,680,686,000	469,707,711	0.83%	500	2,491,627,453	4.40%	2,654
2004	939,358	51,153,360,200	488,900,532	0.96%	520	2,418,987,302	4.73%	2,575

⁴ 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.

FINANCIAL INFORMATION

Tax Assessment

The valuation of all real and personal property is the responsibility of the 19 city and village assessors within the 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 2004-2009 (In Millions of Dollars)

	2004	2005	2006	2007	2008	2009
Residential	\$34,014	\$37,975	\$42,355	\$44,453	\$44,934	\$43,426
Commercial	14,182	15,642	18,063	19,336	19,653	19,907
Manufacturing	1,394	1,405	1,439	1,489	1,552	1,487
Agriculture	35	34	34	27	31	29
Total Real Estate	\$49,625	\$55,056	\$61,891	\$65,305	\$66,170	\$64,849
Personal Property	1,528	1,625	1,718	1,814	2,054	1,987
Total Real Estate and Personal Property	\$51,153	\$56,681	\$63,609	\$67,119	\$68,224	\$66,836
Adjustment for TID (Tax Incremental Districts)	(1,428)	(1,787)	(1,969)	(2,637)	(2,952)	(3,157)
Net Real Estate and Personal Property	\$49,725	\$54,894	\$61,640	\$64,482	\$65,272	\$63,679
Population	939,358	938,995	936,892	937,324	938,490	931,830
Equalized Value Per Capita (In Dollars)	\$52,935	\$58,460	\$65,792	\$65,762	\$69,550	\$70,047

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

Property Tax Levies and Collections Last Five Years (In Millions of Dollars)^{5,6}

Levy For Budget Year	Taxes Collectible By County	Collection of Current Year Levy as of December 31	Percent of Current Year Levy as of December 31	Total Tax Collections During the Year	Delinquent Taxes Outstanding as Year-End
2008	\$ 839.90	\$ 824.50	98.17%	\$ 832.80	\$ 15.40
2007	806.90	793.40	98.33%	802.80	14.90
2006	755.80	744.90	98.56%	753.40	10.90
2005	727.70	718.20	98.69%	726.20	9.20
2004	715.40	710.90	99.37%	719.00	7.90

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 16.4 percent of total taxes for the 2009 budget year.

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

Property Tax Levies and Collections Last Five Years – City of Milwaukee (in Thousands of Dollars)⁷

Budget Year	Taxes Levied for the Fiscal Year		Collected for Levy Year			Collections		Total Collections to Date	
	(Original Levy)	Purchase and Adjust	Total Adjusted Levy	Current Tax Collections	Percent Original Levy Collected	Purchased Delinquents Original Levy Year	Total Adjusted Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
2008	\$286,180	\$39,562	\$325,742	\$277,119	96.83%	\$23,952	--	\$301,071	92.43%
2007	265,319	31,317	296,636	257,350	97.00%	18,211	\$15,098	290,659	97.99%
2006	261,685	24,819	286,504	255,818	97.76%	15,647	13,287	284,752	99.39%
2005	248,267	22,970	271,237	242,587	97.71%	14,992	12,290	269,869	99.50%
2004	240,643	22,459	263,102	235,012	97.66%	15,497	11,896	262,405	99.74%

Source: City of Milwaukee Comprehensive Annual Financial Report, 2008.

The City of Milwaukee and the 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 Milwaukee Metropolitan Sewerage District and state taxes levied in the City of Milwaukee.

⁵ Tax levy amounts include taxes for each school district, city or village, sewerage district, technical college and the County for the 18 suburban municipalities. See Property Tax Levies and Collections Last Five Years - City of Milwaukee taxation.

⁶ Total Tax Collections During the Year includes collections for the current fiscal year and delinquent collections from any year during the past ten years.

⁷ Purchase and Adjust column is included because the City of Milwaukee purchases delinquent taxes from other units (the County, Milwaukee Metropolitan Sewerage District, State, Milwaukee Area Technical College and Milwaukee Public Schools).

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 2009 represents the 2008 property tax levy used to finance the County's 2009 budget. The County Board adopted the 2010 budget on November 10, 2009. The levies summarized below include the state forestry tax and other administrative levies used for regional planning and other non-general County purposes.

Property Tax Rates for County Levies 2004 - 2009 (In Millions of Dollars)

	2004	2005	2006	2007	2008	2009
General County Purposes	\$278.7	\$288.3	\$297.3	\$307.0	\$316.0	\$325.1
County Sales Tax Credit	(59.3)	(62.4)	(64.7)	(65.9)	(65.2)	(67.4)
State Forestry Taxes/Other Administrative Levies	10.3	11.1	11.5	12.0	11.4	12.4
Total Net County Taxes	\$229.7	\$237.0	\$244.1	\$253.1	\$262.2	\$270.1
General County Purposes	6.05	5.80	5.42	4.98	4.90	4.98
County Sales Tax Credit	(1.29)	(1.26)	(1.18)	(1.07)	(1.01)	(1.03)
Net General County Purposes	4.76	4.54	4.24	3.91	3.89	3.95
State Forestry Taxes/Other Administrative Levies	0.22	0.22	0.20	0.19	0.17	0.18
Total Net County Taxes	4.98	4.76	4.44	4.10	4.06	4.13

Levy Limits

Property Tax Rate Limit. Section 59.605 of the *Wisconsin Statutes* imposes 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 \$3.20 per \$1,000 of equalized value was established for the County's 2009 general-purpose budget. The tax rate for total operating purposes including the Southeastern Wisconsin Regional Planning Commission levy and other administrative levies was \$3.21 per \$1,000 of equalized value.

Debt Service Levy Rate. The conditions under which the debt service rate may be increased include: approval of issuance of debt at a referendum, adoption of a resolution by the County Board 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) of the *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 \$.92 per \$1,000 of equalized value for the 2009 budget.

The Obligations were authorized by a three-quarters vote of the members-elect of the County Board. The debt service levy rate allowed for the repayment of general obligation debt is not limited under current law.

Levy Limit Legislation. Section 66.0602 of the Wisconsin Statutes, as recently amended by 2009 Wisconsin Act 28, imposes a limit on property tax levies by cities, villages, towns and counties. For the County, the 2009 (payable in 2010) levy limit is three percent plus an adjustment related to the termination of tax increment districts. The tax increment district termination adjustment is 0.0045%.

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 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. In 2007-2008, the statewide average lottery and gaming credit was approximately \$86, and the average credit in the County was \$89.

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. Homestead returns accounted for 12.4 percent of all Milwaukee County returns in fiscal year 2008 (57,942 claims). The average claim made by a County resident was \$580. 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 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 the County, property tax savings due to enactment of the sales and use tax totaled approximately \$155 for the 2009 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 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 the *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.

The utility payment component compensates local governments for costs they incur in providing services to public utilities. These costs cannot be directly recouped through property taxation since utilities are exempt from local taxation and instead are taxed by the state.

The state changed the methodology for calculating the utility payment. Previously, the utility payments to cities and villages were computed at a rate of six mills (\$6 per \$1,000 of net book value), while payments to towns are computed at a rate of three mills. Payments to counties were computed at three mills if the property is located in a city or village or at six mills if the property is located in a town. Starting in 2009, municipalities and counties with power plants that became operational before January 1, 2004 will receive a utility payment based on the higher of the net book value formula amount or the megawatt capacity formula amount. The estimated utility payment component for 2010 is \$2,630,137.

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 2010 budget includes approximately \$37.8 million in anticipated net state shared revenues.

Beginning in 1999, in accordance with Section 48.561(3) of the *Wisconsin Statutes*, 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 Behavioral Health Division budgets. All future budgets, including the 2010 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 the *Wisconsin Statutes*, is administered by the state 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. 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 2009. At this time, there has been no decision to extend the sunset date, although previous budgets have used sales tax revenue to pay costs other than debt service costs and capital improvement financing costs.

In 2005, the Wisconsin Department of Revenue contacted counties to notify them of software defects 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, the 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 the County has been reduced by approximately \$600,000 annually, 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 \$67.4 million for 2009 and \$65.4 million for 2010. Sales tax revenues collected from Milwaukee County retailers for 2009 total approximately \$59.1 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, 2004 Through 2008

(In Thousands of Dollars)

	2004	2005	2006	2007	2008
Revenues:					
Intergovernmental Revenue	\$ 276,179	\$ 275,467	\$ 292,298	\$ 363,920	\$ 355,455
Sales Taxes	58,834	61,646	62,904	62,981	66,695
Property Taxes	220,612	228,628	234,317	243,144	251,495
Interest on Investment & Rents	6,974	7,657	13,448	17,741	15,425
Charges for Services	180,925	213,361	228,898	337,014	367,915
Fines and Forfeitures	3,129	2,823	3,616	3,571	3,375
Licenses and Permits	443	442	634	552	978
Other	26,133	30,205	28,950	26,922	21,505
Total Revenues	\$ 773,229	\$ 820,229	\$ 865,065	\$ 1,055,845	\$ 1,082,843
Expenditures:					
Legislative, Executive and Staff	\$ 38,246	\$ 38,774	\$ 37,729	\$ 36,094	\$ 26,688
Courts and Judiciary	55,748	57,456	56,964	61,120	69,274
General Governmental Services	6,608	8,203	7,731	7,886	7,628
Public Safety	135,596	136,397	136,634	147,082	166,832
Public Works and Highways	16,553	16,532	13,850	16,142	17,495
Human Services	345,157	362,756	394,560	617,455	656,674
Parks, Recreation and Culture	61,640	55,810	56,907	59,282	65,819
Other	11,254	15,981	10,002	3,161	4,265
Total Expenditures	\$ 670,802	\$ 691,909	\$ 714,377	\$ 948,222	\$ 1,014,675
Excess of Revenues Over Expenditures	\$ 102,427	\$ 128,320	\$ 150,688	\$ 107,623	\$ 68,168
Other Financing Sources (Uses): [1]					
Capital Lease Issued	\$	\$	\$	\$	\$ 3,252
Operating Transfers To Other Funds	(101,506)	(107,054)	(128,983)	(93,524)	(64,093)
Operating Transfers To Components Units	(6,359)	(6,216)	(6,459)	(6,356)	(6,531)
Total Other Financing Uses	\$ (107,865)	\$ (113,270)	\$ (135,442)	\$ (99,880)	\$ (67,372)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (5,438)	\$ \$15,050	\$ \$15,246	\$ \$7,743	\$ \$796
Fund Balance-January 1	\$ \$14,422	\$ \$8,984	\$ \$24,034	\$ \$40,531 (2)	\$ \$48,274
Fund Balance-December 31	\$ \$8,984	\$ \$24,034	\$ \$39,280	\$ \$48,274	\$ \$49,070

Source: Derived from audited financial statements included in the Milwaukee County Comprehensive Annual Financial Reports, 2004 – 2008.

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

[2] Restated the beginning balance of 2007 for the addition of Behavioral Health to the General Fund.

Milwaukee County
Five-Year Summary of Revenues, Expenses and Changes In Retained Earnings – All Proprietary Funds
For The Years Ended December 31, 2004 Through 2008
(In Thousands of Dollars)

	2004	2005	2006	2007	2008
Operating Revenues:					
Charges for Services	\$ 180,953	\$ 186,047	\$ 193,183	\$ 148,734	\$ 197,294
Other	15,204	17,651	20,948	4,689	3,866
Total Operating Revenues	<u>196,157</u>	<u>203,698</u>	<u>214,131</u>	<u>153,423</u>	<u>201,160</u>
Operating Expenses:					
Personnel Services	\$ 218,733	\$ 224,083	\$ 232,138	\$ 166,497	\$ 166,090
Contractual Services	53,583	56,690	57,807	54,287	59,215
Intra County Services	15,312	16,475	15,586	12,452	16,320
Commodities	20,742	25,610	26,333	19,421	26,198
Depreciation	35,757	35,801	36,359	34,778	34,589
Maintenance	2,033	2,739	3,326	2,293	2,084
Insurance	--	5,533	5,753	6,881	7,551
Other	70,354	74,463	83,928	6,238	5,006
Total Operating Expenses	<u>416,514</u>	<u>441,394</u>	<u>461,230</u>	<u>302,847</u>	<u>317,053</u>
Operating Income (Loss):	<u>(220,357)</u>	<u>(237,696)</u>	<u>(247,099)</u>	<u>(149,424)</u>	<u>(115,893)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	\$ 133,543	\$ 141,291	\$ 149,038	\$ 83,099	\$ 89,385
Net Interest Expense	(9,207)	(7,814)	(8,139)	(7,872)	(9,776)
Total Nonoperating Revenues	<u>124,336</u>	<u>133,477</u>	<u>140,889</u>	<u>75,227</u>	<u>79,609</u>
Income (Loss) Before Operating Transfers	(96,021)	(104,219)	(106,200)	(74,197)	(36,284)
Net Capital Contributions	\$ 29,802	\$ 10,537	\$ 8,271	\$ 13,511	\$ 13,291
Net Operating Transfers From Other Funds	<u>76,433</u>	<u>80,160</u>	<u>96,429</u>	<u>52,750</u>	<u>18,098</u>
Net Income (Loss):	10,214	(13,522)	(1,500)	(7,936)	(4,895)
Fund Equity/Retained Earnings-Jan. 1:	<u>238,125</u>	<u>248,339</u>	<u>234,817</u>	<u>228,992*</u>	<u>221,056</u>
Fund Equity/Retained Earnings-Dec. 31:	<u>\$ 248,339</u>	<u>\$ 234,817</u>	<u>\$ 233,317</u>	<u>\$ 221,056</u>	<u>\$ 216,161</u>

* Restated the beginning balance of 2007 for the addition of Behavioral Health to the General Fund.

Source: Derived from Milwaukee County Comprehensive Annual Financial Reports

**Milwaukee County
2009 and 2010 Adopted Budgets**

	2009 Adopted Budget	2010 Adopted Budget
<u>Expenditures</u>		
Legislative & Executive	12,022,820	12,004,448
Administration	39,434,204	36,963,357
Courts & Judiciary	68,579,249	71,080,851
Public Safety	168,628,930	166,403,481
General Government	7,228,296	7,707,691
Transportation and Public Works	262,232,280	262,554,748
Health & Human Services	666,515,113	611,970,759
Parks, Recreation & Culture	75,278,719	73,614,894
Debt Service	68,638,134	67,462,033
County-Wide Non-Departmentals	-53,303,643	-58,989,973
Capital Improvements	77,822,066	208,444,189
Trust Funds	1,024,490	1,075,045
Total Expenditures	\$1,394,100,658	\$1,460,291,523
<u>Revenues</u>		
Operating		
Sales Tax	67,435,903	65,362,190
Bond Proceeds	176,349	176,349
Other Direct Revenue	475,476,564	459,699,973
State Shared Revenue	37,733,754	37,872,201
Remaining State Revenue	334,911,577	270,004,166
Total Federal Revenue	59,749,159	76,260,545
Indirect Revenue	75,211,472	75,179,532
Prior Year Surplus (Deficit)	7,946,529	4,144,018
Operating Revenue Subtotal	\$1,058,641,307	\$988,698,974
Capital Improvement		
Sales Tax	420,000	420,000
Bond Proceeds	34,993,761	83,408,448
Other Direct Revenue	13,252,690	37,496,201
Remaining State Revenue	5,452,690	9,486,229
Total Federal Revenue	23,702,925	77,516,930
Capital Improvement Revenue Subtotal	\$77,822,066	\$208,327,808
Property Tax Levy	\$257,637,285	\$263,264,741
Total Revenues	\$1,394,100,658	\$1,460,291,523

2010 Adopted Capital Improvements Budget
- 1st 2010 Financing

Project	Description	Capitalized Interest	2010 Adopted Capital	2010 Adopted	Reimbursement Revenue	Net County Contribution	Sales Tax Revenue	Investment Earnings	Miscellaneous Revenue/Sale of Asset	Private Contribution	Property Tax Levy	PFC Revenue/Airport Reserve	Bonds
TRANSPORTATION AND PUBLIC WORKS													
Mass Transit													
WT02701	Fare Box Renovation	0	7,000,000	7,000,000	7,000,000	0	0	0	0	0	0	0	0
WT04001	New Annunciators	0	2,200,000	2,200,000	2,200,000	0	0	0	0	0	0	0	0
2	Total Mass Transit	\$0	\$9,200,000	9,200,000	9,200,000	0	0	0	0	0	0	0	0
Airport													
WA07201	LJT R/W & TW Rehabilitation	0	275,000	275,000	268,125	6,875	0	0	0	0	0	6,875	0
WA09401	Runway Safety Area - NEPA Compliance	0	28,834,630	28,834,630	25,230,301	3,604,329	0	0	0	0	0	0	3,604,329
WA12301	GMIA Runway Safety Improvements	0	200,000	200,000	175,000	25,000	0	0	0	0	0	25,000	0
WA13601	LJT - Terminal Parking Lot Repaving & Relighting	0	512,000	512,000	409,600	102,400	0	0	0	0	0	102,400	0
WA14201	LJT RW 15L-33R Ext -Environment Documentation	0	200,000	200,000	195,000	5,000	0	0	0	0	0	5,000	0
5	Total Airport	0	30,021,630	30,021,630	28,278,026	3,743,604	0	0	0	0	0	139,275	3,604,329
7	Total TRANSPORTATION AND PUBLIC WORKS	\$0	\$39,221,630	\$39,221,630	\$35,478,026	\$3,743,604	\$0	\$0	\$0	\$0	\$0	\$139,275	\$3,604,329
PARKS, RECREATION AND CULTURE													
Parks, Recreation, & Culture													
WP057	Dog Parks	0	250,000	250,000	0	250,000	0	0	0	0	0	0	250,000
WP069	Countywide Play Area Redevelopment Program	25,000	1,210,000	1,235,000	0	1,235,000	0	13,000	0	0	0	0	1,222,000
WP129042	Basketball Courts	10,000	585,000	585,000	100,000	485,000	0	5,000	0	0	0	0	480,000
WP129052	Tennis Courts	7,000	320,000	327,000	0	327,000	0	4,000	0	0	0	0	323,000
WP173	Hoyt Park	30,000	8,000,000	8,030,000	0	8,030,000	0	16,000	0	6,500,000	0	0	1,514,000
WP16707	Wilson Park Recreation Center Restroom Renovation	5,000	210,000	215,000	0	215,000	0	3,000	0	0	0	0	212,000
WP180	Shendan Park Electrical System Replacement	0	216,000	216,000	0	216,000	0	0	0	0	0	0	216,000
6	Total Parks, Recreation, & Culture	\$77,000	\$10,791,000	\$10,868,000	\$100,000	\$10,768,000	\$0	\$41,000	\$0	\$6,500,000	\$0	\$0	\$4,227,000
Museum													
WMOO301	Electrical Distribution Replacement	8,000	400,000	408,000	0	408,000	0	5,000	0	0	0	0	403,000
WMOO501	Museum Air Handling and Piping Replacement	17,000	850,000	867,000	0	867,000	0	9,000	0	0	0	0	858,000
2	Total Museum	\$25,000	\$1,250,000	\$1,275,000	\$0	\$1,275,000	\$0	\$14,000	\$0	\$0	\$0	\$0	\$1,261,000
Zoological Department													
WZ03901	Zoomobile Replacement	7,000	304,456	311,456	0	311,456	0	4,000	0	0	0	0	307,456
WZ04001	Polar Bear & Seal Exhibit Shade Structure	5,000	201,988	206,988	0	206,988	0	3,000	0	0	0	0	203,988
	Winter Quarters Barns Renovations (Camel Alpaca)	6,000	295,455	301,455	0	301,455	0	4,000	0	0	0	0	297,455
3	Total Zoological Department	\$18,000	\$801,899	\$819,899	\$0	\$819,899	\$0	\$11,000	\$0	\$0	\$0	\$0	\$608,899
11	Total PARKS, RECREATION AND CULTURE	\$120,000	\$12,842,899	12,962,899	100,000	12,862,899	0	66,000	0	6,500,000	0	0	6,296,899
HEALTH AND HUMAN SERVICES													
Behavioral Health													
WE03301	Behavioral Health Facility	247,000	12,349,494	12,596,494	0	12,596,494	0	126,000	0	0	0	0	12,470,494
1	Total Behavioral Health	\$247,000	\$12,349,494	12,596,494	0	12,596,494	0	126,000	0	0	0	0	12,470,494
1	Total HEALTH AND HUMAN SERVICES	247,000	12,349,494	12,596,494	0	12,596,494	0	126,000	0	0	0	0	12,470,494
GENERAL GOVERNMENT													
Courthouse Complex													
	Courthouse Light Court Window Replacement	17,000	840,000	857,000	0	857,000	0	9,000	0	0	0	0	848,000
1	Total Courthouse Complex	17,000	840,000	857,000	0	857,000	0	9,000	0	0	0	0	848,000
Other Agencies													
WO038012	Marcus Center HVAC Upgrade - Phase 2	10,000	500,000	510,000	0	510,000	0	6,000	0	0	0	0	504,000
WO06001	Doctor Park - Parking Lot	0	390,000	390,000	0	390,000	0	0	0	0	0	0	390,000
WO06701	Holler Park Pavilion LL Restrooms Replacement	4,000	171,952	175,952	0	175,952	0	2,000	0	0	0	0	173,952
WO098011	Legislative Workflow and Public Access Program	0	116,381	116,381	0	116,381	0	0	0	116,381	0	0	0
WO112	Fleet General Equipment	0	6,635,000	6,635,000	0	6,635,000	0	0	0	0	0	0	6,635,000
WO20502	Capital Monitoring Database	2,000	450,000	452,000	0	452,000	150,000	2,000	200,000	0	0	0	100,000
WO215	Storage Expansion	5,000	201,193	206,193	0	206,193	0	3,000	0	0	0	0	203,193
WO21601	Thin Client	4,000	447,200	451,200	0	451,200	0	3,000	0	0	0	0	448,200
WO218	Infrastructure Replacement	5,000	211,293	216,293	0	216,293	0	3,000	0	0	0	0	213,293
WO219	Narrowband Conversion	40,000	2,000,000	2,040,000	0	2,040,000	0	21,000	0	0	0	0	2,019,000
WO44401	MCSO - Electronic Medical Records System	0	188,700	188,700	0	188,700	0	0	188,700	0	0	0	0
WO44401	MCSO - Electronic Medical Records System	52,000	2,585,849	2,638,849	0	2,638,849	0	27,000	0	0	0	0	2,611,849
WO50101	War Memorial Center North Entrance	5,000	264,000	269,000	0	269,000	0	3,000	0	26,400	0	0	239,600
WO606	Rewire County Facilities	12,000	600,000	612,000	0	612,000	0	7,000	0	0	0	0	605,000

2010 Adopted Capital Improvements Budget
 - 1st 2010 Financing

Project	Description	Capitalized Interest	2010 Adopted Capital	2010 Adopted	Reimbursement Revenue	Net County Contribution	Sales Tax Revenue	Investment Earnings	Miscellaneous Revenue/Sale of Asset	Private Contribution	Property Tax Levy	PFC Revenue/Airport Reserve	Bonds
WO620	Greenfield Public Safety Communications	3,000	203,000	206,000	0	206,000		2,000	75,000				129,000
WO870	County Special Assessments		250,000	250,000	0	250,000	250,000				0		0
WO950	Milwaukee County Public Art Program		406,682	406,682	0	406,682	20,000						386,682
15	Total Other Agencies	\$142,000	\$15,822,250	\$15,764,250	\$0	\$15,764,250	\$420,000	\$79,000	\$463,700	\$26,400	\$116,381	\$0	\$14,658,769
16	Total GENERAL GOVERNMENT	159,000	16,462,250	16,621,250	0	16,621,250	420,000	88,000	463,700	26,400	116,381	0	15,506,769
35	Grand Total 2010 Requested Capital Improvements	526,000	80,876,273	81,402,273	35,578,026	45,824,247	420,000	280,000	463,700	6,526,400	116,381	139,275	37,878,481
30	Total Excluding Airports	526,000	50,854,643	51,380,643	9,300,000	42,080,643	420,000	280,000	463,700	6,526,400	116,381	0	34,274,162
WO620	Greenfield Public Safety Communications	3,000	200,000	203,000	0	203,000		2,000	75,000		0		126,000
													34,400,162

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APPENDIX A

ANNUAL FINANCIAL STATEMENTS

The County is audited annually by an independent public accounting firm. This appendix presents excerpts from the County's audited Basic Financial Statements for the fiscal year ended December 31, 2008. Copies of the County's complete Comprehensive Annual Financial Report are available on-line at:

<http://www.county.milwaukee.gov/ComprehensiveAnnualF12237.htm>

COMPREHENSIVE ANNUAL FINANCIAL REPORT

COUNTY OF MILWAUKEE

WISCONSIN

FOR THE YEAR ENDED DECEMBER 31, 2008

Prepared by:
Department of Administrative Services
Fiscal Affairs Division



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**COUNTY OF MILWAUKEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended December 31, 2008**

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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, 2008, which collectively comprise the County of Milwaukee's basic financial statements as listed in the table of contents. 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, and the Milwaukee County Research Park Corporation, which represent 40 percent and 37 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, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. The financial statements of the Milwaukee Public Museum, Inc., the Milwaukee County War Memorial Center, Inc., the Marcus Center for the Performing Arts and the Milwaukee County Research Park Corporation were not audited in accordance with *Government Auditing Standards*.

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, 2008, 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

As described in Note 1, the County of Milwaukee has implemented Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*, as of December 31, 2008.

In accordance with *Government Auditing Standards*, we have issued our report dated July 23, 2009 on our consideration of the County of Milwaukee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information as listed on the table of contents 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 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, as listed in the table of contents, 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.

The "Letter of Transmittal" and "Statistical Section" as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County of Milwaukee, Wisconsin. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on such information.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 23, 2009

Management's Discussion and Analysis
Required Supplementary Information
(Unaudited)

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, 2008. 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 \$ 332,018 on a government-wide basis as of December 31, 2008. The unrestricted net assets of the County were a negative \$ (149,170).
- For the fiscal year, program and general revenues of the County's governmental activities totaled \$ 1,132,878. Expenses totaled \$ 1,185,394 including operating transfers out of \$ 16,103.
- For 2008, revenues of the County's business-type activities were \$ 247,705 including operating transfers in of \$ 16,103. Expenses totaled \$ 252,157.

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, 2008, the County's governmental funds reported combined ending fund balances of \$ 116,869, as compared to \$ 116,278 for the year ended December 31, 2007.
- As of December 31, 2008, unreserved fund balance for the General Fund was \$ 9,989 or 0.9% of total General Fund expenditures. At the end of the 2007 fiscal year the unreserved fund balance of the General Fund was \$ 8,290.

FINANCIAL HIGHLIGHTS (CONTINUED):

Highlights for Fund Financial Statements (Continued)

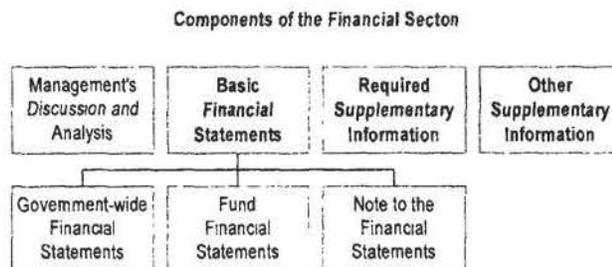
- The County's enterprise funds had combined net assets of \$ 199,145 as of December 31, 2008, compared to \$ 203,597 as of December 31, 2007.

General Financial Highlights

- In June 2008, the County issued \$ 30,860 of General Obligation Bonds to finance various capital needs.
- In January 2008, the County entered into a capital lease agreement for \$4,842 of machinery and equipment designed to improve the energy efficiency of various County facilities.

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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 2008. 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, courts and judiciary services, general government, public safety, public works and highways, human services, and parks, recreation and culture. The business-type activities of Milwaukee County include the Airports and the Transit System.

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

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

The government-wide financial statements can be found on pages 51-53 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 nine 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. These non-major governmental funds are all special revenue funds of the County.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds (Continued)

The governmental fund financial statements can be found on pages 54-58 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 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 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 59-61 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 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Fiduciary funds (Continued)

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 62-63 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 66-143 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 and other post-employment benefits to its employees.

Required supplementary information can be found on pages 144-148 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 149-165 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 \$ 332,018 at the close of the fiscal year. The County's net assets decreased for this fiscal year by \$ 56,968.

County of Milwaukee, Wisconsin						
Net Assets						
(In Thousands)						
	Governmental Activities		Business-type Activities		Primary Government Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 553,945	\$ 542,452	\$ 92,393	\$ 110,524	\$ 646,338	\$ 652,976
Long-Term Assets	10,717	3,318	3,431	1,844	14,148	5,162
Capital Assets	627,221	620,693	354,458	360,292	981,679	980,985
Total Assets	1,191,883	1,166,463	450,282	472,660	1,642,165	1,639,123
Current Liabilities	497,632	481,335	45,034	50,994	542,666	532,329
Long-term Liabilities	561,378	499,739	206,103	218,069	767,481	717,808
Total Liabilities	1,059,010	981,074	251,137	269,063	1,310,147	1,250,137
Net Assets:						
Invested in Capital Assets, Net of Related Debt	222,474	207,437	177,253	182,931	399,727	390,368
Restricted	62,346	55,800	19,115	18,170	81,461	73,970
Unrestricted	(151,947)	(77,848)	2,777	2,496	(149,170)	(75,352)
Total Net Assets	\$ 132,873	\$ 185,389	\$ 199,145	\$ 203,597	\$ 332,018	\$ 388,986

The largest portion of the County's net assets 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 2008, the balance of capital assets net of related debt was \$ 399,727. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Indirectly, the depreciation of capital assets is an expense for proprietary funds and therefore, as an expense, is available to be reimbursed through user fees of those funds.

The restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets at the end of 2008 totaled \$ 81,461. This amount is subject to external restrictions, some of which include debt service, airport

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

passenger facility charges (PFC) revenue and the airports capital projects. The airport PFC revenue is restricted for airport bond repayment and future airport capital needs.

The increase in the net assets restricted for Debt Service accounts for \$5,637 of the increase in restricted net assets. Transferring funds to the Debt Service Reserve requires County Board approval.

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 \$ (149,170) at the end of 2008. The unrestricted net assets decreased by \$ 73,818 in 2008. A significant factor in this decrease was the recognition of \$ 59,488 in expenses during 2008 for other post-employment benefits (OPEB) costs as required by GASB Statement No. 45. OPEB expenses represent estimated post-retirement health care costs for current employees.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

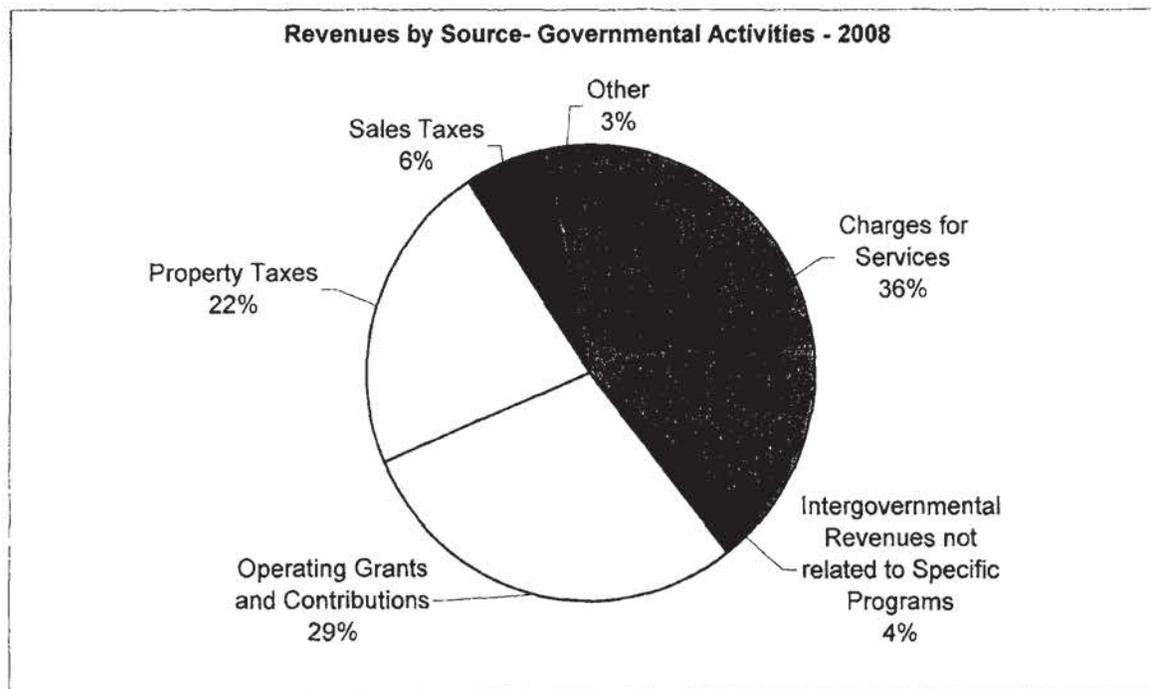
Statement of Activities

The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2008 and 2007:

	Summary of Changes in Net Assets (In Thousands)					
	Governmental Activities		Business-type Activities		Primary Government Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 407,870	\$ 372,400	\$ 130,722	\$ 117,002	\$ 538,592	\$ 489,402
Operating Grants and Contributions	329,573	340,634	88,522	82,548	418,095	423,182
Capital Grants and Contributions	6,395	3,229	10,923	9,532	17,318	12,761
General Revenues:						
Property Taxes	251,495	243,144	-	-	251,495	243,144
Sales Taxes	67,112	63,613	-	-	67,112	63,613
Intergovernmental Revenues not Related to Specific Programs	39,734	42,387	-	-	39,734	42,387
Investment Income and Rents	13,516	16,329	1,417	2,070	14,933	18,399
Gain on Sale of Capital Assets	146	96	18	29	164	125
Other-Revenue	17,037	22,997	-	-	17,037	22,997
Total Revenues	1,132,878	1,104,829	231,602	211,181	1,364,480	1,316,010
Expenses:						
Legislative, Executive, and Staff	54,395	70,318	-	-	54,395	70,318
Courts and Judiciary	67,435	64,486	-	-	67,435	64,486
General Governmental Services	8,912	8,545	-	-	8,912	8,545
Public Safety	180,186	178,063	-	-	180,186	178,063
Public Works and Highways	81,522	80,433	-	-	81,522	80,433
Human Services	675,169	637,120	-	-	675,169	637,120
Parks, Recreation, and Culture	85,321	81,779	-	-	85,321	81,779
Other	-	6,996	-	-	-	6,996
Interest	16,351	15,964	-	-	16,351	15,964
Airport	-	-	77,432	68,401	77,432	68,401
Transit	-	-	174,725	169,557	174,725	169,557
Total Expenses	1,169,291	1,143,704	252,157	237,958	1,421,448	1,381,662
Change in Net Assets Before Transfers	(36,413)	(38,875)	(20,555)	(26,777)	(56,968)	(65,652)
Transfers	(16,103)	(19,073)	16,103	19,073	-	-
Change in Net Assets	(52,516)	(57,948)	(4,452)	(7,704)	(56,968)	(65,652)
Net Assets- Beginning of the Year	185,389	243,337	203,597	211,301	388,986	454,638
Net Assets- End of the Year	\$ 132,873	\$ 185,389	\$ 199,145	\$ 203,597	\$ 332,018	\$ 388,986

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities



Revenues for the County's governmental activities were \$ 1,132,878 for the fiscal year 2008, representing an increase of \$ 28,049, or 2.5%, over fiscal year 2007. Sources of revenue for 2008 as a percentage of total revenues are shown above. Charges for Services constitute the largest source of County revenues, amounting to \$ 407,870 for fiscal year 2008, an increase of \$ 35,470 over 2007. Charges for services represent collections from those who directly benefit from County services. Department on Aging Care Maintenance Organization (CMO) revenues from Charges for Services increased by \$ 17,138 over the prior year due to an increase in the number of participants in the CMO program and an increase in the rates charged for services. Charges for Services revenue from the County's General Assistance Medical Program (GAMP) increased \$ 17,819 from the prior year due in part to the reclassification of GAMP payments from Operating Grants and Contributions to Charges for Services.

Property tax revenue increased by \$ 8,351 over the prior year; however, property tax revenue as a percent of total governmental activity revenues remained constant at 22.0%

Operating grants and contributions continue to support a significant portion of County services with \$ 329,573 of revenue in 2008. Operating grants and contributions

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

generally represent federal and state grant revenues. \$ 259,845 of the 2008 operating grants and contributions supported human service programs. As stated above, the reclassification of GAMP program payments to charges for services reduced operating grants and contributions by \$ 17,819.

Other revenue decreased \$ 5,960 due primarily to the reclassification of several revenue categories from miscellaneous revenues to charges for services and operating grants and contributions. Other revenues reported in the Statement of Activities for governmental activities are significantly lower than the amount reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds. This is due to the reclassification of other revenues in the Governmental Fund statements to appropriate functional categories in the Statement of Activities.

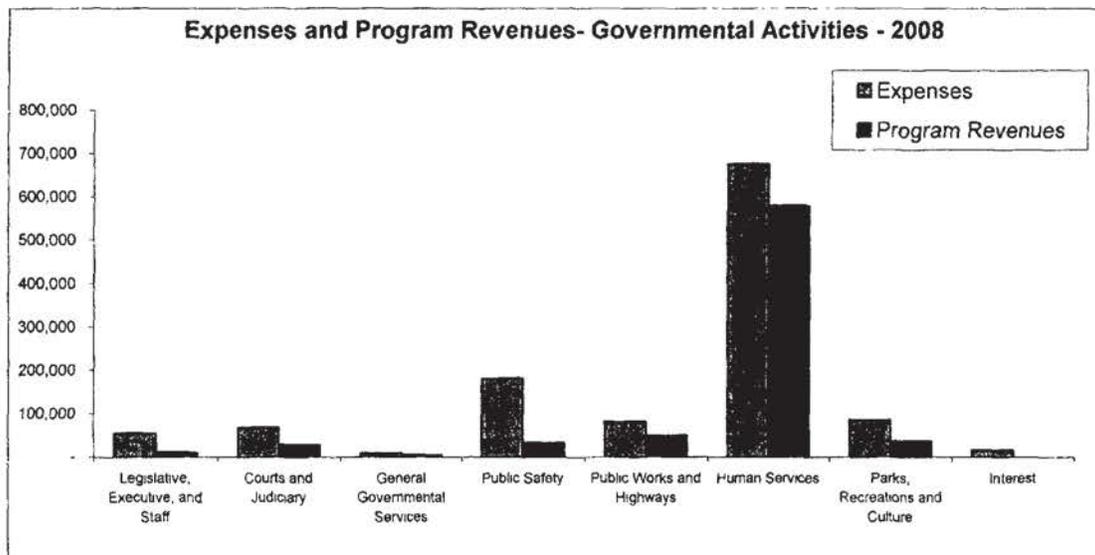
Total expenses for all of the County's governmental activities for the fiscal year 2008 were \$ 1,169,291, representing an increase of \$ 25,857 or 2.2% over 2007. As the chart below indicates, human service programs continue to represent the County's largest expense category, totaling \$ 675,169 in 2008, an increase of \$ 38,049 over 2007. In 2007, the County's Housing Division was reported as a Legislative, Executive and Staff expense. In 2008, Housing expenses were reclassified to the Human Services category accounting for \$ 17,177 of the increase in Human Services expenses and a similar decrease in Legislative, Executive and Staff expense. Aging CMO costs increased \$22,258 over the prior year due to increased participation in the program. The net tax contribution for human services in 2008 was \$ 95,412, a 2.7% decrease from 2007.

Public Safety represents the second largest expense category totaling \$ 180,186 for the operation of correctional facilities, pre-trial holding facilities, county sheriff services, the district attorney and the medical examiner. Public Safety expenses increased by \$ 2,123, or 1.2% over the prior year. The net 2008 tax contribution for Public Safety was \$ 147,083, a 3.5% decrease from the 2007.

In response to a recommendation from the Government Finance Officers Association, the County eliminated the "Other" expense category in 2008. All non-departmental expenses that had previously been reported in this category were reclassified to a functional expense category. Other expenditures are still reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds as they are considered non-departmental in nature for the County's budgeting purposes.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



Business-type activities

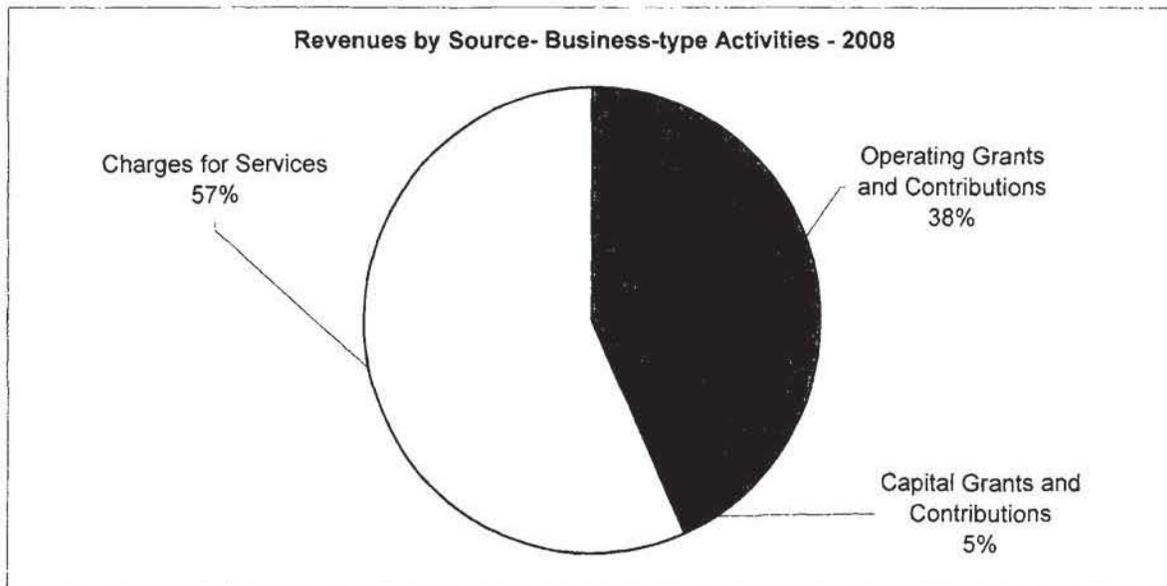
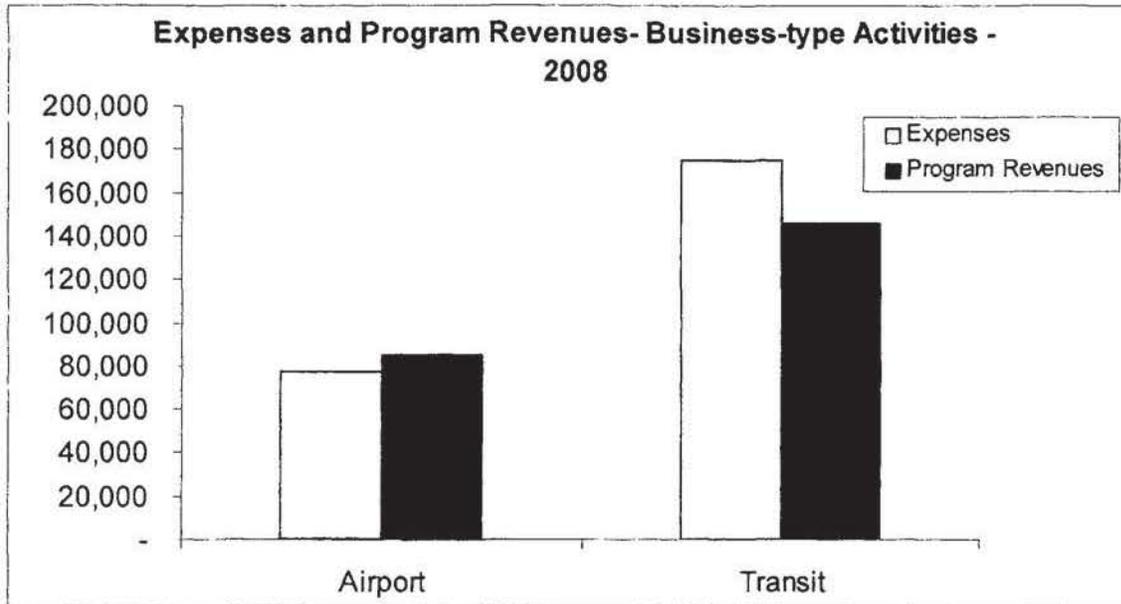
In 2008, the Airports revenue from fees charged to airlines for use of the airports, including fees received from ancillary services of the airports, exceeded its annual operating costs by \$ 5,407. Charges for Services revenue from the Airport increased by \$ 9,662, or 15.0% over the prior year. Operating transfers are negligible for the Airports.

The Transit System requires operating assistance from the governmental activities funds to balance its revenues and expenses. Total governmental activity operating support through operating transfers for the Transit System was \$ 18,764 for fiscal year 2008. Total state and federal grants for the Transit System was \$ 88,522 for 2008, an increase of \$ 6,009 over 2007. Direct support from users of the Transit System was \$ 53,315 or 30.7% of total expenses. The Transit System used federal grant funds of \$ 21,110 to purchase capital assets and pay for maintenance parts and tires. State funding of \$ 67,375 was used to cover general operating costs.

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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, 2008, the County's governmental funds reported combined ending fund balances of \$ 116,869. *Unreserved fund balance* of \$ 9,989 represents 8.5% of the total 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 \$ 1,012 for inventories, \$ 20,944 for encumbrances, \$ 10,757 for debt service, \$ 7,947 for 2009 appropriations, \$ 4,144 for 2010 appropriations, \$ 9,344 for the Behavioral Health Division, \$ 6,142 for the Department of Aging Care Maintenance Organization, \$ 10,487 for delinquent property taxes, and \$ 36,103 for endowments, bequests, restricted donations, and restricted user fees.

Restricted user fees are Airport passenger facilities charges (PFC) collected by airlines that are restricted for revenue bond debt and or future capital needs of the Airports. These fees are recorded in the non-major governmental funds. The general, debt service, and capital projects funds are reported as major funds.

The general fund is the chief operating fund of the County. At December 31, 2008, unreserved fund balance of the general fund was \$ 9,989 while total fund balance was \$ 49,070. 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 0.9% of total fund expenditures, while total fund balance represents 4.3% of that same amount.

The fund balance of the County's general fund increased by \$ 796 during the 2008 fiscal year. *Cost saving measures*, an increase in the amount designated for delinquent property taxes, and an increase in the amount designated for investments contributed to the increase in fund balance.

The debt service fund has a total fund balance of \$ 10,757 all of which is reserved for the payment of debt service. The net increase in the debt service reserve for the current year was \$ 4,686. The reserve was used in 2007 for debt service interest costs, but was replenished with a \$ 7,125 transfer from the general fund as approved by the County Board.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (CONTINUED)

Governmental funds (Continued)

The capital projects fund has a total fund balance of \$ 11,595 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 \$ 6,388. The fund balance decreased in 2008 due to County expenditures of prior years' bond proceeds.

Proprietary funds.

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

At the end of 2008, unrestricted net assets of the two major funds, the Airports and the Transit System, totaled \$ 2,777. Total net assets of these same two major funds were \$ 199,145 at the end of 2008, compared to \$ 203,597 at the end of 2008. The total net assets for the Airports increased by \$ 5,917 while total net assets for the Transit System decreased by \$ 10,369.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary Basis
For the Year Ending December 31, 2008
(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	\$ 317,099	\$ 317,099	\$ 318,190	\$ 1,091
Intergovernmental Revenue	360,549	376,006	355,455	(20,551)
Charges for Services	359,465	368,407	372,268	3,861
Other	50,529	55,333	45,083	(10,250)
Total	\$1,087,642	\$1,116,845	\$1,090,996	\$(25,849)
<u>Expenditures and Other Uses</u>				
Expenditures	\$1,017,840	\$1,061,887	\$1,024,112	\$ 37,775
Transfers	69,802	54,958	70,624	(15,666)
Total	\$1,087,642	\$1,116,845	\$1,094,736	\$ 22,109
Change in Fund Balance	\$ -	\$ -	\$ (3,740)	\$ (3,740)

As shown above, expenditures and other financing uses exceeded revenues and other financing sources by \$ 3,740 in the General Fund for the year ended December 31, 2008. This table is based on a budgetary basis presentation. The budgetary basis of

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

actual revenues and expenditures presented above differs from the combined statement of revenues, expenditures, and changes in net assets due to the inclusion of encumbrances of \$ 9,437 in expenditures offset by the inclusion of the contribution from reserves for 2008 appropriations of \$ 4,901.

Actual General Fund revenues were below the budgeted revenues by \$ 41,869 during fiscal year 2008. Variances between budget and actual amounts for taxes and intergovernmental revenues were less than 1.0% of the amount budgeted.

Intergovernmental revenues were \$ 20,551, or 5.5%, below the final budget amount for 2008. Elimination of interdepartmental charges accounts for \$10,701 of the revenue shortfall. These interdepartmental charges represent amounts charged by the County's Behavioral Health Division to the County's Department of Health and Human Services for youth wraparound services. A change in State funding for the Medical Assistance Transportation program accounts for another \$ 7,287 of the shortfall.

Other Revenues fell short of the budget by \$ 26,270, or 36.8% of the final budget amount. The elimination of interdepartmental revenues accounts for \$ 8,890 of the shortfall. The interdepartmental revenues represent amounts charged to County departments for central services including the Department of Audit, the Department of Administrative Services – Fiscal and Budget Division, and the Treasurer's Office. Revenue from sale of County-owned land was \$ 7,245 below budget in 2008. Other revenues from the House of Correction were \$ 1,831 under budget due to a delay in the expansion of the home detention program.

General Fund departmental spending was \$ 37,775, or 5.5%, below the amount budgeted while transfers to other funds exceeded the budget by \$ 15,666. The following General Fund departments were below budgeted expenditures by more than \$ 1,000 for 2008: District Attorney \$ 1,360, County Health Related Programs \$ 1,466, Department on Aging \$ 1,196, Behavioral Health Division \$ 3,533, Human Services \$ 19,711, Parks \$ 1,946, and Zoo \$ 1,105. General Fund departments that exceeded the budgeted amount by more than \$1,000 are as follows: House of Correction \$ (2,914), and Department on Aging CMO \$ (2,276).

Transfers to Other Funds represent amounts transferred to other funds such as debt service, capital projects, internal service funds, and transit. When revenues fall short of expenditures in each of these funds, the County uses non-departmental revenues such as property tax and state shared revenue to provide financial support to these other funds. The revenue is allocated through an operating transfer from the General Fund.

There are three basic reasons for variances 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

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

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 \$ 29,203 difference between the original budget revenue of \$ 1,103,662 and the final budget revenue of \$ 1,132,865 is due primarily to the following:

- An increase of \$ 4,754 from financing for performance-based lease contracts for improvement of Department of Health and Human Services (DHHS), Parks and Zoo facilities.
- Increase of \$ 8,711 in capitation reimbursement revenue to the Dept of Aging for providing Care Management Organization (CMO) services, with an offsetting decrease in revenue of \$ 275 for non-medical assistance level of services.
- Increase in revenue of \$ 750 from Milwaukee Public Museum insurance settlement regarding long-term operational and financial solvency.
- Recognition of \$ 820 in homeland security grant revenue from the Wisconsin Office of Justice Assistance.
- Increase in revenue of \$ 3,958 resulting from additional payments received from the sale of Doyne Hospital.
- Decrease in revenue of \$ 1,109 due to the lapsing of various capital projects into the debt reserve.
- An increase of \$ 12,248 in revenue based on State contract allocations for various Department of Health and Human Services (DHHS) programs.
- An increase of \$ 628 in revenue resulting from an award of damages related to the Courthouse Annex asbestos remediation project.

The difference between the original budget expenditures of \$ 1,039,178 (before transfers) and the final budget expenditures of \$ 1,083,225 (before transfers) resulted in an increased appropriation of \$ 44,047 due primarily to the following:

- Expenditure increase of \$ 4,754 for the Department of Health and Human Services (DHHS), Parks and the Zoo to finance performance based lease contracts of \$ 4,622 and staff costs of \$ 132 for the improvement of facilities.
- Expenditure increase of \$ 8,031 for the Dept of Aging CMO services, including provider rate increases of \$ 7,555, personal service costs of \$ 229, and related administrative costs of \$ 247.
- Increase of \$ 600 in expenses for the creation, maintenance and enhancement of the County's Automated Land Information System.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

- Increase in funding of \$ 820 from a Homeland Security Grant to improve security at County facilities, improve bomb squad capabilities and enhance disaster recovery systems.
- Increase in Appropriation for Contingencies of \$ 604 for Workers Compensation expenses due to increased medical costs, increased severity of injuries and the resulting lost work time payments.
- Increase of \$ 798 in expenditures due to increased wages and social security costs resulting from a settlement with the Deputy Sheriff Association.
- An increase in expenditures of \$ 13,624 for various Department of Health and Human Services (DHHS) programs based on State contract allocations.

Transfers also represent the net budgeted funds to be provided by the General Fund to provide support to the remaining governmental fund departments, proprietary fund departments, and component units (original budget of \$ 69,802 and amended budget of \$ 54,958). The net contribution actually made by the General Fund to other funds was \$ 70,624. The General Fund collects all of the property tax and sales tax revenues of the County, which was \$ 318,607 for 2008. The General Fund also collected intergovernmental revenues not related to a specific program of \$ 39,734. 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, which 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, 2008 was \$ 981,679 (net of accumulated depreciation of \$ 947,781). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure and leased equipment. All infrastructure assets of the County are included in this report. The County's total investment in capital assets for the current fiscal year decreased by 0.3% (a 1.0% increase in governmental activities and a 1.4% decrease for business-type activities).

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Major capital asset events in the current year included the following:

- Transportation and Public Works projects comprised the largest functional area of capital projects in 2008. Major projects included bridge repairs throughout the County for \$ 3,568, reconstruction on West Good Hope Road for \$ 4,486, Hampton Avenue reconstruction for \$ 1,863, and Mill Road reconstruction for \$2,458.
- Major Parks projects included the Lincoln Park Family Aquatic Center for \$ 2,288 and improvements to the Wilson Park Recreation center for \$ 1,156.
- The Airport continued improvements on its inline baggage screening system in 2008 for \$ 5,258.
- The County's Fleet Division invested \$ 8,701 in new vehicles and equipment for the Sheriff's Department, Parks and the Airport.

Milwaukee County's Capital Assets (Net) (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 59,521	\$ 59,520	\$ 21,367	\$ 21,366	\$ 80,888	\$ 80,886
Land Improvements	114,005	109,708	60,701	55,424	174,706	165,132
Building and Improvements	305,100	307,924	208,398	205,645	513,498	513,569
Infrastructure	86,964	78,860	-	-	86,964	78,860
Machinery, Vehicles & Equipment	53,375	46,594	50,237	61,411	103,612	108,005
Construction in Progress	8,256	18,087	13,755	16,446	22,011	34,533
Total	\$ 627,221	\$ 620,693	\$ 354,458	\$ 360,292	\$ 981,679	\$ 980,985

Additional information on the County's capital assets can be found in Note 5 on pages 102-108 of this report.

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CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-term debt

At December 31, 2008, the County had total debt outstanding of \$ 614,076. Of this amount, \$ 437,261 comprised of general obligation bonds and \$ 176,815 of airport revenue bonds.

**Milwaukee County's Outstanding Debt
General Obligation and Revenues Bonds
(In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 410,818	\$ 422,851	\$ 26,443	\$ 29,475	\$ 437,261	\$ 452,326
Revenue Bonds	-	-	176,815	184,213	176,815	184,213
Totals	\$ 410,818	\$ 422,851	\$ 203,258	\$ 213,688	\$ 614,076	\$ 636,539

The County's total debt decreased by \$ 22,463 during the year ended December 31, 2008. This decrease is a combination of a net decrease in revenue bonds of \$ 7,398 and a net decrease in general obligation bonds of \$ 15,065. General obligation bond principal payments exceeded the proceeds received from newly issued general obligation bonds therefore general obligation debt decreased.

New general obligation bonds were issued in June 2008 for \$ 30,860 to finance the following capital projects: parks, recreation and culture \$ 11,047, highways and bridges \$ 8,333; human services \$ 1,871, public safety \$ 1,152, general government buildings and related improvements for \$ 8,457.

Additional information on the County's long-term debt can be found in Note 8 on pages 111-121 of this report.

Economic Factors and Next Year's Budget and Rates

- Milwaukee County unemployment rate decreased from 6.0% in 2007 to 5.9% in 2008. The national average unemployment rate for 2008 was 6.5%.
- Equalized value of taxable property increased to \$ 68.2 billion in 2008 from \$ 67.1 billion in 2007.

During the 2008 fiscal year, the County had a net excess of revenues over expenditures of \$ 4,144 after considering net revenue from operations and changes in reserve

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

balances. This excess is identified on the governmental funds balance sheet as a Reserved for 2010 Appropriations, and will be added to the revenue of the 2010 budget.

Request for Information

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



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BASIC FINANCIAL STATEMENTS



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COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2008
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 165,634	\$ 44,800	\$ 210,434	\$ 6,397
Cash and Investments -- Restricted	40,224	28,575	68,799	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	13,499	6,955	20,454	2,142
Property Taxes:				
Current Levy	258,479	-	258,479	-
Delinquent	7,195	-	7,195	-
Accrued Interest and Dividends	6,744	-	6,744	1
Notes	1,134	-	1,134	-
Other	14,339	3,493	17,832	-
Due From Other Governments	44,903	5,052	49,955	-
Inventories	1,580	2,944	4,524	63
Prepaid Items	214	316	530	325
Other Assets	-	258	258	-
Total Current Assets	553,945	92,393	646,338	8,928
Noncurrent Assets:				
Long-term Investments	-	-	-	5,492
Contributions Receivable	-	-	-	2,683
Delinquent Property Taxes	8,655	-	8,655	-
Notes Receivable	1,760	-	1,760	-
Deferred Charges	302	-	302	-
Other Post Employment Benefit Asset	-	3,431	3,431	-
Other Assets	-	-	-	615
Capital Assets (Net)				
Land	59,521	21,367	80,888	-
Construction in Progress	8,256	13,755	22,011	-
Land Improvements	241,408	151,796	393,204	-
Buildings and Improvements	645,351	343,207	988,558	38,611
Infrastructure	150,112	-	150,112	-
Machinery, Vehicles and Equipment	141,995	152,692	294,687	12,520
Less: Accumulated Depreciation	(619,422)	(328,359)	(947,781)	(21,447)
Total Capital Assets (Net)	627,221	354,458	981,679	29,684
Total Noncurrent Assets	637,938	357,889	995,827	38,474
Total Assets	\$ 1,191,883	\$ 450,282	\$ 1,642,165	\$ 47,402

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

COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2008
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 56,046	\$ 5,049	\$ 61,095	\$ 930
Accrued Liabilities	34,347	2,736	37,083	963
Accrued Interest Payable	5,392	1,115	6,507	55
Accrued Pension Payable	39,850	-	39,850	-
Due to Other Governments	1,117	-	1,117	-
Unearned Revenues	275,812	10,786	286,598	1,631
Bonds and Notes Payable - General Obligation	44,967	3,579	48,546	378
Bonds and Notes Payable - Revenue	-	7,520	7,520	-
Net Pension Obligation	6,540	-	6,540	-
Unfunded Claims and Judgments	1,000	-	1,000	-
Landfill Postclosure Costs	395	-	395	-
Compensated Absences Payable	24,184	6,372	30,556	-
Risk Claims	7,007	5,177	12,184	-
Capital Leases	426	144	570	36
Other Current Liabilities	549	2,556	3,105	136
Accrued Pension and Postretirement Benefits	-	-	-	130
Total Current Liabilities	<u>497,632</u>	<u>45,034</u>	<u>542,666</u>	<u>4,259</u>
Noncurrent Liabilities:				
Bonds and Notes Payable - General Obligation	365,851	22,864	388,715	17,060
Bonds and Notes Payable - Revenue	-	169,295	169,295	-
Net Pension Obligation	31,826	-	31,826	-
Unfunded Claims and Judgments	19,000	-	19,000	-
Landfill Postclosure Costs	3,850	-	3,850	-
Pollution Remediation Costs	315	-	315	-
Compensated Absences Payable	27,986	6,410	34,396	-
Risk Claims	3,560	3,336	6,896	-
Other Post Employment Benefits	104,913	4,097	109,010	-
Capital Leases	4,077	101	4,178	79
Other Noncurrent Liabilities	-	-	-	1,906
Accrued Pension and Postretirement Benefits	-	-	-	8,052
Total Noncurrent Liabilities	<u>561,378</u>	<u>206,103</u>	<u>767,481</u>	<u>27,097</u>
Total Liabilities	<u>1,059,010</u>	<u>251,137</u>	<u>1,310,147</u>	<u>31,356</u>
NET ASSETS				
Unrestricted (Deficit)	(151,947)	2,777	(149,170)	(4,815)
Restricted for:				
Debt Service	10,757	14,000	24,757	-
Aging Care Maintenance Organization	6,142	-	6,142	-
Capital Asset Needs	-	5,115	5,115	-
Airport - PFC and Debt	34,082	-	34,082	-
Behavioral Health Division	9,344	-	9,344	-
Museum	-	-	-	8,321
Other	2,021	-	2,021	265
Invested in Capital Assets, Net of Related Debt	222,474	177,253	399,727	12,275
Total Net Assets	<u>132,873</u>	<u>199,145</u>	<u>332,018</u>	<u>16,046</u>
Total Liabilities and Net Assets	<u>\$ 1,191,883</u>	<u>\$ 450,282</u>	<u>\$ 1,642,165</u>	<u>\$ 47,402</u>

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



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COUNTY OF MILWAUKEE
Statement of Activities
For The Year Ended December 31, 2008
(In Thousands)

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities								
Legislative, Executive and Staff	\$ (54,395)	\$ 4,806	\$ 4,839	\$ 1,164	\$ (43,586)	\$ -	\$ (43,586)	\$ -
Courts and Judiciary	(67,435)	6,209	21,595	-	(39,631)	-	(39,631)	-
General Governmental Services	(8,912)	5,181	247	-	(3,484)	-	(3,484)	-
Public Safety	(180,186)	11,337	21,766	-	(147,083)	-	(147,083)	-
Public Works and Highways	(81,522)	27,321	17,280	5,231	(31,690)	-	(31,690)	-
Human Services	(675,169)	319,912	259,845	-	(95,412)	-	(95,412)	-
Parks, Recreation and Culture	(85,321)	33,104	4,001	-	(48,216)	-	(48,216)	-
Interest	(16,351)	-	-	-	(16,351)	-	(16,351)	-
Total Governmental Activities	(1,169,291)	407,870	329,573	6,395	(425,453)	-	(425,453)	-
Business-Type Activities								
Airport	(77,432)	74,221	-	10,354	-	7,143	7,143	-
Transit	(174,725)	56,501	88,522	589	-	(29,133)	(29,133)	-
Total Business-Type Activities	(252,157)	130,722	88,522	10,923	-	(21,990)	(21,990)	-
Total Primary Government	\$ (1,421,448)	\$ 538,592	\$ 418,095	\$ 17,318	(425,453)	(21,990)	(447,443)	-
Component Units:								
Museum	\$ (13,782)	\$ 18,884	\$ 3,503	\$ -	-	-	-	8,605
War Memorial Center	(2,874)	312	1,748	-	-	-	-	(814)
Marcus Center	(10,546)	5,995	1,280	-	-	-	-	(3,271)
Research Park Corporation	(1,156)	133	-	-	-	-	-	(1,023)
Total Component Units	\$ (28,358)	\$ 25,324	\$ 6,531	\$ -	-	-	-	3,497
General Revenues								
Property Taxes					251,495	-	251,495	-
Sales Taxes					67,112	-	67,112	-
Intergovernmental Revenues Not Related to Specific Program					39,734	-	39,734	-
Investment Income					13,516	1,417	14,933	4,143
Gain on Sale of Capital Assets					146	18	164	-
Other -- Revenue					17,037	-	17,037	1,858
Transfers					(16,103)	16,103	-	-
Total General Revenues and Transfers					372,937	17,538	390,475	6,001
Change in Net Assets					(52,516)	(4,452)	(56,968)	9,498
Net Assets -- Beginning					185,389	203,597	388,986	6,548
Net Assets -- Ending					\$ 132,873	\$ 199,145	\$ 332,018	\$ 16,046

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

COUNTY OF MILWAUKEE
Balance Sheet
Governmental Funds
December 31, 2008
(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	\$ 97,374	\$ 11,117	\$ 18,784	\$ 11,464	\$ 138,739
Cash and Investments – Restricted	6,142	-	-	34,082	40,224
Receivables					
Accounts (Net of Allowances for Doubtful Accounts)	12,550	50	-	-	12,600
Property Taxes					
Current Levy	258,479	-	-	-	258,479
Delinquent	15,850	-	-	-	15,850
Accrued Interest	6,744	-	-	-	6,744
Notes Receivable	968	1,926	-	-	2,894
Other	14,230	-	109	-	14,339
Due From Other Governments	44,124	-	490	-	44,614
Inventories	1,012	-	-	-	1,012
Prepaid Items	81	-	-	-	81
Total Assets	\$ 457,554	\$ 13,093	\$ 19,383	\$ 45,546	\$ 535,576
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 46,561	\$ -	\$ 7,788	\$ 99	\$ 54,448
Accrued Liabilities	33,937	410	-	-	34,347
Accrued Pension Payable	39,850	-	-	-	39,850
Other Liabilities	549	-	-	-	549
Due to Other Governments	1,117	-	-	-	1,117
Deferred Revenues	286,470	1,926	-	-	288,396
Total Liabilities	408,484	2,336	7,788	99	418,707
Fund Balance					
Reserved for 2009 Appropriations	7,947	-	-	-	7,947
Reserved for 2010 Appropriations	4,144	-	-	-	4,144
Reserved for Debt Service	-	10,757	-	-	10,757
Reserved for Encumbrances	9,349	-	11,595	-	20,944
Reserved for Aging Care Maintenance Organization	6,142	-	-	-	6,142
Reserved for Inventories	1,012	-	-	-	1,012
Reserved for Health and Safety	-	-	-	136	136
Reserved for Zoo	-	-	-	685	685
Reserved for Parks	-	-	-	1,072	1,072
Reserved for Persons with Disabilities	-	-	-	128	128
Reserved for Behavioral Health Division	-	-	-	9,344	9,344
Reserved for Airport - PFC and Debt	-	-	-	34,082	34,082
Reserved for Delinquent Property Tax	10,487	-	-	-	10,487
Unreserved – Designated for Economic Development	201	-	-	-	201
Unreserved – Designated for Housing	2,193	-	-	-	2,193
Unreserved – Designated for Aging CMO	4,115	-	-	-	4,115
Unreserved – Designated for Investments	3,480	-	-	-	3,480
Total Fund Balance	49,070	10,757	11,595	45,447	116,869
Total Liabilities and Fund Balance	\$ 457,554	\$ 13,093	\$ 19,383	\$ 45,546	\$ 535,576

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

COUNTY OF MILWAUKEE
 Reconciliation of the Balance Sheet
 of Governmental Funds
 to the Statement of Net Assets
 For the Year Ended December 31, 2008
 (In Thousands)

Total Fund Balances for Governmental Funds as of 12/31/08 \$ 116,869

**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	58,357
Construction in Progress	1,146
Land Improvements	230,829
Buildings and Improvements	543,031
Infrastructure	150,112
Machinery, Vehicles and Equipment	60,178
Less: Accumulated Depreciation	(475,137)

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:

17,016

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.

12,814

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 and Notes Payable	(368,408)
Unamortized Debt Issuance Costs	302
Capital Leases	(3,050)
Net Pension Obligation	(38,366)
Unfunded Claims and Judgments	(20,000)
Landfill Postclosure Costs	(4,245)
Pollution Remediation Costs	(315)
Compensated Absences Payable	(46,589)
Other Post Employment Benefits	(96,713)

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.

(4,958)

Total Net Assets of Governmental Activities as of 12/31/08

\$ 132,873

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, 2008
(In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental	\$ 355,455	\$ -	\$ 10,040	\$ -	\$ 365,495
Property Taxes	251,495	-	-	-	251,495
Sales Taxes	66,695	-	417	-	67,112
Charges for Services	367,915	-	-	11,992	379,907
Fines and Forfeits	3,375	-	-	-	3,375
Licenses and Permits	978	-	-	-	978
Investment Income and Rents	15,425	10	1,000	1,244	17,679
Other	21,203	11,180	3,267	558	36,208
Total Revenues	<u>1,082,541</u>	<u>11,190</u>	<u>14,724</u>	<u>13,794</u>	<u>1,122,249</u>
Expenditures:					
Current					
Legislative, Executive and Staff	26,688	-	-	-	26,688
Courts and Judiciary	69,274	-	-	-	69,274
General Governmental Services	7,628	-	-	-	7,628
Public Safety	166,832	-	-	-	166,832
Public Works and Highways	17,495	-	-	10,987	28,482
Human Services	656,674	-	-	330	657,004
Parks, Recreation and Culture	72,350	-	-	980	73,330
Other	4,265	109	-	-	4,374
Capital Outlay	-	-	49,938	-	49,938
Debt Service:					
Principal Retirement	-	38,677	-	-	38,677
Interest	-	15,476	-	-	15,476
Total Expenditures	<u>1,021,206</u>	<u>54,262</u>	<u>49,938</u>	<u>12,297</u>	<u>1,137,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,335</u>	<u>(43,072)</u>	<u>(35,214)</u>	<u>1,497</u>	<u>(15,454)</u>
Other Financing Sources (Uses):					
General Obligation Bonds Issued	302	-	30,558	-	30,860
Premium on General Obligation Bonds	-	-	31	-	31
Capital Lease Issued	3,252	-	-	-	3,252
Transfers In	7,192	47,758	-	-	54,950
Transfers Out	(71,285)	-	(1,763)	-	(73,048)
Total Other Financing Sources (Uses)	<u>(60,539)</u>	<u>47,758</u>	<u>28,826</u>	<u>-</u>	<u>16,045</u>
Net Change in Fund Balances	796	4,686	(6,388)	1,497	591
Fund Balances - Beginning	48,274	6,071	17,983	43,950	116,278
Fund Balances - Ending	<u>\$ 49,070</u>	<u>\$ 10,757</u>	<u>\$ 11,595</u>	<u>\$ 45,447</u>	<u>\$ 116,869</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, 2008
 (In Thousands)

Net change in fund balances -- total governmental funds \$ 591

**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	49,938
Capital outlay recorded in Internal Service Funds	(6,013)
Capital outlay reported as an expenditure in the General Fund	3,538
Items reported as capital outlay that were not capitalized	(2,780)
Depreciation reported in the government-wide statements	(34,366)
Net book value of assets retired	(114)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,961

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	(30,860)
Debt allocated to Transit	185
Capital lease issued	(3,252)
Premium on debt issued	(31)
Principal repaid	38,677

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. (443)

Principal payments reduce notes receivable on the Statement of Net Assets but are reported as revenues in the funds. (1,124)

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	356
Amortization of Bond Costs	(1,134)
Net Pension Obligation	(13,997)
Landfill Postclosure Costs	(10)
Pollution Remediation Costs	(315)
Compensated Absences Payable	(11)
Other Postemployment Benefits	(53,312)

Change in net assets of governmental activities \$ (52,516)

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, 2008
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 360,549	\$ 376,006	\$ 355,455	\$ (20,551)
Property Taxes	251,890	251,890	251,495	(395)
Sales Taxes	65,209	65,209	66,695	1,486
Charges for Services	354,898	363,840	367,915	4,075
Fines and Forfeits	3,564	3,564	3,375	(189)
Licenses and Permits	1,003	1,003	978	(25)
Investment Income and Rents	12,440	12,440	15,425	2,985
Other	33,188	37,992	21,203	(16,789)
Total Revenues	<u>1,082,741</u>	<u>1,111,944</u>	<u>1,082,541</u>	<u>(29,403)</u>
Expenditures.				
Current:				
Legislative, Executive and Staff	28,927	30,453	28,383	2,070
Courts and Judiciary	69,017	69,847	69,705	142
General Governmental Services	7,826	7,891	7,634	257
Public Safety	164,978	167,422	168,130	(708)
Public Works and Highways	17,464	17,855	17,537	318
Human Services	662,761	683,264	659,634	23,630
Parks, Recreation and Culture	66,635	69,880	66,808	3,072
Other	232	15,275	6,281	8,994
Total Expenditures	<u>1,017,840</u>	<u>1,061,887</u>	<u>1,024,112</u>	<u>37,775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,901</u>	<u>50,057</u>	<u>58,429</u>	<u>8,372</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2008 Appropriations	4,901	4,901	4,901	-
General Obligation Bonds Issued	-	-	302	302
Capital Lease Issued	-	-	3,252	3,252
Transfers In	-	-	7,192	7,192
Transfers Out	(63,271)	(48,427)	(71,285)	(22,858)
Transfers To Component Units	(6,531)	(6,531)	(6,531)	-
Total Other Financing Sources (Uses)	<u>(64,901)</u>	<u>(50,057)</u>	<u>(62,169)</u>	<u>(12,112)</u>
Net Change in Fund Balance	-	-	(3,740)	(3,740)
Fund Balances -- Beginning	42,992	42,992	42,992	-
Fund Balances -- Ending	<u>\$ 42,992</u>	<u>\$ 42,992</u>	<u>\$ 39,252</u>	<u>\$ (3,740)</u>

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

COUNTY OF MILWAUKEE
Balance Sheet
Proprietary Funds
December 31, 2008
(In Thousands)

	<u>Business-Type Activities -- Enterprise Funds</u>			Governmental
	<u>Airports</u>	<u>Transit System</u>	<u>Total</u>	Activities -- Internal Service Funds
Assets				
Current Assets:				
Cash and Investments	\$ 29,968	\$ 14,832	\$ 44,800	\$ 26,895
Cash and Investments -- Restricted	28,575	-	28,575	-
Receivables:				
Accounts (Net of Allowances for Uncollectible Accounts and Contractual Adjustments)	6,874	81	6,955	899
Other	79	3,414	3,493	-
Due From Other Governments	-	5,052	5,052	289
Inventories	-	2,944	2,944	568
Prepaid Items	-	316	316	133
Other Assets	-	258	258	-
Total Current Assets	65,496	26,897	92,393	28,784
Noncurrent Assets				
Other Post Employment Benefit Asset	-	3,431	3,431	-
Capital Assets:				
Land	18,594	2,773	21,367	1,164
Construction in Progress	13,041	714	13,755	7,110
Land Improvements	145,236	6,560	151,796	10,579
Building and Improvements	282,976	60,231	343,207	102,320
Machinery, Vehicles and Equipment	8,579	144,113	152,692	81,817
Total Capital Assets	468,426	214,391	682,817	202,990
Less Accumulated Depreciation	(193,785)	(134,574)	(328,359)	(144,285)
Total Capital Assets (Net)	274,641	79,817	354,458	58,705
Total Noncurrent Assets	274,641	83,248	357,889	58,705
Total Assets	\$ 340,137	\$ 110,145	\$ 450,282	\$ 87,489
Liabilities				
Current Liabilities				
Accounts Payable	\$ 2,437	\$ 2,612	\$ 5,049	\$ 1,598
Accrued Liabilities	182	2,554	2,736	-
Accrued Interest Payable	815	300	1,115	434
Unearned Revenues	7,502	3,284	10,786	230
Due to Other Governments	-	-	-	-
Bonds and Notes Payable - General Obligation	1,210	2,369	3,579	4,832
Bonds and Notes Payable - Revenue	7,520	-	7,520	-
Compensated Absences	1,547	4,825	6,372	2,640
Risk Claims	-	5,177	5,177	7,007
Capital Leases	144	-	144	139
Other Liabilities	10	2,546	2,556	-
Total Current Liabilities	21,367	23,667	45,034	16,880
Long-Term Liabilities:				
Bonds and Notes Payable - General Obligation	3,766	19,098	22,864	37,578
Bonds and Notes Payable - Revenue	169,295	-	169,295	-
Compensated Absences Payable	1,423	4,987	6,410	2,941
Risk Claims	-	3,336	3,336	3,560
Other Post Employment Benefits	4,097	-	4,097	8,200
Capital Leases	101	-	101	1,314
Total Long-Term Liabilities	178,682	27,421	206,103	53,593
Total Liabilities	200,049	51,088	251,137	70,473
Net Assets				
Unrestricted (Deficit)	2,281	496	2,777	1,616
Restricted for:				
Debt Service	14,000	-	14,000	-
Capital Asset Needs	5,115	-	5,115	-
Invested in Capital Assets, Net of Related Debt	118,692	58,561	177,253	15,400
Total Net Assets	140,088	59,057	199,145	17,016
Total Liabilities and Net Assets	\$ 340,137	\$ 110,145	\$ 450,282	\$ 87,489

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, 2008
(In Thousands)

	<u>Business-Type Activities -- Enterprise Funds</u>			Governmental Activities -- Internal Service Funds
	<u>Airports</u>	<u>Transit System</u>	<u>Total</u>	
Operating Revenues:				
Rentals and Other Service Fees	\$ 60,632	\$ 114	\$ 60,746	\$ 69,773
Admissions and Concessions	13,574	-	13,574	-
Transit Fares	-	53,201	53,201	-
Total Charges for Services	<u>74,206</u>	<u>53,315</u>	<u>127,521</u>	<u>69,773</u>
Other Revenues	15	3,186	3,201	501
Total Operating Revenues	<u>74,221</u>	<u>56,501</u>	<u>130,722</u>	<u>70,274</u>
Operating Expenses:				
Personnel Services	20,895	108,099	128,994	37,096
Contractual Services	18,472	28,525	46,997	12,218
Intra-County Services	10,412	816	11,228	5,092
Commodities	3,183	20,544	23,727	2,471
Depreciation and Amortization	14,107	12,819	26,926	7,663
Maintenance	487	443	930	1,154
Insurance and Claims	-	-	-	7,551
Client Payments	1,258	2,535	3,793	1,213
Total Operating Expenses	<u>68,814</u>	<u>173,781</u>	<u>242,595</u>	<u>74,458</u>
Operating Income (Loss)	<u>5,407</u>	<u>(117,280)</u>	<u>(111,873)</u>	<u>(4,184)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	-	88,522	88,522	863
Gain on Sale of Capital Assets	18	-	18	146
Investment Income	1,417	-	1,417	-
Interest Expense	(8,618)	(944)	(9,562)	(1,631)
Total Nonoperating Revenues (Expenses)	<u>(7,183)</u>	<u>87,578</u>	<u>80,395</u>	<u>(622)</u>
Income (Loss) Before Contributions and Transfers	(1,776)	(29,702)	(31,478)	(4,806)
Capital Contributions	10,354	569	10,923	2,368
Transfers In	97	19,048	19,145	4,382
Transfers Out	(2,758)	(284)	(3,042)	(2,387)
Change in Net Assets	5,917	(10,369)	(4,452)	(443)
Net Assets -- Beginning	134,171	69,426	203,597	17,459
Net Assets -- Ending	<u>\$ 140,088</u>	<u>\$ 59,057</u>	<u>\$ 199,145</u>	<u>\$ 17,016</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, 2008
(In Thousands)

	Business-Type Activities -- Enterprise Funds			Governmental Activities -- Internal Service Funds
	Airports	Transit System	Total	
Cash Flows Provided (Used) by Operating Activities				
Receipts from Customers and Interfund Users	\$ 66,764	\$ 57,091	\$ 123,855	\$ 21,497
Receipts from Interfund Services	-	-	-	48,917
Payments to Suppliers	(23,311)	(52,140)	(75,451)	(24,621)
Payments to Employees	(18,651)	(113,888)	(132,539)	(33,490)
Payments for Interfund Services Used	(10,412)	(816)	(11,228)	(3,614)
Net Cash Flows Provided (Used) by Operating Activities	<u>14,390</u>	<u>(109,753)</u>	<u>(95,363)</u>	<u>8,689</u>
Cash Flows Provided (Used) by Noncapital Financing Activities				
Intergovernmental Revenues	-	87,090	87,090	574
Transfers From Other Funds	97	19,048	19,145	4,382
Transfers (To) Other Funds	(2,758)	(284)	(3,042)	(2,387)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(2,661)</u>	<u>105,854</u>	<u>103,193</u>	<u>2,569</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities				
Proceeds from Bonds	-	185	185	4,626
Capital Contributions	10,354	569	10,923	-
Principal Payment on Bonds	(8,630)	(2,027)	(10,657)	(5,114)
Interest Paid on Bonds	(8,664)	(950)	(9,614)	(1,592)
Payments on Capital Lease	(155)	-	(155)	(137)
Sale of Capital Assets	18	-	18	146
Acquisition of Capital Assets	(20,579)	(513)	(21,092)	(4,858)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(27,656)</u>	<u>(2,736)</u>	<u>(30,392)</u>	<u>(6,929)</u>
Cash Flows Provided (Used) by Investing Activities				
Investment Income	1,417	-	1,417	-
Net Cash Flows Provided (Used) by Investing Activities	<u>1,417</u>	<u>-</u>	<u>1,417</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,510)	(6,635)	(21,145)	4,329
Cash and Cash Equivalents at Beginning of Year	73,053	21,467	94,520	22,566
Cash and Cash Equivalents at End of Year	<u>\$ 58,543</u>	<u>\$ 14,832</u>	<u>\$ 73,375</u>	<u>\$ 26,895</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Assets Financed by Capital Leases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,590</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 5,407	\$ (117,280)	\$ (111,873)	\$ (4,184)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities				
Depreciation and Amortization	14,107	12,819	26,926	7,663
(Increase) Decrease in Assets				
Accounts Receivable	(1,898)	(81)	(1,979)	113
Other Receivables	-	355	355	-
Inventories	-	149	149	80
Prepaid Items	-	(38)	(38)	15
Other Post Employment Asset	-	(1,587)	(1,587)	-
Other Assets	-	(69)	(69)	-
Increase (Decrease) in Liabilities				
Accounts Payable	89	193	282	(192)
Accrued Liabilities	(201)	432	231	(113)
Unearned Revenues	(5,559)	385	(5,174)	10
Compensated Absences	254	218	472	(266)
Risk Claims	-	(4,852)	(4,852)	1,578
Other Post Employment Benefits	2,191	-	2,191	3,985
Other Liabilities	-	(397)	(397)	-
Total Adjustments	<u>8,983</u>	<u>7,527</u>	<u>16,510</u>	<u>12,873</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 14,390</u>	<u>\$ (109,753)</u>	<u>\$ (95,363)</u>	<u>\$ 8,689</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, 2008
 (In Thousands)

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and Investments:		
US Government Securities	\$ 19,441	\$ -
Notes and Bonds	536,948	-
Federal Agency and Mortgage	53,469	-
Real Estate Investments Trust	31,828	-
Common and Preferred Stocks	478,931	-
Private Equity	18,074	-
Deposits	17,886	21,963
Total Cash and Investments	<u>1,156,577</u>	<u>21,963</u>
Receivables:		
Pension Trust Fund Contribution	35,350	-
Accrued Interest and Dividends	5,562	-
Other	1,336	-
Securities Lending	37,445	-
Other Assets	5,068	-
Total Assets	<u>1,241,338</u>	<u>21,963</u>
<u>Liabilities</u>		
Accounts Payable	-	125
Agency Deposits	-	21,838
Securities Lending	37,445	-
Other Liabilities	6,079	-
Total Liabilities	<u>43,524</u>	<u>21,963</u>
<u>Net Assets</u>		
Held in Trust for Pension Benefits	<u>\$ 1,197,814</u>	<u>\$ -</u>

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, 2008
 (In Thousands)

	Total
Additions:	
Contributions:	
County of Milwaukee	\$ 34,841
Plan Participants	140
Total Contributions	34,981
Investment Income	
Net Appreciation (Depreciation) in Fair Value	(385,423)
Interest and Dividends	31,852
Other Income	921
Total Investment Income	(352,650)
Security Lending Income	
Less: Security Lending Rebates and Fees	2,391
Net Security Lending Activity	(1,849)
Investment Expense	(3,798)
Net Investment Income (Loss)	(355,906)
Total Additions, Net of Losses	(320,925)
Deductions:	
Benefits Paid to Retirees and Beneficiaries	(144,161)
Administrative Expenses	(3,588)
Withdrawal of Membership Accounts	(23)
Total Deductions	(147,772)
Change In Plan Net Assets	(468,697)
Plan Net Assets Held In Trust for Pension Benefits	
Beginning of Year	1,666,511
End of Year	\$ 1,197,814

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, 2008
(In Thousands)

	Museum	War Memorial Center	Marcus Center	Research Park Corporation	Total
Assets					
Current Assets:					
Cash and Investments	\$ 2,245	\$ 69	\$ 3,528	\$ 555	\$ 6,397
Accounts Receivable	1,829	-	135	178	2,142
Accrued Interest Receivable	-	-	1	-	1
Inventories	58	-	5	-	63
Prepaid Items	247	-	70	8	325
Total Current Assets	<u>4,379</u>	<u>69</u>	<u>3,739</u>	<u>741</u>	<u>8,928</u>
Noncurrent Assets:					
Long-Term Investments	1,873	-	1,888	1,731	5,492
Accounts Receivable	2,683	-	-	-	2,683
Other	212	-	403	-	615
Capital Assets (Net)					
Buildings and Improvements	19,221	-	19,390	-	38,611
Machinery, Vehicles and Equipment	10,619	-	1,901	-	12,520
Less: Accumulated Depreciation	(10,674)	-	(10,773)	-	(21,447)
Total Capital Assets (Net)	<u>19,166</u>	<u>-</u>	<u>10,518</u>	<u>-</u>	<u>29,684</u>
Total Noncurrent Assets	<u>23,934</u>	<u>-</u>	<u>12,809</u>	<u>1,731</u>	<u>38,474</u>
Total Assets	<u>\$ 28,313</u>	<u>\$ 69</u>	<u>\$ 16,548</u>	<u>\$ 2,472</u>	<u>\$ 47,402</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 749	\$ -	\$ 88	\$ 93	\$ 930
Accrued Liabilities	662	-	297	4	963
Accrued Interest Payable	55	-	-	-	55
Unearned Revenues	879	-	752	-	1,631
Bonds and Notes Payable	119	-	234	25	378
Capital Leases	22	-	14	-	36
Other Current Liabilities	-	-	69	67	136
Accrued Pension and Postretirement Benefits	80	-	-	50	130
Total Current Liabilities	<u>2,566</u>	<u>-</u>	<u>1,454</u>	<u>239</u>	<u>4,259</u>
Noncurrent Liabilities:					
Bonds and Notes Payable	16,457	-	520	83	17,060
Capital Leases	36	-	43	-	79
Other Noncurrent Liabilities	-	-	1,906	-	1,906
Accrued Pension and Postretirement Benefits	8,052	-	-	-	8,052
Total Noncurrent Liabilities	<u>24,545</u>	<u>-</u>	<u>2,469</u>	<u>83</u>	<u>27,097</u>
Total Liabilities	<u>27,111</u>	<u>-</u>	<u>3,923</u>	<u>322</u>	<u>31,356</u>
Net Assets					
Unrestricted (Deficit)	(9,673)	-	2,890	1,968	(4,815)
Restricted	8,321	69	14	182	8,586
Invested in Capital Assets, Net of Related Debt	2,554	-	9,721	-	12,275
Total Net Assets	<u>1,202</u>	<u>69</u>	<u>12,625</u>	<u>2,150</u>	<u>16,046</u>
Total Liabilities and Net Assets	<u>\$ 28,313</u>	<u>\$ 69</u>	<u>\$ 16,548</u>	<u>\$ 2,472</u>	<u>\$ 47,402</u>

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

COUNTY OF MILWAUKEE
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Component Units
 For the Year Ended December 31, 2008
 (In Thousands)

	Museum	War Memorial Center	Marcus Center	Research Park Corporation	Total
Revenues.					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
County Program Support	3,503	1,748	1,280	-	6,531
Charges for Services:					
Contributions and memberships	14,395	65	481	56	14,997
Other	4,489	247	5,514	77	10,327
Interest on Investments and Rents	507	726	2,753	157	4,143
Other	1,018	89	601	150	1,858
Total Revenues	<u>23,912</u>	<u>2,875</u>	<u>10,629</u>	<u>440</u>	<u>37,856</u>
Expenses:					
Public Works and Highways	-	-	-	1,156	1,156
Parks, Recreation and Culture	13,782	2,874	10,546	-	27,202
Total Expenses	<u>13,782</u>	<u>2,874</u>	<u>10,546</u>	<u>1,156</u>	<u>28,358</u>
Changes in Net Assets	10,130	1	83	(716)	9,498
Net Assets -- Beginning	(8,928)	68	12,542	2,866	6,548
Net Assets -- Ending	<u>\$ 1,202</u>	<u>\$ 69</u>	<u>\$ 12,625</u>	<u>\$ 2,150</u>	<u>\$ 16,046</u>

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



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Milwaukee County
Notes to the Financial Statements
December 31, 2008
(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 fiscal year 2008, the County implemented GASB Statement No. 49 - *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement provides guidance on accounting and financial reporting for pollution (including contamination) remediation obligations, which result from remediation activities to address existing pollution problems. *Pollution prevention or control* activities with respect to current operations are excluded from this Statement. Future pollution remediation activities required upon retirement of an asset, such as landfill closure, are addressed under previous statements. Please see Note 8 on pages 111-121 for further information regarding the County's Pollution Remediation Obligations.

In fiscal year 2008, the Milwaukee County Employee Retirement System (ERS) implemented provisions of GASB Statement No. 50 - *Pension Disclosures, and Amendment of GASB Statements No. 25 and No. 27*. This statement requires that information about the funded status of the pension plan as of the most recent actuarial valuation be disclosed in notes to the financial statements. Additionally, GASB 50 requires disclosure of information about actuarial methods and assumptions used in valuation on which reported information about the Annual Required Contribution (ARC) and the funded status and progress are based. The schedules of funding progress present multiyear information about whether the

Note 1-Summary of Significant Accounting Policies (Continued)

actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The pension disclosures are located in Note 15 on pages 135-142.

A. The Reporting Entity

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

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

Component Units

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

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

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

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

The Milwaukee County War Memorial Center, Inc ("The War Memorial Center") is a non-profit organization whose purpose is to operate and maintain the War Memorial Center and the Charles Allis/Villa Terrace Art Museums. 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. In addition, the County provides the majority of the Center's financial support, thus it has the ability to impose specific financial burdens on the County. The War Memorial Center has a December 31st year-end.

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 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. 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.

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

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. As a result, the Museum has the ability to impose specific financial burdens on the County. The Museum building is not included in the Museum's capital assets reported on the Component Unit Statement of Net Assets. It is included in the County's Governmental Activities Statement of Net Assets. The Museum has a fiscal year ending August 31st.

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

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

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

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.

Milwaukee County Federated Library System- The County Executive appoints the seven-member board. One board member is required to be a County Board Supervisor. In accordance with State Statute s. 43.15, it is a co-operative of the fifteen public libraries within Milwaukee County. The system allows for 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.

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

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 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

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Fund Financial Statements (Continued)

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. The County considers intergovernmental revenues to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes, intergovernmental revenues, sales taxes, investment income, rents, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, fines and forfeitures and all other revenue items are considered to be measurable and available only when the county receives cash. Uncollected property taxes of municipalities within the County are purchased and then collected by the County. There is no recourse to the municipalities for the collection of these taxes. The County uses a four-month availability period for these receivables of \$ 15,850.

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.

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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 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 non-capital 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 from long-term debt are 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.

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.

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.

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

Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

Behavioral Health Division- Mental health research, patient activities, special events, and sick leave payouts for employees who retire from the Behavioral Health Division.

Airport – established for the collection of Federal Aviation Administration (FAA) approved passenger facility charges to be used for capital projects at the Airport. In addition, a trust is maintained in this fund to secure a pledge by the County for debt repayment of certain debt of local airlines.

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 Airports Fund and Transit Fund represent the equity in these pooled resources.

Note 1-Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments (Continued)

Substantially all of the deposits and investments of the Agency Funds are held separately from those of other County funds. The Airports 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 Transport Services, Inc., 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.

Note 1-Summary of Significant Accounting Policies (Continued)

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

2. Receivables (Continued)

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 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 Airports 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

Note 1-Summary of Significant Accounting Policies (Continued)

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

4. Restricted Assets (Continued)

their use is limited by applicable bond covenants. At the end of 2008, these restricted assets were \$ 17,433. As stated earlier (see item 1 under section D in the notes), the Special Revenue and Agency funds are also restricted resources and are not available to the County to finance its operations. The Airport Revenue Bond Interest and 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, Airport revenue bond covenants 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 \$ 28,177 at the end of 2008.

In addition, at the end of 2008, the Airport had \$ 11,142 of 2004, 2005, 2006 and 2007 revenue bond proceeds that were unspent, and for purposes of this report, are considered restricted.

In addition, the County has restricted \$ 5,905 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 \$ 4,900 of cash provided by the company and the State of Wisconsin. These funds act as a debt reserve, and are included in the Airport 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 \$ 6,142. This restricted cash is for a working capital reserve, restricted reserve and a solvency reserve under the contract.

Note 1-Summary of Significant Accounting Policies (Continued)

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

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 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

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)

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 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. Full payment is either made in cash or is used to pay for

Note 1-Summary of Significant Accounting Policies (Continued)

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

6. Compensated Absences (Continued)

post-employment health insurance costs of the employee. 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 retiree sick pay benefits were \$ 1,854 in 2008 and \$ 6,607 in 2007. In 2007, the County settled a lawsuit brought by non-represented employees related to sick leave benefits due at retirement. The 2007 sick pay benefits include \$ 3,948 in payments made to non-represented employees as a result of this lawsuit.

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 governmental activities and the business-type activities the short-term portion is \$ 24,184 and \$ 6,372, 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 as an expense 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.

Note 1-Summary of Significant Accounting Policies (Continued)

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

7. Long-term Obligations (Continued)

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.

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, net of accumulated depreciation, 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.

Note 1-Summary of Significant Accounting Policies (Continued)

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

8. Equity Classifications (Continued)

Fund Statements (Continued)

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

9. Allowance for Doubtful Accounts

The County's Behavioral Health Division (BHD) provides an allowance for all third-party payers such as Medicare, Medicaid, HMO's, and other types of health insurance. The County's Aging Care Maintenance Organization (Aging CMO) provides an allowance for amounts due from the State in the event a client is not eligible for service reimbursement and for client service copayments. BHD and Aging CMO both adjust revenue 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, 2008, the total allowance for both BHD and Aging CMO was \$ 13 028. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at December 31, 2008. 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

Note 1-Summary of Significant Accounting Policies (Continued)

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

10. Capitalization of Interest (Continued)

are netted against applicable interest earnings on construction fund investments. During 2008, the amount of capitalized interest was \$ 987.

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. There was no liability for rebateable arbitrage as of December 31, 2008.

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. Pollution Remediation Costs

The Wisconsin Department of Natural Resources has designated the County as the responsible party in the cleanup of petroleum contamination located on County property. The County has recorded a long-term obligation for these pollution remediation costs. These costs are recognized in the governmental activities

14. 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.

Note 1-Summary of Significant Accounting Policies (Continued)

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

15. 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.

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

Note 1-Summary of Significant Accounting Policies (Continued)

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

17. Claims and Judgments (Continued)

the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

18. Other Post Employment Benefit Obligations

Other Post Employment Benefit (OPEB) expenditures of governmental fund types are recognized on the modified accrual basis; which means that the amount of OPEB 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, OPEB expense is recognized on the accrual basis; which means that the amount recognized in the current period is equal to annual OPEB cost. The OPEB obligation represents the difference between the annual required contribution plus interest, net of payments.

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 2008 appropriations and encumbrances. For budget purposes, fund balance-reserved for 2008 appropriations – is reflected as other financing sources whereas, for accounting purposes, it is reflected as part of fund balance. For budget purposes, encumbrances are recorded as expenditures as opposed to a reservation of fund balance.

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

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

Budgetary Information – (Continued)

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 2008 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 2008 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	\$ 1,021,206	\$ (60,539)
Encumbrances	9,437	-
Reserved for 2008 Appropriation	-	4,901
Transfers to Component Units	(6,531)	(6,531)
Non-GAAP Budgetary Basis	<u>\$ 1,024,112</u>	<u>\$ (62,169)</u>

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

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

County Tax Rate Limit (Amounts Expressed in Dollars)

Section 59.605 of the Wisconsin Statutes imposes a limit on the property tax rate that the County can impose upon its citizens. Separate limits were imposed for operating levy rates and debt service levy rates of \$ 4.08 per \$ 1,000 of equalized value and \$ 1.42 per \$ 1,000 of equalized value, respectively. For 2008, the County's actual operating and debt service levy rates were \$ 3.05 per \$ 1,000 of equalized value and \$ 0.83 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	\$ 210,434
Cash and Investments- Restricted	68,799
Subtotal	279,233

Statement of Fiduciary Net Assets:

Cash and Investments	
Pension Trust Fund	1,156,577
Agency Fund	21,963
Total	\$ 1,457,773

Deposits-County/Agency	\$ 102,900
Investments-County/Agency	198,296
Pension Deposits	17,886
Pension Investments	1,138,691
Total	\$ 1,457,773

Cash Deposits

The carrying amount of the County's deposits at December 31, 2008 was \$ 102,900 and the bank balance was \$ 104,500.

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. Interest bearing deposits with banks are insured by the FDIC in the amount of \$ 250. Non-interest bearing deposits are insured by the FDIC at full value. The State Deposit Guarantee Fund insures deposits up to a total of \$ 400 per entity, not per banking institution. The County does not have a deposit policy for custodial credit risk. Of the \$ 104,500 of deposits with financial institutions, \$ 6,569 was covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund and \$ 94,331 was collateralized with government securities held in a separate financial institution in the County's name, and \$ 3,600 was uninsured, uncollateralized, or 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, 2008 the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
U S Agency	\$ 42,777
Government Agency Guaranteed Adjustable Rate Securities	17,467
Government Guaranteed Adjustable Rate Securities	5,620
U S Treasuries	55,032
AAA Municipal Bonds	10,105
Asset Backed Securities	2,420
Guaranteed Investment Contracts	8,111
Corporate Bonds	8,290
Money Market Cash Equivalents	36,978
Certificates of Deposit	8,180
Futures Hedge Contract with Commodities Broker	3,316
Total	\$ 198,296

In its normal course of operations, the Transit System enters into futures contracts for heating oil as a hedge for its diesel fuel purchases. The aggregate fair value of these hedging derivative instruments in asset positions at December 31, 2008 was \$ 2,809. This represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. This maximum exposure is reduced by \$ 3,316 for collateral held with the counterparty, resulting in no credit risk to the County. The County has one contract for hedging derivative instruments with a single counterparty: Transit System hedge on diesel fuel. This counterparty is not rated. The County is exposed to basis risk on the hedging derivative instruments because the expected commodity purchase being hedged will price based on a pricing point different than the pricing point at which the futures contract is expected to settle.

Note 3- Deposits and Investments (Continued)

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.

Interest Rate Risk-Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the County's investment policy, the County attempts to match its investments with anticipated cash flow requirements to the extent possible. 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.

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Note 3- Deposits and Investments (Continued)

Interest Rate Risk-Investments (Continued)

As of December 31, 2008, 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	\$ 42,777	\$ 1,031	\$ 28,879	\$ 6,223	\$ 6,644
Government Agency Guaranteed Adjustable Rate Securities	17,467	-	17,467	-	-
Government Guaranteed Adjustable Rate Securities	5,620	5,620	-	-	-
U S Treasuries	55,032	200	36,715	18,117	-
AAA Municipal Bonds	10,105	-	10,105	-	-
Asset Backed Securities	2,420	-	2,420	-	-
Guaranteed Investment Contracts	8,111	-	-	-	8,111
Corporate Bonds	8,290	-	6,746	1,544	-
Money Market Cash Equivalents	36,978	36,978	-	-	-
Certificates of Deposit	8,180	8,180	-	-	-
Futures Hedge Contract with Commodities Broker	3,316	3,316	-	-	-
Totals	\$ 198,296	\$ 55,325	\$ 102,332	\$ 25,884	\$ 14,755

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	\$ 42,777	AAA	Aaa
Government Agency Guaranteed Adjustable Rate Securities	17,467	AAA	Aaa
Government Guaranteed Adjustable Rate Securities	5,620	AAA	Aaa
U S Treasuries	55,032	AAA	Aaa
AAA Municipal Bonds	10,105	AAA	Aaa
Municipal Adjustable Rate Notes	2,420	AAA	Aaa
Guaranteed Investment Contracts	8,111	N/A	N/A
Corporate Bonds	8,290	AAA	Aaa
Money Market Cash Equivalents	36,978	AAA	Aaa
Certificates of Deposit	8,180	N/A	N/A
Futures Hedge Contract with Commodities Broker	3,316	N/A	N/A
Total	\$ 198,296		

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, 2008, the County is not exposed to a concentration of credit risk.

Cash Deposits-Pension Trust Fund

The carrying amount of Pension Trust Fund deposits at December 31, 2008 was \$ 17,886 and the bank balance was \$ 19,775.

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. Interest bearing deposits with banks are insured by the FDIC in the amount of \$ 250. Non-interest bearing deposits are insured by the FDIC at full value. The State Deposit Guarantee Fund insures deposits up to a total of \$ 400 per entity, not per banking institution. As of December 31, 2008, 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, 2008 the Pension Trust Fund had the following investments:

Investment Type	Fair Value
Domestic Common and Preferred Stocks	\$ 310,136
Corporate Bonds and Conv Debentures	513,171
International Common and Preferred Stocks	168,795
Federal Agency and Mortgage-Backed Certificates	53,469
International Fixed Income	23,777
US Government, State Obligations	19,441
Real Estate Investments Trusts	31,828
Private Equity	18,074
Total	\$ <u>1,138,691</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, 2008, \$ 1,870 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 for a security is the percentage price sensitivity to interest rate changes of 100 basis points (or 1.0%). For example, an Option-Adjusted Duration of 5.20 means that the price of the security should fall approximately 5.20% for a 1.0% rise in the level of interest rates. Conversely, the price of a security should rise approximately 5.20% for a 1.00% fall in the level of interest rates. Interest rate changes will affect securities with negative durations in the opposite direction. The Option-Adjusted Duration method of measuring duration takes into affect 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.

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Note 3- Deposits and Investments (Continued)

Interest Rate Risk-Investments Pension Trust Fund (Continued)

As of December 31, 2008 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>	<u>Fixed Income Sector</u>	<u>Fair Value</u>	<u>Option Adjusted Duration (In Years)</u>
ABS-Airplane Receivables	\$ 3,511	0.45	House Related	\$ 5,243	4.66
ABS-Car Loan	1,098	0.87	Industrial	43,456	5.49
ABS-Credit Cards	1,564	1.80	Insurance	2,258	8.87
ABS-Equipment	220	1.58	International Corporate Bonds	4,874	1.13
ABS-Home Equity	327	0.01	International Government Bonds	3,285	3.90
Automobiles & Components	78	4.08	Mining	1,562	11.13
Banking & Finance	30,257	4.80	News/Media	6,414	12.02
BSDT Reserve Deposit Accts.	337	0.00	Oil & Gas	12,266	7.39
Capital Goods	177	3.65	Other Corporate Bonds	681	4.28
Chemicals	63	7.09	Paper & Forest Products	981	0.61
CMO-U.S. Agencies	1,116	5.49	Pvt Placements-More than 1 yr	8,037	5.59
CMO-Comm/Corp	15,686	1.42	Retail	2,065	9.12
Commingled Fds Cash Equivalents	38,637	0.08	Supranational issues	1,373	11.46
Convertible Bonds	5,640	1.20	Taxable Municipals	1,126	7.08
FHLMC Multiclass	17,011	3.51	Technology	1,144	4.98
FHLMC Pools	3,678	2.41	Transportation	5,323	3.93
FNMA Pools	14,218	2.67	U.S. Agencies	2,955	1.51
FNMA REMIC	13,680	3.58	U.S. Governments	19,441	7.49
Food Beverage & Tobacco	376	10.63	Utility-Electric	14,511	5.94
Food Products	93	6.74	Utility-Gas	2,526	6.21
Govt of Canada-Direct	2,622	1.87	Utility-Telephone	16,123	7.17
Health Care	6,632	5.49	Yankee Bonds	795	6.45
Household Products	91	5.80	Other*	313,600	N/A
Sub-total	\$ 157,112		Sub-total	\$ 470,039	
			Total	\$ 627,151	

* Represents \$ 312,542 invested in bond mutual fund, \$ 809 GNMA Single Family Pools and \$249 CMO-Comm/Corp 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 risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investor Services (Moody's), Standard & Poor (S & P) and Fitch Ratings (Fitch's). With the exception of the Loomis Sayles-High Yield and the MCM Aggregate Bond portfolios, bonds purchased and owned in each portfolio must have a minimum quality rating of Baa3 (Moody's) or BBB- (S & P and Fitch's). The average quality

Note 3- Deposits and Investments (Continued)

Credit Risk-Investments-Pension Trust Fund (Continued)

of each portfolio must be A or better. For Loomis Sayles-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, 2008 the Pension Trust Fund had the following credit quality ratings of investments in fixed income securities as recognized by Moody's Investor Services:

<u>Moody's Quality Ratings</u>	<u>Fair Value</u>
AAA	\$ 19,958
AA1	3,981
AA2	1,779
AA3	4,072
A1	7,574
A2	34,140
A3	9,342
BAA1	19,878
BAA2	21,971
BAA3	29,812
BA1	4,336
BA2	4,211
BA3	14,303
B1	12,969
B2	5,535
B3	1,378
CAA1	7,936
CAA2	397
CA	394
C	1,023
NR	19,417
Total Credit Risk Fixed Income Securities	\$ 224,406
U.S. Government and Agencies	72,910
Mutual Funds (Not Rated)	312,542
Total Investment in Fixed Income	\$ 609,858

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, generally investments in any one issuer that represents five (5) percent or more of total investments. Investments issued or explicitly guaranteed by the U. S. Government and investments in mutual funds,

Note 3- Deposits and Investments (Continued)

Concentration of Credit Risk-Investments-Pension Trust Fund (Continued)

external investment pools, and other pooled investments are excluded from this definition. For the year ending December 31, 2008, the Pension Trust Fund has no investments in one issuer other than U.S. Government securities and mutual funds that exceed five (5) percent of total plan net assets.

Foreign Currency Risk Investments-Pension Trust Fund

Foreign currency risk is the risk that changes in currency 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, 2008 the Pension Fund had the following investments exposed to foreign currency risk:

Current Unit	Equity Incl Private Equity	Fixed Income Incl Conv Deb	Cash and Cash Equivalents	Total
Australian Dollar	\$ 2,912	\$ 1,604	\$ -	\$ 4,516
Brazilian Real	-	1,001	-	1,001
British Pond Sterling	1,392	-	-	1,392
Canadian Dollar	497	3,016	-	3,513
Euro Currency Unit	2,887	-	13	2,900
Hong Kong Dollar	4,112	-	-	4,112
Iceland Krona	-	979	-	979
Japanese Yen	5,971	-	-	5,971
Mexican New Paso	-	2,175	-	2,175
New Zealand Dollar	-	214	-	214
Singapore Dollar	787	178	-	965
South Korean Won	-	1,219	-	1,219
Swedish Krona	306	-	-	306
Swiss Franc	274	-	108	382
Thailand Baht	-	1,393	-	1,393
Totals	\$ 19,138	\$ 11,779	\$ 121	\$ 31,038

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>Total</u>
Receivables:				
Accounts	\$ 25,578	\$ 50	\$ -	\$ 25,628
Taxes:				
Current Levy	258,479	-	-	258,479
Delinquent	15,850	-	-	15,850
Interest	6,744	-	-	6,744
Notes	968	1,926	-	2,894
Other	14,230	-	109	14,339
Due from Other Governments	44,124	-	490	44,614
Gross Receivables	340,395	1,926	599	342,920
Less: Allowance for Uncollectibles	(13,028)	-	-	(13,028)
Net Total Receivables	<u>\$ 327,367</u>	<u>\$ 1,926</u>	<u>\$ 599</u>	<u>\$ 329,892</u>

Of the delinquent taxes receivable of \$ 15,850, \$ 8,655 are not expected to be collected within one year.

At December 31, 2008 accounts receivable of the Enterprise funds are as follows:

	<u>Airport</u>	<u>Transit System</u>	<u>Total</u>
Receivables:			
Accounts	\$ 6,874	\$ 81	\$ 6,955
Other	79	3,414	3,493
Due from Other Governments	-	5,052	5,052
Total Receivables	<u>\$ 6,953</u>	<u>\$ 8,547</u>	<u>\$ 15,500</u>

All amounts are expected to be collected within one year. As of December 31, 2008 no amounts are deemed uncollectible.

Note 4- Receivables (Continued)

The gross amount of notes receivable consisted of the following at December 31, 2008:

General Fund	\$ 968
Debt Service Fund	<u>1,926</u>
Total	<u>\$ 2,894</u>

Amounts Due Within One Year \$ 1,134

Amounts Due In More Than One Year \$ 1,760

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:

2008 Property Tax Levy	\$ 257,637
Delinquent Tax Receivables	7,300
State and Federal Revenue Unavailable for Current Expenditures	19,434
Other Unearned Revenue	3,912
Deferred Credits - Behavioral Health	<u>113</u>
Total Deferred Revenue	\$ 288,396
Deferred Credits - Public Works Services	230
Less: Amounts Earned but Not Available	<u>(12,814)</u>
Net Unearned Revenue	<u>\$ 275,812</u>

Unearned Revenue - Business-Type Activities:

Airport - Lease Revenue	\$ 7,502
Deferred Credits - Transit	<u>3,284</u>
Total Unearned Revenue	<u>\$ 10,786</u>

Note 5- Capital Assets

Primary Government

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2008.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 59,520	\$ 1	\$ -	\$ 59,521
Construction in progress	18,087	6,520	(16,351)	8,256
Total Capital Assets, not being Depreciated	77,607	6,521	(16,351)	67,777
Capital Assets, Being Depreciated				
Land Improvements	230,213	11,626	(431)	241,408
Buildings	584,632	14,374	(593)	598,413
Fixed Equipment Buildings	49,180	850	(3,092)	46,938
Infrastructure	138,062	15,480	(3,430)	150,112
Machinery and Equipment	90,214	3,497	(4,594)	89,117
Vehicles and Related Equipment	38,975	9,715	(1,570)	47,120
Furniture and Fixtures	2,703	3,145	(90)	5,758
Total Capital Assets, Being Depreciated	1,133,979	58,687	(13,800)	1,178,866
Less: Accumulated Depreciation				
Land Improvements	(120,505)	(7,328)	430	(127,403)
Buildings	(297,475)	(16,003)	576	(312,902)
Fixed Equipment Buildings	(28,413)	(2,040)	3,104	(27,349)
Infrastructure	(59,202)	(7,377)	3,431	(63,148)
Machinery and Equipment	(58,685)	(7,105)	4,553	(61,237)
Vehicles and related Equipment	(25,830)	(2,307)	1,497	(26,640)
Furniture and Fixtures	(783)	(68)	108	(743)
Total Accumulated Depreciation	(590,893)	(42,228)	13,699	(619,422)
Net Capital Assets Being Depreciated	543,086	16,459	(101)	559,444
Governmental Activities Capital Assets- Net	\$ 620,693	\$ 22,980	\$ (16,452)	\$ 627,221

Governmental activities capital assets, net of accumulated depreciation, at December 31, 2008 are comprised of the following:

General Capital Assets, Net	\$ 568,516
Internal Service Fund Capital Assets, Net	58,705
Total	\$ 627,221

Note 5- Capital Assets (Continued)

Primary Government (Continued)

Depreciation was charged to governmental functions as follows:

Governmental Activities:

Legislative and Executive, and Staff	\$ 4,418
Courts and Judiciary	39
General Governmental Services	61
Public Safety	6,200
Public Works and Highways	13,369
Human Services	3,899
Parks, Recreation, and Culture	14,242
Total	<u>\$ 42,228</u>

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2008.

	<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	\$ 21,366	\$ 1	\$ -	\$ 21,367
Construction in progress	16,446	20,034	(22,725)	13,755
Total Capital Assets, not being Depreciated	<u>37,812</u>	<u>20,035</u>	<u>(22,725)</u>	<u>35,122</u>
Capital Assets, Being Depreciated				
Land Improvements	141,544	10,252	-	151,796
Buildings	165,517	2,623	-	168,140
Fixed Equipment Buildings	164,978	10,149	(60)	175,067
Machinery and Equipment	11,670	1,012	-	12,682
Vehicles and Related Equipment	154,656	288	(17,397)	137,547
Furniture and Fixtures	2,409	56	(2)	2,463
Total Capital Assets, Being Depreciated	<u>640,774</u>	<u>24,380</u>	<u>(17,459)</u>	<u>647,695</u>
Less: Accumulated Depreciation				
Land Improvements	(86,120)	(4,975)	-	(91,095)
Buildings	(103,275)	(2,975)	-	(106,250)
Fixed Equipment Buildings	(21,575)	(6,984)	-	(28,559)
Machinery and Equipment	(5,532)	(1,329)	-	(6,861)
Vehicles and related Equipment	(100,242)	(10,577)	16,860	(93,959)
Furniture and Fixtures	(1,550)	(86)	1	(1,635)
Total Accumulated Depreciation	<u>(318,294)</u>	<u>(26,926)</u>	<u>16,861</u>	<u>(328,359)</u>
Net Capital Assets Being Depreciated	<u>322,480</u>	<u>(2,546)</u>	<u>(598)</u>	<u>319,336</u>
Business-type Activities Capital Assets- Net	<u>\$ 360,292</u>	<u>\$ 17,489</u>	<u>\$ (23,323)</u>	<u>\$ 354,458</u>

Note 5- Capital Assets (Continued)

Primary Government (Continued)

Depreciation was charged to business-type activities as follows:

Airport	\$ 14,107
Transit System	<u>12,819</u>
Total	\$ <u>26,926</u>

Discretely Presented Component Units

Of the County's four component units, two have reportable capital assets, the Marcus Center for the Performing Arts, the Milwaukee Public Museum.

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

Building Improvements	\$ 16,943
Parking Structure and Improvements	2,447
Furniture and Fixtures	75
Equipment and Computers	1,826
Less: Accumulated Depreciation	<u>(10,773)</u>
Capital Assets, Net	\$ <u>10,518</u>

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

Building additions and improvements	\$ 19,221
Furniture, equipment and exhibits improvements	10,619
Less: Accumulated depreciation	<u>(10,674)</u>
Capital Assets, Net	\$ <u>19,166</u>

Construction Commitments

Following is a list of major capital projects either started or continuing in 2008. These reflect projects for both governmental funds and proprietary funds.

Project Area	Project Description	2008		Committed
		Appropriations	Expenditures	
Airport	In-Line Baggage Screening	\$ 9,273	\$ 5,258	\$ 692
Airport	"C" Concourse Four Gate Expansion	3,331	1,913	889
Airport	Terminal HVAC Equipment Replacement	2,855	1,877	936
Airport	Runway Safety Area- NEPA Comp	6,947	1,345	5,043
Airport	Cargo Way Reconstruction	2,205	1,163	225

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

Project Area	Project Description	2008 Appropriations	2008 Expenditures	Committed
Airport	E Concourse Stem Remodel	\$ 2,585	\$ 793	\$ 777
Airport	Airfield Pavement Rehabilitation	911	662	7
Airport	Runway Safety Improvement	799	596	-
Airport	Replacement of Taxiway M from Taxiway B to Taxiway E	846	560	51
Airport	Air Cargo Building Roof Replacement	874	490	74
Airport	Equipment Storage Building	893	488	282
Airport	Lawrence J Timmerman Runway and Taxiway Rehabilitation	478	392	43
Airport	Terminal Mall and Ticketing Recarpeting	981	380	243
Airport	Compressed Natural Gas Facility	368	347	3
Airport	Stormwater Box Tunnel Repairs	583	344	163
Airport	Security and Wildlife Deterrent Perimeter Fencing	357	296	-
Airport	Terminal Mall Public Restroom Renovation	341	283	42
Airport	Part 150 Noise Study	331	186	31
Airport	Security System Fiber Optic Cable Replacement	278	184	65
Airport	Master Plan Update	460	129	292
Airport	Terminal Road Reconstruction	266	123	-
Airport	South Maintenance Road	910	114	-
Airport	Firehouse Road Replacement	232	95	-
Airport	Phase I Mitigation Program	2,118	62	7
Airport	"D" Concourse Improvements	288	50	9
Central Services	County Grounds East Water Tower Replacement	646	484	169
Central Services	"C" Building Roof Replacement	557	142	-
Central Services	County Grounds West Water Tower Replacement	897	61	777
Courthouse Complex	Building Automation and Access Control Upgrade	469	452	15
Courthouse Complex	Courts Videoconferencing Replacement	462	393	6
Courthouse Complex	Courthouse Annex Renovation	583	375	40
Courthouse Complex	Courtroom Bullet Resistant Glass Wall	236	234	3
Courthouse Complex	Criminal Justice Facility Inmate Elevator Upgrade	218	188	22
Courthouse Complex	Courthouse Restroom Renovation	287	184	39
Courthouse Complex	Medical Examiner Molecular Toxicology Laboratory Equipment	171	176	-
Courthouse Complex	Courthouse Roof Replacement	211	126	8
Courthouse Complex	Courthouse Complex HVAC System	108	54	1
Environmental	Countywide Sanitary Sewers Replace	1,591	1,000	297
Environmental	Bradford Beach Storm Water Outfalls Relocation	1,022	852	85
Environmental	Pond and Lagoon Demonstration	589	284	289
Environmental	McKinley Beach SW Outfall	638	177	475
Highways	West Good Hope Road	5,195	4,346	768
Highways	Mill Road 91st to South 45	3,155	2,458	655
Highways	Milwaukee River Parkway Bndge #647	2,232	1,881	1,589
Highways	Reconstruct Hampton from 92nd	4,539	1,778	325
Highways	South 76th Street Bndge Over West Forest Home Avenue	952	803	-
Highways	Oak Creek Parkway Bndge 741 Over Oak Creek	1,181	725	762
Highways	South 76th Street West Parkview Drive	698	611	278
Highways	West Rawson Avenue South 6th Street to South Ash Street	153	513	-

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

<u>Project Area</u>	<u>Project Description</u>	2008 <u>Appropriations</u>	2008 <u>Expenditures</u>	<u>Committed</u>
Highways	Honeycreek Parkway Bridges #780	\$ 439	\$ 507	\$ -
Highways	West Silver Spring Drive North 124th	885	432	52
Highways	Honeycreek Bridge #779	329	426	-
Highways	Reconstruct North Port Washington Road	66	233	-
Highways	West Oklahoma Avenue, West Beloit	(7)	218	-
Highways	West Good Hope Road Little Menominee	334	140	8
Highways	West Good Hope Road- North 107th Street North Port Road	140	82	68
Highways	West Rawson Avenue South 27th Street to South 6th Street	8	76	8
Highways	West Hampton 60th to North 124th	91	61	-
Highways	East College/ South Howell to Penn	511	58	33
Highways	Reconstruct County Trunk Highway "V" South 13th	1,033	51	21
House of Correction	House of Corrections Fire Suppression System	885	608	49
House of Correction	Laundry Equipment Replacement	495	149	-
House of Correction	Kitchen Equipment Replacement	130	112	6
Human Services	Monitor/Defibrillator "E" Series Implementation	556	540	-
Human Services	Vliet Exterior Improvement	546	454	90
Human Services	Wilson-Fire Alarm System & Elevator	388	290	5
Human Services	Rose Senior Center- Fire Alarm System/ Passenger Elevator	392	263	26
Human Services	Coggs Center Electrical Substation Replacement	937	126	426
Human Services	Kelly-Bathroom Renovations Basic	157	124	19
McKinley Marina	McKinley Marina Seawall Improvements	1,273	701	29
McKinley Marina	Coast Guard Station Demolition and Pavilion Construction	432	420	-
McKinley Marina	McKinley Marina Redevelopment	25	128	-
Museum	Electrical Distribution Replacement	952	215	176
Museum	Alcohol Specimen Storage Relocation	245	78	146
Museum	Museum Air Handling and Piping Replacement	828	57	143
Other Agencies	Fleet Airport Equipment Acquisitions	12,191	11,599	431
Other Agencies	Fleet Parks Equipment Acquisitions	1,207	1,097	46
Other Agencies	Fleet General Equipment Acquisitions	1,409	907	503
Other Agencies	War Memorial HVAC Replacement	1,009	881	87
Other Agencies	Milwaukee County Historical Society Renovation	2,292	543	1,507
Other Agencies	Rewire County Facilities	458	382	61
Other Agencies	Root River Parkway Road- College & 92nd Street	293	282	21
Other Agencies	County Special Assessments	265	241	-
Other Agencies	Fleet Sheriff Equipment Acquisitions	242	231	-
Other Agencies	Centralized Disc to Disc Backup	212	204	1
Other Agencies	Marcus Center Ballroom Operable Partition Replacement	200	197	3
Other Agencies	War Memorial Center Renovation	212	175	-
Other Agencies	Countywide Technical Infrastructure Improvements	205	169	-
Other Agencies	Connect Computer Room Uninterruptible Power Supply	180	165	-
Other Agencies	Fiber Backbone Construction and Installation	204	161	102
Other Agencies	Milwaukee County Inclusive Housing Fund	1,749	158	-
Other Agencies	Capital Monitoring Database System	557	157	395
Other Agencies	Security Cameras in Criminal Justice Facility	167	96	57

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

<u>Project Area</u>	<u>Project Description</u>	<u>2008 Appropriations</u>	<u>2008 Expenditures</u>	<u>Committed</u>
Other Agencies	Art Museum Electrical Distribution System Replacement	\$ 521	\$ 91	\$ 70
Other Agencies	Transportation Billing System	90	89	-
Other Agencies	In Squad Cameras- Vision Hawk Digital	196	86	-
Other Agencies	Wil-O-Way Grant Floor Replacement	104	73	31
Other Agencies	Rebuild the Electronics Room in Communications Center	65	62	-
Parks	Lincoln Park Aquatic Center Phase Two	2,587	1,683	1,297
Parks	Wilson Park Recreation Center	1,216	1,156	65
Parks	Cume Park Irrigation	1,303	678	-
Parks	Lincoln Park Family Aquatic Center	902	605	95
Parks	Countywide Play Area Redevelopment Program	492	486	24
Parks	South Shore Bike Trail	450	469	-
Parks	McCarty Park Bathhouse Renovations	426	398	28
Parks	Dineen Park Aquatic Splash Pad	367	368	1
Parks	Mitchell Park Domes Structural Repairs and Painting	384	363	19
Parks	Boerner Gardens Irrigation System	340	305	26
Parks	Countywide Trail and Hard Surface Replacement Program	290	304	-
Parks	Currie Golf Course Irrigation	339	294	7
Parks	McCarty Park Pool Entryway Concessions	190	190	-
Parks	Madison Park Splash Pad Construction	480	174	252
Parks	Dineen Park Bath House Renovation	204	173	25
Parks	Washington Park Splash Pad	540	163	320
Parks	Dretzka Park Golf Course Irrigation	150	145	-
Parks	Martin Luther King Junior Recreation Center Improvements	146	128	12
Parks	Jackson Picnic Comfort Building	119	116	-
Parks	Dretzka Golf Course Construction	129	116	13
Parks	Oak Leaf Trail- Kohl Park	1,015	88	2
Parks	Lincoln Blatz Building Roof	179	81	2
Parks	Mitchell Park Greenhouse	503	81	115
Parks	McCarthy Park Pool Utility Tunnel and Concrete Replacement	92	81	-
Parks	Kosciuszko Acoustical Panels	61	73	-
Parks	Menomonee River Streambank	123	69	19
Parks	Wilson Park Diving Pool Liner	81	67	-
Parks	Oakwood, Whitnall and Brown Deer	60	67	-
Parks	Kosciuszko Gym Floor	79	64	-
Parks	Brady Street Bridge Ramp	60	63	-
Parks	Oak Leaf Trail- West Congress	509	54	-
Parks	Shendan Park Wading Pool and Dressing Wall Replacement	54	54	-
Parks	Lake Park Lions Bridge	260	53	11
Transit	Diesel Pump & UST Piping-Fond Du Lac Garage	332	332	-
Transit	Roof Replacement at Downtown Transit Center	168	146	3
Transit	Roof Top Air Handling Unit Replacement	64	63	-
Zoo	Apes of Africa Cladding	478	447	14
Zoo	Admission Booth Replacement	294	218	97
Zoo	Pachyderm Corridor Roof Replacement	155	111	32

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

Project Area	Project Description	2008		Committed
		Appropriations	Expenditures	
Zoo	Pachyderm Door Replacement	\$ 120	\$ 109	4
Zoo	Winter Quarters Stall Resilient Flooring	112	104	5
Zoo	Small Mammal Renovations	92	89	-
Zoo	Electrical Distribution System	86	86	-
Zoo	Anaconda/Iguana Exhibit Renovation	84	84	-
Zoo	Feline Building Renovation	63	63	-
Zoo	North American Barn Roof Replacement	54	52	-

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, 2008 is as follows:

Transfers In	Transfers From						Total
	General Fund	Capital Projects Fund	Business Type Airport	Business Type Transit	Internal Service IMSD	Internal Service DPW	
General Fund	\$ -	\$ 1,763	\$ 2,758	\$ 284	\$ 917	\$ 1,470	\$ 7,192
Debt Service	47,758	-	-	-	-	-	47,758
Internal Service							
Risk Management	643	-	-	-	-	-	643
IMSD	166	-	-	-	-	-	166
DPW	3,573	-	-	-	-	-	3,573
Business-type							
Airport	97	-	-	-	-	-	97
Transit	19,048	-	-	-	-	-	19,048
Total	\$ 71,285	\$ 1,763	\$ 2,758	\$ 284	\$ 917	\$ 1,470	78,477
Less: Government-wide eliminations							(62,374)
Total Transfers- Government-wide Statement of Activities							\$ 16,103

Note 6- Interfund Transfers (Continued)

No fund may have a reserve except for the Debt Service Fund and the Airport Fund. All funds that have a net increase at year-end must transfer that net increase to the General Fund. All funds that have a net decrease at year-end receive a transfer from the General Fund so that the fund breaks 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 \$ 2,626 for the year ended December 31, 2008.

The future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2009	\$ 2,480
2010	2,072
2011	768
2012	689
2013	625
	<u>\$ 6,634</u>

Capital Leases-Primary Government

During 2008, the County entered into a Guaranteed Energy Savings Performance Contract to improve the County's energy efficiency and promote environmental sustainability. The County is leasing equipment for a period of 10 years and is required to make annual lease payments during the life of the contract. At the end of the lease term, ownership of the equipment will transfer to the County. The gross amount of these assets under capital leases is \$ 4,842 and is presented in the capital assets in the governmental activities.

In prior years, the County entered into capital lease agreements for various Airport vehicles and equipment. At the end of the lease term, ownership of the equipment will transfer to the County. The gross amount of these assets under capital leases is \$ 620 and is presented in the capital assets in the business-type activities.

Note 7- Leases (Continued)

Capital Leases-Primary Government (Continued)

The assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Asset:		
Machinery and Equipment	\$ 4,842	\$ -
Vehicles and Related Equipment	-	620
Less: Accumulated Depreciation	<u>(339)</u>	<u>(375)</u>
Total	<u>\$ 4,503</u>	<u>\$ 245</u>

The future minimum lease payments and the net present value on these minimum lease payments as of December 31, 2008, are as follows:

Year Ending <u>December 31</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2009	\$ 578	\$ 158
2010	578	108
2011	578	-
2012	578	-
2013	578	-
2014-2017	<u>2,401</u>	<u>-</u>
Sub-totals	5,291	266
Less: Amount Representing Interest	<u>(788)</u>	<u>(21)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 4,503</u>	<u>\$ 245</u>

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Note 8- Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments & Adjustments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 414,503	\$ 30,675	\$ (43,791)	\$ 401,387	\$ 44,967
Add (Subtract) Deferred Amounts for:					
Premium	6,728	31	(1,298)	5,461	-
Discount	(881)	-	100	(781)	-
Loss on Refunding	(7,094)	-	1,270	(5,824)	-
Accretion	9,595	-	980	10,575	-
Sub-totals Bonds Payable	<u>422,851</u>	<u>30,706</u>	<u>(42,739)</u>	<u>410,818</u>	<u>44,967</u>
Other Liabilities					
Pension Obligation	24,369	48,910	(34,913)	38,366	6,540
Unfunded Claims and Judgments	20,000	1,875	(1,875)	20,000	1,000
Landfill Post-closure Costs	4,235	10	-	4,245	395
Pollution Remediation Costs	-	315	-	315	-
Compensated Absences	52,425	26,619	(26,874)	52,170	24,184
Risk Claims	8,989	8,190	(6,612)	10,567	7,007
Other Post Employment Benefits	47,616	124,793	(67,496)	104,913	-
Capital Leases	-	4,842	(339)	4,503	426
Sub-total Other Liabilities	<u>157,634</u>	<u>215,554</u>	<u>(138,109)</u>	<u>235,079</u>	<u>39,552</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 580,485</u>	<u>\$ 246,260</u>	<u>\$ (180,848)</u>	<u>\$ 645,897</u>	<u>\$ 84,519</u>
Business-type Activities:					
Bonds Payable					
General Obligation Bonds	\$ 29,353	\$ 185	\$ (3,240)	\$ 26,298	\$ 3,579
Revenue Bonds	183,935	-	(7,415)	176,520	7,520
Add (Subtract) Deferred Amounts for:					
Premium	3,433	-	(531)	2,902	-
Discount	(2,773)	-	471	(2,302)	-
Loss on Refunding	(451)	-	80	(371)	-
Accretion	191	-	20	211	-
Sub-totals Bonds Payable	<u>213,688</u>	<u>185</u>	<u>(10,615)</u>	<u>203,258</u>	<u>11,099</u>
Other Liabilities					
Compensated Absences	12,310	5,620	(5,148)	12,782	6,372
Risk Claims	13,365	249	(5,101)	8,513	5,177
Other Post Employment Benefits - Transit	-	15,137	(15,137)	-	-
Other Post Employment Benefits - Airport	1,906	2,191	-	4,097	-
Capital Leases	400	-	(155)	245	144
Sub-total Other Liabilities	<u>27,981</u>	<u>23,197</u>	<u>(25,541)</u>	<u>25,637</u>	<u>11,693</u>
Total Business-Type Activities Long-term Liabilities	<u>\$ 241,669</u>	<u>\$ 23,382</u>	<u>\$ (36,156)</u>	<u>\$ 228,895</u>	<u>\$ 22,792</u>

Note 8- Long-term Liabilities (Continued)

Changes in Long-term Liabilities (Continued)

Compensated Absences consist of the following:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Payments &</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
Governmental Activities:					
Retirement sick pay payout	\$ 27,320	\$ 5,017	\$ (1,769)	\$ 30,568	\$ 2,582
Vacation time earned	20,563	18,638	(20,563)	18,638	18,638
Overtime earned	1,897	1,196	(1,897)	1,196	1,196
Holiday pay	2,645	1,768	(2,645)	1,768	1,768
Total Compensated Absences - Governmental Activities	\$ 52,425	\$ 26,619	\$ (26,874)	\$ 52,170	\$ 24,184
Business-type Activities:					
Retirement sick pay payout	\$ 7,270	\$ 310	\$ (106)	\$ 7,474	\$ 1,064
Vacation time earned	4,774	4,908	(4,776)	4,906	4,906
Overtime earned	70	333	(70)	333	333
Holiday pay	196	69	(196)	69	69
Total Compensated Absences - Business-type Activities	\$ 12,310	\$ 5,620	\$ (5,148)	\$ 12,782	\$ 6,372

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 \$ 68,211 of internal service funds long-term liabilities are 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.

Unfunded claims and judgments include estimated costs for outstanding medical, environmental, and other claims. At December 31, 2008, the outstanding amount of claims and judgments due within one year totaled \$ 1,000.

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

Note 8- Long-term Liabilities (Continued)

Changes in Long-term Liabilities (Continued)

\$ 4,245 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.

In accordance with GASB Statement No. 49, the County has recorded a long-term liability for its estimated pollution remediation costs. At December 31, 2008, the estimated liability for pollution remediation costs totaled \$ 315. These costs are related to cleanup of underground petroleum contamination on County-owned land.

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 12/31/08	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	905	134
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	31,030	11,737	1,262
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	45,622	3,272	164
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	44,860	3,132	168
Refunding Bonds (Taxable), Series 2001A	06/01/01	12/01/11	6.06%	2,610	750	94
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	46,467	16,823	1,082

County of Milwaukee, Wisconsin

Notes to the Financial Statements

Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

Bond Issue	Governmental Activities General Obligation Debt					
	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/08	Interest to Maturity
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	\$ 37,830	\$ 18,310	\$ 4,120
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	56,894	14,190	1,064
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	36,926	20,531	5,270
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	93,515	93,515	17,431
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	23,520	15,411	4,405
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	25,233	19,517	5,037
Wisconsin Trust Loan	05/19/04	03/15/09	6.00%	19,167	4,271	252
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	23,660	20,177	6,373
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	59,675	59,178	11,335
General Obligation Corporate Purpose Bonds, Series 2006A	04/01/06	10/01/21	4.14%	30,776	28,170	10,923
General Obligation Corporate Purpose Bonds, Series 2007A	06/01/07	12/01/22	4.12%	32,422	31,897	11,096
Wisconsin Trust Fund Loan	09/01/07	03/15/17	5.25%	1,000	1,000	319
General Obligation Corporate Purpose Bonds, Series 2008A	06/01/08	12/01/23	3.93%	30,675	30,675	12,064
Total Governmental Activities Debt					\$ 401,387	\$ 105,233

The ratio of the aggregate indebtedness of all taxing authorities located within the County to equalized value of the taxable property was approximately 4.22% including .64% related to direct County indebtedness at December 31, 2008. 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, 2008 under Wisconsin Statutes, the County could borrow an additional \$ 2,973,942.

At December 31, 2008, the weighted average interest rate of general obligation bonds and notes outstanding was 3.97%.

Note 8- Long-term Liabilities (Continued)

Governmental 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>
2009	\$ 44,967	\$ 21,438	\$ 66,405
2010	44,521	18,830	63,351
2011	44,122	17,822	61,944
2012	47,721	11,232	58,953
2013	48,091	9,261	57,352
2014-2018	133,597	22,615	156,212
2019-2023	38,368	4,035	42,403
Total Debt Service	<u>\$ 401,387</u>	<u>\$ 105,233</u>	<u>\$ 506,620</u>

On June 1 2008, the County issued \$ 30,860 of General Obligation Corporate Purpose Bonds, Series 2008A. Total proceeds of \$ 30,901 (par amount of bond issue of \$ 30,860, net premium of \$ 31, plus accrued interest of \$ 10) 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 2008 Adopted Capital Improvement Budget. The bonds of \$ 30,675 and \$ 185 were recorded in Governmental Activities and the Business-type Activities columns on the Statement of Net Assets, respectively. Major expenditure categories include:

Legislative, Executive and Staff	\$ 857
General Governmental Services	1,017
Public Safety	1,152
Public Works and Highways	8,333
Human Services	1,871
Parks, Recreation and Culture	11,047
Other Capital Projects	6,583
Total	<u>\$ 30,860</u>

These bonds have semi-annual interest payments on June 1 and December 1 through 2023. The interest rate is 3.0% for 2009 through 2013, 3.25% from 2014 through 2015, 3.50% from 2016 through 2017, 4.00% from 2018 through 2020, 4.25% from 2021 through 2022, and 4.50% in 2023.

Note 8- Long-term Liabilities (Continued)

Business-type Activities

The County has pledged future airport revenues generated from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport, net of specified operating expenses, to repay \$184,213 of revenue bonds issued in previous years. Proceeds from the revenue bonds provided financing for capital improvements. The bonds are payable solely from net revenues and deposits made to the Coverage Fund, and are payable through December 31, 2032. The Coverage Fund is equal to 25% of the highest annual revenue bond debt service amount. Net revenues plus Coverage Fund assets are required to cover a minimum of 125% of annual debt service for the revenue bonds. Principal and interest paid for the current year and net revenues plus Coverage Fund assets were \$16,876 and \$25,155, respectively, resulting in net revenues plus Coverage Fund assets of 149% of annual debt service for 2008. The total principal and interest remaining to be paid on the bonds is \$280,779.

Business-type Activities General Obligation and Revenue Bond Debt

Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/08	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	2,730	451
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	4,803	303	15
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	1,695	603	65
General Airport Revenue Bonds, Series 2000A	06/01/00	12/01/25	5.80%	83,565	62,445	32,912
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	2,365	168	9
Airport Refunding Bonds, Series 2001A	10/01/01	12/01/11	4.47%	1,450	435	39
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	3,458	1,252	81
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	3,495	1,690	380
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	6,056	1,510	113
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	4,299	2,194	563
General Airport Revenue Bonds, Series 2003A	01/01/03	12/01/22	4.88%	7,125	5,250	2,035
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	6,510	6,510	1,213

Note 8- Long-term Liabilities (Continued)

Business-type Activities (Continued)

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

Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebtedness	Principal Outstanding 12/31/08	Interest to Maturity
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	\$ 2,430	\$ 1,914	\$ 547
General Airport Revenue Bonds, Series 2004A	03/31/04	12/01/29	4.47%	37,360	33,690	19,662
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	1,717	1,438	371
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	950	873	283
General Airport Revenue Bonds, Series 2005A	12/22/05	12/01/30	4.90%	29,010	28,645	21,863
Airport Refunding Bonds, Series 2005B	12/22/05	12/01/14	3.65%	7,755	5,470	792
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	3,350	3,322	636
General Obligation Corporate Purpose Bonds, Series 2006A	04/01/06	10/01/21	4.14%	819	810	324
General Airport Revenue Bonds, Series 2006A	11/16/06	12/01/31	4.60%	25,665	25,045	17,254
Airport Refunding Bonds, Series 2006B	10/01/06	12/01/15	4.08%	5,020	2,790	515
General Airport Revenue Bonds, Series 2007A	11/15/07	12/01/32	4.60%	13,445	13,185	9,221
General Obligation Corporate Purpose Bonds, Series 2007A	06/01/07	12/01/22	4.12%	203	203	74
General Obligation Corporate Purpose Bonds, Series 2008A	06/01/08	12/01/23	3.93%	185	185	79
Total Business-Type Debt					\$ 202,818	\$ 109,749

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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>
2009	\$ 11,099	\$ 10,311	\$ 21,410
2010	10,899	9,798	20,697
2011	10,751	9,297	20,048
2012	11,127	8,679	19,806
2013	11,317	8,133	19,450
2014-2018	48,445	32,684	81,129
2019-2023	45,144	20,489	65,633
2024-2028	38,465	8,975	47,440
2029-2032	15,571	1,383	16,954
Total Debt Service	\$ 202,818	\$ 109,749	\$ 312,567

Business-type Activities- Revenue Bonds

On November 15, 2007, the County issued \$13,445 of Airport Revenue Bonds, Series 2007A. The 2007 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, Airport Revenue Bonds, Series 2006A, dated November 16, 2006 (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 2007 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2007 Bonds. The 2007 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Bonds, Series 2007A interest rate is 5.0% for 2008 through 2019, 4.13% for 2020, 4.25% for 2021 through 2022, 4.5% for 2023 through 2027, and 5.0% for 2028 through 2032.

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,

Note 8- Long-term Liabilities (Continued)

Business-type Activities- Revenue Bonds (Continued)

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.

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

Note 8- Long-term Liabilities (Continued)

Business-type Activities- Revenue Bonds (Continued)

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 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.

Prior-Year Defeasance of Debt

In prior years, the County defeased certain general obligation bonds and Airport revenue 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, 2008, \$41,410 of bonds outstanding is considered defeased.

Debt Issued on Behalf of Other Entities/ Conduit Debt

In 2003, the County guaranteed \$ 14,200 of loans for a local corporation. The loans are secured by mortgages and a cash trust of \$ 5,906 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 \$ 200.

In order to develop the Milwaukee County Research Park, the City of Wauwatosa created the Tax Incremental District #2 (TID) in 1994. In 1997, the Wauwatosa Redevelopment Authority issued redevelopment lease revenue bonds of \$8,860

Note 8- Long-term Liabilities (Continued)

Debt Issued on Behalf of Other Entities/ Conduit Debt (Continued)

to fund infrastructure development costs in TID #2. In 2004, the Wauwatosa Redevelopment Authority issued lease revenue bonds of \$ 24,500 for construction of facilities at the Milwaukee County Research Park located in TID #2. In 2007, the Wauwatosa Redevelopment Authority retired \$7,100 of principal remaining on the 1997 bonds with redevelopment refunding lease revenue bonds of \$6,200. The County has agreed to guarantee the payment of the lease revenue bonds, if the tax increments generated by Tax Incremental District #2 are insufficient to pay principal and interest due on the 2004 and 2007 notes. The 2004 and 2007 redevelopment lease notes outstanding as of December 31, 2008 was \$ 22,325 and \$ 6,200, respectively.

Note 9- Net Assets

Governmental Activities

Restricted net assets consist of the following:

Net Assets- Restricted for Debt Service	\$	10,757
Net Assets- Restricted for Aging CMO		6,142
Net Assets- Restricted for Airport – PFC and Debt		34,082
Net Assets- Restricted for Health & Safety		136
Net Assets- Restricted for Zoo		685
Net Assets- Restricted for Parks		1,072
Net Assets- Restricted for Persons with Disabilities		128
Net Assets- Restricted for Behavioral Health Division		9,344
Total Net Assets - Restricted - Governmental Activities	\$	62,346

Business-type Activities

Restricted net assets consist of the following:

Net Assets- Restricted for Revenue Bonds	\$	14,000
Net Assets- Restricted for Capital Asset Needs at the Airport		5,115
Total Net Assets - Restricted - Business-type Activities	\$	19,115

Note 9- Net Assets (Continued)

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	\$	69
Restricted for Programming Events- Marcus Center for the Performing Arts		14
Research Development Fund-Research Park		182
Total	\$	<u>265</u>

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

Temporarily Restricted

Exhibits and Museum Renovations	\$	531
Educational Lecture Costs		99
Purchase and Maintenance of Collections		666
Restricted for time		564
Held by Friends of the Museum		60
Capital Campaign		3,552
Endowment Fund		-
Purchase and Maintenance of Collections		435
Internship Programs		31
Total Temporarily Restricted Assets	\$	<u>5,938</u>

Permanently Restricted

Operations	\$	1,075
Special Exhibits		1,237
Starr Adventure and Internship		71
Total Permanently Restricted Assets	\$	<u>2,383</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

Note 10- Risk Management (Continued)

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 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, 2008 was \$ 10,567.

The County has recognized \$ 10,567 of claims liabilities in the Risk Management Fund. The Risk Management Fund has \$ 10,567 of cash to pay for this liability. Changes in the balances of claim liabilities during the past two years are as follows:

	Year ended 12/31/2008	Year ended 12/31/2007
Beginning of year Liability	\$ 8,989	\$ 8,448
Current Year Claims and Changes in Estimates	8,190	6,181
Claims Payments	(6,612)	(5,640)
End of Year Liability	\$ 10,567	\$ 8,989

The claims liability for the Transit System at December 31, 2008 was \$ 8,513. The Transit System has recognized \$ 8,513 of claims liability in the Transit System fund. Changes in the Transit System balances of the claims liability for the past two years are as follows:

	Year ended 12/31/2008	Year ended 12/31/2007
Beginning of year Liability	\$ 13,365	\$ 14,459
Current Year Claims and Changes in Estimates	249	11,835
Claims Payments	(5,101)	(12,929)
End of Year Liability	\$ 8,513	\$ 13,365

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

Note 11- Related Party Transactions (Continued)

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 2008 were \$ 1,748. 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 \$ 10 were made to the Memorial during 2008.

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 appropriations received by the Marcus Center from Milwaukee County for the fiscal year ending December 31, 2008 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 \$10.00 (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 \$ 4,300 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.

An amendment was made to the lease agreement in 2005, which committed the County to \$3,381 of base level funding. In 2007, the lease agreement was

Note 11- Related Party Transactions (Continued)

amended again as part of a recovery plan for the Milwaukee Public Museum. The amendment provides for base annual operating support of \$ 3,502 per year for 10 years beginning in 2008 and ending in 2017. In addition, the County committed to a minimum of \$ 4,000 of in capital expenditures over a period of five years, from 2008 to 2012 for infrastructure and deferred maintenance projects. Total payments for the Milwaukee Public Museum's years ended August 31, 2008, and 2007 was \$ 3,444 and \$ 3,385, respectively.

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

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. In June of 2008, the Corporation exercised the second option period extending the lease through September 30, 2013. 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 March 2009, the County issued \$ 265,000 of 20-year Taxable General Obligation Notes, Series 2009A and \$135,000 of 5-year Taxable Note Anticipation Notes, Series 2009B. The net proceeds are being contributed to the Employee's Retirement System of the County of Milwaukee ("ERS") to reduce the Unfunded Actuarial Accrued Liability ("UAAL"). The taxable note proceeds of \$ 397,797 were contributed to ERS on April 2, 2009 and were considered a 2008 contribution for actuarial purposes. As a result, the ERS UAAL reported in the Required Supplementary Information declined to \$ 88,859 as of January 1, 2009 from \$ 397,635 as of January 1, 2008. The January 1, 2009 UAAL is still showing an unfunded balance due to investment losses that occurred in 2008.

Note 12- Subsequent Events (Continued)

In May 2009, the County and the Milwaukee County Employee Retirement System settled its lawsuit against its former actuary in the amount of \$ 45,000. It is anticipated that after the payment of attorney fees and other legal costs approximately \$ 30,000 will be available for transfer to the Retirement System.

Note 13- Commitments and Contingencies

Claims and Other Legal Proceedings

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

Storm and Sanitary Sewer System

The County has sanitary sewer and storm sewer systems that it is responsible for on County land. The State Attorney General issued an order that requires monitoring, maintenance, and repair of these systems. The purpose of this order is to ensure that the metropolitan areas sanitary sewer systems receive only sanitary system flow from the County. Storm water shall not be allowed to flow into the metropolitan sanitary system. The order will require future capital and operating commitments. For 2009, the commitment is \$ 1,500.

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, 2008.

Note 14- Other Post-employment Benefits

Countywide Program (excluding Transit System)

Description and Provisions

The County administers a single-employer defined benefit healthcare and life insurance plans for retired employees. The plans provide health and life

Note 14- Other Post-employment Benefits (Continued)

Countywide Program (excluding Transit System Continued)

Description and Provisions (Continued)

insurance contributions for eligible retirees and eligible spouses through the County's self-insured health insurance plans and the County's group life insurance plan. The retiree healthcare and life insurance plans do not issue separate financial reports.

The retiree healthcare benefits are authorized by County Ordinance, Section 17.14. The retirement health benefit is non-contributory for retirees with 15 or more years of service who were hired before January 1, 1994, except for certain union groups, which have a later cut off date for this benefit. Retirees with less than 15 years of service pay full premium. Retiree health insurance premiums are charged at different rates than active employees. Retirees may enroll in either a self-insured Health Maintenance Organization (HMO) or a self-insured Preferred Provider Option (PPO). 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 health 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. See Note 1.D.6 for information regarding the County's accrued sick leave liability as of December 31, 2008.

The retiree life insurance benefits are authorized by County Ordinance, Section 62.02. Employees hired prior to January 1, 1994 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, except for certain union groups who have a later cut off date, are responsible for the full cost of the life insurance premiums upon retirement.

Funding Policy

The health insurance and life insurance benefits for retirees are financed on a pay-as-you-go basis with current tax levy funds. The County pays 100 percent of the health insurance premium for employees 15 or more years of service that were hired before January 1, 1994. Retirees with less than 15 years of service and employees hired on and after January 1, 1994 are responsible for 100 percent of the health insurance premium after retirement. Employees who retire

Note 14- Other Post-employment Benefits (Continued)

Countywide Program (excluding Transit System Continued)

Funding Policy (Continued)

with no break in service from active employee status that were hired before January 1, 1994 pay group term life insurance premiums at the same contribution schedule as when actively employed. Employees hired on and after January 1, 1994 pay 100 percent of the life insurance premiums upon retirement.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or asset) over a period not to exceed thirty years. The following schedules provide the components of the County's 2008 and 2007 OPEB costs:

**Schedule of Annual OPEB Costs
For the Year Ending December 31**

	<u>2008</u>	<u>2007</u>
Normal Cost	\$ 18,392	\$ 13,802
Amortization of Unfunded Actuarial Accrued Liability	112,349	95,796
Annual Required Contribution (ARC)	130,741	109,598
Interest on Net OPEB Obligation	2,971	-
Adjustment to the ARC	(6,728)	-
Annual OPEB Cost	\$ 126,984	\$ 109,598

**Schedule of Employer Contributions
for the Year Ending December 31**

	<u>2008</u>	<u>2007</u>
Premiums Paid on Behalf of Retirees	\$ 69,178	\$ 61,042
Less: Retiree Contributions	(1,682)	(966)
Net Employer Contribution	\$ 67,496	\$ 60,076
Percent of Annual OPEB Cost Contributed by Employer	53.2%	54.8%

**Schedule of Net OPEB Obligation
For the Year Ending December 31, 2008**

	<u>2008</u>	<u>2007</u>
Net OPEB Obligation - January 1, 2008	\$ 49,522	\$ -
Annual OPEB Cost	126,984	109,598
Less: Net Employer Contributions	(67,496)	(60,076)
Net OPEB Obligation - December 31, 2008	\$ 109,010	\$ 49,522

Note 14- Other Post-employment Benefits (Continued)

Countywide Program (excluding Transit System Continued)

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the County's OPEB plan was not funded. The actuarial accrued liability for benefits was \$1,546,458, and there was no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,546,458. The annual payroll of active employees covered by the plan was \$118,977, and UAAL as a percentage of covered payroll was 7.7 percent.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amount determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and estimates are revised. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. As this is the second year of reporting on the plan's funding progress, only two years of information is presented.

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:

Valuation Date	January 1, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Payments
Remaining Amortization Period	28 Years
Asset Valuation Method	Not Applicable

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Note 14- Other Post-employment Benefits (Continued)

Countywide Program (excluding Transit System Continued)

Actuarial Assumptions and Methods (Continued)

Additional information as of the latest actuarial valuation follows (Continued):

Actuarial Assumptions:

Investment Rate of Return	6.0%
Healthcare Cost Trend:	
Less than 65 Years of Age	9.0% Grading Down to 5% at 1% Per Year
65 Years of Age and Older	9.0% Grading Down to 5% at 1% Per Year
Mortality	Sex-Distinct RP2000 Combined Mortality Table
Disability	Graduated Rates Based Upon Current Age
Retirement Age	Estimates Vary Based Upon Historical Experience of the County
Withdrawal	Graduated Rates Based Upon Current Age, Years of Service, and Employment Category
Rate of Salary Increases	Varies from 3.0% to 10.0% Based Upon Current Age and Employment Category

Contributions Required and Contributions Made

The County does not have a formal funding policy for OPEB plans. It funds the costs for retiree health insurance and life insurance premiums on an annual pay-as-you-go basis using property tax levy.

As of December 31, 2008, the County had 6,183 of retirees enrolled in a health plan. The 2008 expenditures for retiree healthcare costs were \$ 68,306. The County's 2008 expenditures also included reimbursement of Medicare Part B premiums for health plan retirees of \$ 5,900. The total health plan expenditures were offset by \$ 1,497 in retiree contributions for certain retirees who were responsible for the partial or full health benefit premium cost.

As of December 31, 2008, the County had 5,249 retirees enrolled in the group life insurance plan. The 2008 expenditures for the group life insurance plan were \$ 872. The total life insurance expenditures were offset by \$ 185 in retiree contributions for certain retirees who were responsible for the partial or full health benefit premium cost.

Transit System Program

Description and Provisions- Transit System Program

Milwaukee Transport Services, Inc. (the "Transit System") provides single-employer defined benefit healthcare and life insurance benefits for retired

Note 14- Other Post-employment Benefits (Continued)

Transit System Program (Continued)

Description and Provisions- Transit System Program (Continued)

employees. The retiree healthcare and life insurance benefits are provided pursuant to the general labor agreement between the Transit System and the Amalgamated Transit Union Local 998 and the Office and Professional Employees International Union Local 35. The same benefits are provided to non-represented employees and retirees. Employees hired after July 16, 2007 are not eligible for retiree healthcare benefits. Employees eligible for pension benefits who retire before April 1, 2007 with ten (10) or more years of service are eligible for retiree healthcare benefits. Employees eligible for pension benefits who retire after April 1, 2007 with less than twelve (12) years of service will not be eligible for retiree healthcare benefits. Employees eligible for pension benefits who retire after April 1, 2009 with less than fourteen (14) years of service will not be eligible for retiree healthcare benefits. Effective July 1, 2007, all participants are required to contribute a portion of their healthcare insurance premium up to a maximum of 10 percent by January 1, 2010. Surviving spouses eligible for Medicare may continue healthcare coverage under the plan provided the surviving spouse pays 100 percent of the healthcare insurance premium. For surviving spouses not eligible for Medicare and dependent children, the Transit System will pay one-half (½) of the healthcare insurance premium until the spouse becomes eligible for Medicare or remarries, provided the employee has completed at least twelve (12) years of service. Retiree healthcare insurance premiums are charged at the same rates as active employees. Retirees may enroll in either of two (2) Health Maintenance Organization plans (HMO) or a Preferred Provider Option plan (PPO).

The Transit System pays the full premiums on a term life insurance policy for all employees who have retired onto pension, at the face value in effect at the time of retirement. The face value for employees retiring before April 1, 2001 range from \$500 to \$16,500 (five-hundred to sixteen-thousand five-hundred dollars). The face value for employees retiring after April 1, 2001 but before April 1, 2007 is \$8,500 (eight-thousand five-hundred dollars). The face value for employees retiring after April 1, 2007 is \$9,000 (nine-thousand dollars).

Funding Policy- Transit System Program

The health insurance and life insurance benefits for retirees are recognized under the accrual method of accounting. Under this method retiree healthcare and life insurance benefits are recognized when the benefits are earned by employees. In addition, the Transit System recognizes a portion of the unfunded actuarial accrual liability (UAAL) for the past service costs of its employees and retirees. The UAAL is amortized over thirty (30) years under the level percent

Note 14- Other Post-employment Benefits (Continued)

Transit System Program (Continued)

Funding Policy- Transit System Program (Continued)

method. Under the level percent method, the UAAL is paid off by contributing a fixed percentage of payroll each year. Under this method, the payments are smaller in the initial years and increase over time, as the payroll increases. It is assumed that the active group of employees' size remains constant and that the payroll increases 3 percent per year. It is the Transit System's intent to contribute the annual OPEB expense, after payment of the net retiree healthcare and life insurance premiums, into a trust.

Annual OPEB Cost and Net OPEB Obligation- Transit System Program

The Transit System's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or asset) over a period of thirty (30) years.

The following schedule provides the components of the Transit System's 2008 and 2007 OPEB costs:

**Schedule of Annual OPEB Costs
For the Year Ending December 31**

	<u>2008</u>	<u>2007</u>
Normal Cost	\$ 4,164	\$ 5,554
Amortization of Unfunded Actuarial Accrued Liability	10,757	11,635
Annual Required Contribution (ARC)	14,921	17,189
Interest on Net OPEB Obligation	(148)	-
Adjustment to the ARC	364	-
Annual OPEB Cost	\$ 15,137	\$ 17,189

**Schedule of Employer Contributions
for the Year Ending December 31**

	<u>2008</u>	<u>2007</u>
Premiums Paid on Behalf of Retirees	\$ 12,046	\$ 12,356
Contribution to OPEB Trust	7,000	8,500
Less: Retiree and Survivor Contribution	(1,559)	(1,399)
Less: Medicare Part D	(763)	(424)
Net Employer Contribution	\$ 16,724	\$ 19,033
Percent of Annual OPEB Cost Contributed by Employer	110.5%	110.7%

Note 14- Other Post-employment Benefits (Continued)

Transit System Program (Continued)

Annual OPEB Cost and Net OPEB Obligation- Transit System Program

The following schedule provides the components of the Transit System's 2008 and 2007 OPEB costs (Continued):

Schedule of Net OPEB Obligation For the Year Ending December 31, 2008

	<u>2008</u>	<u>2007</u>
Net OPEB Obligation - January 1, 2008	\$ (1,844)	\$ -
Annual OPEB Cost	15,137	17,189
Less: Net Employer Contributions	(16,724)	(19,033)
Net OPEB Obligation - December 31, 2008	\$ (3,431)	\$ (1,844)

Funded Status and Funding Progress- Transit System Program

As of December 31, 2008, the most recent actuarial valuation date, the Transit System's OPEB plan was partially funded. The actuarial accrued liability for benefits was \$ 201,686, and the actuarial value of assets was \$12,678, resulting in an unfunded actuarial accrued liability (UAAL) of \$189,008. The annual payroll of active employees covered by the plan was \$63,921, and the ratio of UAAL to the covered payroll was 2.96 to 1.

Actuarial Assumptions and Methods- Transit System Program

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amount determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and estimates are revised. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. As this is the initial year of reporting on the plan's funding progress, only one year of information is presented.

The schedules of funding progress presented in the supplementary schedules were determined as part of the actuarial valuations at the dates indicated.

Note 14- Other Post-employment Benefits (Continued)

Transit System Program (Continued)

Actuarial Assumptions and Methods- Transit System Program (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	28 Years
Asset Valuation Method	Not Applicable

Actuarial Assumptions:

Investment Rate of Return	8.0%
Healthcare Cost Trend:	
Healthcare	10% Grading Down to 5.5% at 0.5% Per Year
Prescription Drugs	10% Grading Down to 5.5% at 0.5% Per Year
Mortality	1983 Group Annuity Mortality Table
Disability	Graduated Rates Based Upon Current Age
Retirement Age	Estimates Vary Based Upon Historical Experience of the Transit System
Withdrawal	Graduated Rates Based Upon Current Age Years of Service and Employment Category
Rate of Salary Increases	3% per Year

Contributions Required and Contributions Made- Transit System Program

The Transit System's policy is to fully fund its OPEB plan. The Transit System funds its annual OPEB cost with operating revenues and tax levy support from Milwaukee County and the State of Wisconsin. As of December 31, 2008, the Transit System had 958 retirees and survivors enrolled in the HMO and PPO healthcare plans. The 2008 expenditures for the HMO and PPO healthcare plans were \$ 11,765. The total HMO and PPO expenditures were offset by \$ 1,559 in retiree contributions for certain retirees and survivors who were responsible for the partial or full health benefit premium cost, and \$ 763 in Medicare Part D reimbursements.

As of December 31, 2008, the Transit System had 857 retirees enrolled in the life insurance plan. The 2008 expenditures for the life insurance plan were \$ 281. There were no employee contributions towards the life insurance plan.

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 agreements require an employee to be a member prior to a stated date in order to qualify for the "rule of 75". The normal retirement benefit payment for a participant whose continuous membership began prior to January 1, 1982, is equal to 2.5% for elected officials, and 2.0% for all other participants, of the participant's three year final average monthly salary, as defined in the Ordinances and labor agreements as the three highest consecutive years, 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

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

Plan Description and Provisions (Continued)

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 five-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 .5% multiplier. Also, for each year of pension service earned after January 1, 2001, eight years of service earned prior to January 1, 2001, shall be credited with an additional .5% multiplier.

Each year after retirement, the amount of monthly benefit is increased by an amount equal to 2.0% COLA of the benefit paid for the first full month of retirement. However, the maximum benefit payable, excluding any post-retirement increases, to a participant cannot exceed the sum of 80% of the participant's final average monthly salary.

Beginning in 2001, the ERS also provides for a "back drop" pension benefit that permits an employee except for represented deputy sheriffs, 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. Most represented employees who were hired after February 1, 2007 are not eligible to receive back drop pension benefits. 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.

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

Plan Description and Provisions (Continued)

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. Assets of the OBRA system are commingled for investment purposes with the assets of the ERS. The OBRA system is a single-employer defined benefit pension plan that is non-contributory

The normal retirement benefit is payable upon request of any participant that has attained age 65. The amount of the normal retirement benefit is equal to one-twelfth of 2% of the participants average compensation multiplied by years of service (not in excess of 30). Average compensation is equal to the total earnings accumulated during the participant's employment with the County for years subsequent to December 31, 1991.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the ERS and OBRA. The financial report may be obtained by writing to the Pension Board, 901 North 9th Street, Room 210-C, Milwaukee, Wisconsin 53233 or by calling (414) 278-4207.

Summary of Significant Accounting Policies- Pension Fund

Basis of Accounting – The financial information of the ERS was prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred. On an annual basis, the County performs an actuarial valuation of the plan's assets and liabilities.

GASB Statement No. 50- In fiscal year 2008 the ERS implemented provisions of GASB Statement No. 50- Pension Disclosures, and Amendment of GASB Statements No. 25 and No. 27. This statement requires that information about the funded status of the pension plan as of the most recent actuarial valuation be disclosed in notes to the financial statements. Additionally, GASB 50 requires disclosure of information about actuarial methods and assumptions used in valuation on which reported information about the Annual Required Contribution (ARC) and the funded status and progress are based. The schedules of funding

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

Summary of Significant Accounting Policies- Pension Fund (Continued)

progress present multiyear information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Expenses – ERS administrative expenses incurred by the County are payable by the ERS to the County in the year incurred. Such expenses totaled \$ 1,031, in 2008, respectively. The County then reimburses the ERS for the expenses, with interest, ratably over a ten-year period.

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 2008, the net investment income realized from the security lending was \$ 541.

Securities loaned and the collateral held as of December 31, 2008 were as follows:

Fair Value of Securities Loaned:	\$	37,681
Fair Value of Collateral:	\$	38,493
Percent Collateral to Securities Loaned:		102.16%

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 \$ 37,445 and U.S. Treasury securities of \$ 1,048, for the year ending December 31, 2008. 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 \$ 1,048 for the year ended December 31, 2008 is controlled by the custodian and, correspondingly, is not reflected in the financial statements.

2008 Changes in Plan Provisions or Actuarial Assumptions

- Changed maximum period for backdrop period to earliest unreduced benefit.
- Increased annual compensation limit to \$ 230.
- Increased annual benefit limit to \$ 185.

**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 of 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 2008. 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:

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
ERS	12/31/08	\$ 48,910	71.4%	\$ 38,366
	12/31/07	53,063	92.9%	24,369
	12/31/06	52,548	52.2%	25,636
OBRA	12/31/08	\$ 655	79.7%	\$ -
	12/31/07	558	94.8%	-
	12/31/06	481	96.0%	-

County contributions totaling \$ 34,913, \$ 49,289, and \$ 27,435 were recorded in 2008, 2007, and 2006 respectively. The 2008, 2007, and 2006 contributions were less than the total actuarial required contribution using the Entry Age Normal method of funding with normal cost computed as a level percentage of pay. The County's contributions to the ERS were 14.9%, 21.7%, and 12.3% of annual covered payroll for 2008, 2007, and 2006, respectively.

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

Contributions Required and Contributions Made (Continued)

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, 2008 was \$ 4,452, leaving net assets available less than the actuarial accrued liability of (\$ 3,592). The County made contributions to the OBRA system totaling \$ 522, \$529, and \$462 in 2008, 2007, and 2006, respectively.

The accrued pension payable at December 31, 2008 of \$ 39,850 represents the pension expense of ERS and OBRA recorded in 2008 that will be paid by June 2009, plus a \$ 4,500 contribution to a trust fund that will be used to stabilize County contributions to the ERS.

Funded Status and Actuarial Information

The Retirement System engages an independent actuarial firm to perform an annual actuarial valuation. The funded status of the Retirement System as of January 1, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability- AAL	(Overfunded) Unfunded AAL- UAAL	Covered Payroll	UAAL as a Percentage of Covered Payroll	
(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
\$ 1,968,518	\$ 2,057,377	95.68%	\$ 88,859	\$ 233,820	38.00%

The December 31, 2008 funding ratio, as calculated by the actuary, includes the proceeds of the Pension Obligation bonds of \$ 397,797 that were issued in April 2009. In order to facilitate long-term planning, the pension board requested the actuary to include these proceeds in its determination of the plan's fund status as of January 1, 2009.

In May 2009, the County and the Retirement System settled its lawsuit against its former actuary in the amount of \$ 45,000. It is anticipated that after the payment of attorney fees and other legal costs approximately \$ 30,000 will be available for transfer to the Retirement System.

The schedules of funding progress, presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of the

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

Funded Status and Actuarial Information (Continued)

plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates about the future. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. These calculations reflect long-term perspectives and use techniques that are designed to reduce short-term volatility.

The following is a listing of the significant assumptions used by the actuary to determine the Annual Required Contribution for the current year:

	<u>ERS</u>	<u>OBRA</u>
Valuation Date	January 1, 2009	January 1, 2009
Actuarial Cost Method	Aggregate Entry Age Normal	Unit Credit
Asset Valuation Method	5-year Smoothed Market	Market
Amortization Methods:		
Contribution Variance	Level Dollar, Closed	Level Dollar, Closed
Administrative Expenses	Level Dollar, Closed	Level Dollar, Closed
All Other Unfunded Liability	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed
Remaining Amortization Periods:		
Contribution Variance	5 Years	5 Years
Administrative Expenses	10 Years	10 Years
All Other Unfunded Liability	30 Years	30 Years
Actuarial Assumptions:		
Investment Rate of Return	8.0%	8.0%
Rate of Salary Increases	3.50%	3.00%
Post-retirement Benefit Increases	2.0%, simple	2.0%, simple
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%

Note 16- Pending Governmental Accounting Standards

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires governmental entities to assign a value to and capitalize intangible assets. GASB defines an intangible asset as an asset that lacks physical substance, is non-financial in nature, and

Note 16- Pending Governmental Accounting Standards (Continued)

has a useful life of more than one year. The County is required to implement Statement No. 51 for the fiscal year ending December 31, 2010. The County will examine the requirements of this Statement to determine if it is applicable to the County and its potential financial impact.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement requires endowments to report their land and other real estate investments at fair market value in order to establish consistency in reporting among similar entities. The County is required to implement Statement No. 52 for the fiscal year ending December 31, 2009. The County will examine the requirements of this Statement to determine if it is applicable to the County and its potential financial impact.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement requires governmental entities to measure most derivative instruments at fair market value. The County is required to implement Statement No. 53 for the fiscal year ending December 31, 2010. The County will examine the requirements of this Statement to determine if it is applicable to the County and its potential financial impact.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides new fund balance classifications and more clearly defines governmental fund types. The County is required to implement Statement No. 54 for the fiscal year ending December 31, 2011. The County will examine the requirements of this Statement to determine if it is applicable to the County and the statements potential financial impact.

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.

Other Postemployment Benefits (OPEB)

Countywide Program

The County administers single-employer defined benefit healthcare and life insurance plans for retired employees. The plan provides health and life insurance contributions for eligible retirees and their spouses through the County's self-insured health insurance plans and the County's group life insurance plan.

Transit System Program

Milwaukee Transport Services, Inc provides single-employer defined benefit healthcare and life insurance benefits for retired employees. The retiree healthcare and life insurance benefits are provided pursuant to the general labor agreement between the Transit System and the Amalgamated Transit Union Local 998 and the Office and Professional Employees International Union Local 35.

County Of Milwaukee
Required Supplementary Information
(Unaudited)
Schedules of Funding Progress – Pension Plan
(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
<u>Retirement System</u>							
	1/1/09***	\$ 1,968,518	\$ 2,057,377	95.68%	\$ 88,859	\$ 233,820	38.00%
	1/1/08	1,627,288	2,024,923	80.36%	397,635	227,364	174.89%
	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%)**
	1/1/01	1,670,601	1,499,261	111.40%	(171,340)*	238,195	(71.9%)**
	1/1/00	1,622,710	1,336,573	121.40%	(286,137)*	230,324	(124.2%)**
<u>OBRA</u>							
	1/1/09	\$ 860	\$ 4,452	19.32%	\$ 3,592	\$ 8,498	42.27%
	1/1/08	1,355	4,077	33.24%	2,722	8,284	32.86%
	1/1/07	1,261	3,843	32.80%	2,582	7,057	36.60%
	1/1/06	1,090	3,530	30.90%	2,440	8,353	29.20%
	1/1/05	944	2,872	32.90%	1,928	8,406	22.90%
	1/1/04	790	2,535	31.15%	1,745	8,397	20.80%
	1/1/03	674	2,049	32.90%	1,376	8,596	16.00%
	1/1/02	662	1,890	35.00%	1,228	8,713	14.10%
	1/1/01	613	1,846	33.20%	1,233	8,783	14.00%
	1/1/00	584	1,581	36.90%	997	8,682	11.50%

* 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.

*** In order to facilitate long-term planning, the pension board for the Retirement System requested the actuary to include to include the \$397,797 in pension obligation obligation bond proceeds received in April 2009 in its determination of the plan's funded status as of January 1, 2009.

Note: Analysis of the dollar amounts of plan assets, actuarial accrued liability (AAL), and unfunded (overfunded) actuarial accrued liability (UAAL) in isolation can be misleading. Expressing plan net assets as a percentage of the AAL 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 AAL and annual covered payroll are both affected by inflation. Expressing the UAAL as a percentage of annual covered payroll approximately adjust for the effects of effects of inflation and aids the analysis of the Retirement System's progress in accumulating sufficient assets to pay benefits when due. Generally, the lower this percentage is, the stronger the Retirement System.

County Of Milwaukee
Required Supplementary Information
(Unaudited)
Schedules of Employer Contributions – Pension Plan
For the Year Ended December 31
(In Thousands of Dollars)

	<u>Fiscal Year</u>	<u>Annual Pension Costs (APC)</u>	<u>Annual Required Contribution (ARC)</u>	<u>Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Retirement System</u>						
	2008	\$ 48,910	\$ 53,063	\$ 34,913	71.38%	\$ 38,366
	2007	53,063	52,395	49,289	92.89%	24,369
	2006	52,548	52,638	27,435	52.21%	25,636
	2005	37,608	37,438	35,415	94.17%	-
	2004	33,248	33,248	35,249	106.02%	(2,000)
	2003	25,242	23,131	33,981	134.62%	-
	2002	8,528	7,536	2,580	30.25%	10,914
	2001	8,586	8,586	2,648	30.84%	5,938
<u>OBRA</u>						
	2008	\$ 655	\$ 661	\$ 522	79.69%	\$ -
	2007	558	486	529	94.80%	-
	2006	481	499	462	96.05%	-
	2005	386	386	365	94.56%	-
	2004	338	338	348	102.96%	-
	2003	280	280	280	100.00%	-
	2002	275	275	275	100.00%	-
	2001	250	250	250	100.00%	-

County Of Milwaukee
Required Supplementary Information
(Unaudited)
Schedules of Funding Progress – OPEB
(In Thousands of Dollars)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-	Funded Ratio	(Overfunded) Underfunded AAL- UAAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>County-wide Program</u>							
	1/1/2008	\$ -	\$1,546,458	0.0%	\$ 1,546,458	\$ 118,977	7.7%
	1/1/2006	-	1,313,632	0.0%	1,313,632	99,327	7.6%
<u>Transit System Program</u>							
	12/31/2008	\$ 12,678	\$ 201,686	6.3%	\$ 189,008	\$ 63,921	295.7%
	12/31/2006	-	181,862	0.0%	181,862	61,732	294.6%

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 OPEB's program'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 OPEB program. 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 OPEB program'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 OPEB program.

County Of Milwaukee
Required Supplementary Information
(Unaudited)
Schedules of Employer Contributions – OPEB
For the Year Ended December 31
(In Thousands of Dollars)

	<u>Fiscal Year</u>	<u>Annual OPEB Costs</u>	<u>Annual Required Contribution</u>	<u>Net Employer Contribution</u>	<u>Net OPEB Obligation</u>	<u>Employer Percentage Contributed</u>
<u>Countywide Program</u>						
	2008	\$ 126,984	\$ 130,741	\$ 67,496	\$ 109,010	53.2%
	2007	109,598	109,598	60,076	49,522	54.8%

	<u>Fiscal Year</u>	<u>Annual OPEB Costs</u>	<u>Annual Required Contribution</u>	<u>Net Employer Contribution</u>	<u>Net OPEB Obligation</u>	<u>Employer Percentage Contributed</u>
<u>Transit System Program</u>						
	2008	\$ 15,137	\$ 14,921	\$ 16,724	\$ (3,431)	110.5%
	2007	17,189	17,189	19,033	(1,844)	110.7%



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OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules



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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, 2008
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 360,549	\$ 376,006	\$ 355,455	\$ (20,551)
Property Taxes	251,890	251,890	251,495	(395)
Sales Taxes	65,209	65,209	66,695	1,486
Charges for Services	354,898	363,840	367,915	4,075
Fines and Forfeits	3,564	3,564	3,375	(189)
Licenses and Permits	1,003	1,003	978	(25)
Investment Income and Rents	12,440	12,440	15,425	2,985
Other	33,188	37,992	21,203	(16,789)
Total Revenues	<u>1,082,741</u>	<u>1,111,944</u>	<u>1,082,541</u>	<u>(29,403)</u>
Expenditures:				
Current:				
County Board	6,315	6,315	6,045	270
Department of Audit	2,641	2,677	2,562	115
Veterans Service	323	325	302	23
Community Development Business Partners	828	926	704	222
Procurement	888	788	645	143
Employee Benefits	2,249	2,198	1,889	309
Labor Relations	636	682	651	31
Office for Persons with Disabilities	837	1,214	1,032	182
County Executive	1,146	1,071	1,029	42
Civil Service Commission	62	70	58	12
Personnel Review Board	199	250	238	12
Corporation Counsel	1,932	2,039	1,662	377
Department of Human Resources	3,139	3,065	2,876	189
Department of Administrative Services	4,278	4,436	4,296	140
Housing	3,454	4,397	4,394	3
Legislative, Executive and Staff	<u>28,927</u>	<u>30,453</u>	<u>28,383</u>	<u>2,070</u>
County-funded State Court Services	49,281	50,066	50,883	(817)
Child Support Enforcement	19,736	19,781	18,822	959
Courts and Judiciary	<u>69,017</u>	<u>69,847</u>	<u>69,705</u>	<u>142</u>
Election Commission	1,093	1,143	1,141	2
County Treasurer	1,485	1,422	1,342	80
County Clerk	837	850	838	12
Register of Deeds	4,411	4,476	4,313	163
General Governmental Services	<u>7,826</u>	<u>7,891</u>	<u>7,634</u>	<u>257</u>
Sheriff	88,091	89,502	88,627	875
House of Correction	52,741	53,299	56,213	(2,914)
District Attorney	20,056	20,335	18,975	1,360
Public Safety and Non-Departmental Court	4,090	4,286	4,315	(29)
Public Safety	<u>164,978</u>	<u>167,422</u>	<u>168,130</u>	<u>(708)</u>
Highway Maintenance	17,118	17,505	17,311	194
Administration	346	350	226	124
Public Works and Highways	<u>17,464</u>	<u>17,855</u>	<u>17,537</u>	<u>318</u>

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, 2008
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
County Health Related Programs	\$ 68,306	\$ 69,430	\$ 67,964	\$ 1,466
Department on Aging	19,746	20,042	18,846	1,196
Department on Aging -- CMO	188,572	196,362	198,638	(2,276)
DHHS - Behavioral Health Division	171,169	166,821	163,288	3,533
Department of Human Services	214,968	230,609	210,898	19,711
Human Services	<u>662,761</u>	<u>683,264</u>	<u>659,634</u>	<u>23,630</u>
Department of Parks	43,502	44,832	42,886	1,946
Zoological Department	22,802	24,692	23,587	1,105
UW Extension Service	331	356	335	21
Parks, Recreation and Culture	<u>66,635</u>	<u>69,880</u>	<u>66,808</u>	<u>3,072</u>
Other	232	15,275	6,281	8,994
Total Expenditures	<u>1,017,840</u>	<u>1,061,887</u>	<u>1,024,112</u>	<u>37,775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,901</u>	<u>50,057</u>	<u>58,429</u>	<u>8,372</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2008 Appropriations	4,901	4,901	4,901	-
General Obligation Bonds Issued	-	-	302	302
Capital Lease Issued	-	-	3,252	3,252
Transfers In	-	-	7,192	7,192
Transfers Out	(63,271)	(48,427)	(71,285)	(22,858)
Transfers To Component Units	(6,531)	(6,531)	(6,531)	-
Total Other Financing Sources (Uses)	<u>(64,901)</u>	<u>(50,057)</u>	<u>(62,169)</u>	<u>(12,112)</u>
Net Change in Fund Balance	-	-	(3,740)	(3,740)
Fund Balances -- Beginning	42,992	42,992	42,992	-
Fund Balances -- Ending	<u>\$ 42,992</u>	<u>\$ 42,992</u>	<u>\$ 39,252</u>	<u>\$ (3,740)</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, 2008
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Investment Income and Rents	\$ -	\$ -	\$ 10	\$ 10
Other	8,899	11,748	11,180	(568)
Total Revenues	<u>8,899</u>	<u>11,748</u>	<u>11,190</u>	<u>(558)</u>
Expenditures:				
Current -- Other	-	-	109	(109)
Debt Service				
Principal Retirement	38,676	38,676	38,677	(1)
Interest	15,299	15,299	15,476	(177)
Total Expenditures	<u>53,975</u>	<u>53,975</u>	<u>54,262</u>	<u>(287)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(45,076)</u>	<u>(42,227)</u>	<u>(43,072)</u>	<u>(845)</u>
Other Financing Sources (Uses):				
Transfers In	45,076	42,227	47,758	5,531
Total Other Financing Sources (Uses)	<u>45,076</u>	<u>42,227</u>	<u>47,758</u>	<u>5,531</u>
Net Change in Fund Balance	-	-	4,686	4,686
Fund Balances - Beginning	6,071	6,071	6,071	-
Fund Balances - Ending	<u>\$ 6,071</u>	<u>\$ 6,071</u>	<u>\$ 10,757</u>	<u>\$ 4,686</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, 2008
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 10,429	\$ 10,081	\$ 10,040	\$ (41)
Sales Tax	417	417	417	-
Investment Income and Rents	778	753	1,000	247
Other	4,149	4,424	3,267	(1,157)
Total Revenues	<u>15,773</u>	<u>15,675</u>	<u>14,724</u>	<u>(951)</u>
Expenditures				
Capital Outlay	46,619	70,535	65,882	4,653
Total Expenditures	<u>46,619</u>	<u>70,535</u>	<u>65,882</u>	<u>4,653</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,846)</u>	<u>(54,860)</u>	<u>(51,158)</u>	<u>3,702</u>
Other Financing Sources (Uses).				
General Obligation Bonds Issued	30,846	30,301	30,558	257
Transfers In	-	24,559	-	(24,559)
Transfers Out	-	-	(1,763)	(1,763)
Total Other Financing Sources (Uses)	<u>30,846</u>	<u>54,860</u>	<u>28,795</u>	<u>(26,065)</u>
Net Change in Fund Balance	-	-	(22,363)	(22,363)
Fund Balances - Beginning	(6,272)	(6,272)	(6,272)	-
Fund Balances - Ending	<u>\$ (6,272)</u>	<u>\$ (6,272)</u>	<u>\$ (28,635)</u>	<u>\$ (22,363)</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, 2008
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues.				
Rentals and Other Service Fees	\$ 60,542	\$ 60,829	\$ 60,632	\$ (197)
Admissions and Concessions	12,402	12,402	13,574	1,172
Total Charges for Services	<u>72,944</u>	<u>73,231</u>	<u>74,206</u>	<u>975</u>
Other Revenues	15	15	15	-
Total Operating Revenues	<u>72,959</u>	<u>73,246</u>	<u>74,221</u>	<u>975</u>
Operating Expenses				
Personnel Services	20,903	20,786	20,895	(109)
Contractual Services	17,335	19,537	20,507	(970)
Intra-County Services	10,698	10,738	10,412	326
Commodities	2,589	3,259	3,395	(136)
Depreciation and Amortization	13,907	13,907	14,107	(200)
Maintenance	432	713	1,123	(410)
Other	995	1,064	1,291	(227)
Total Operating Expenses	<u>66,859</u>	<u>70,004</u>	<u>71,730</u>	<u>(1,726)</u>
Operating Income (Loss)	<u>6,100</u>	<u>3,242</u>	<u>2,491</u>	<u>(751)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental Revenues	103	103	-	(103)
Investment Income	1,350	1,350	1,417	67
Interest Expense	(9,773)	(9,773)	(8,618)	1,155
Gain on Sale of Capital Assets	-	-	18	18
Total Nonoperating Revenues (Expenses)	<u>(8,320)</u>	<u>(8,320)</u>	<u>(7,183)</u>	<u>1,137</u>
Income (Loss) Before Transfers	(2,220)	(5,078)	(4,692)	386
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	4,185	4,185	10,354	6,169
Transfers In	-	-	97	97
Transfers Out	(1,965)	1,563	(2,758)	(4,321)
Change in Net Assets	<u>\$ -</u>	<u>\$ 670</u>	<u>\$ 3,001</u>	<u>\$ 2,331</u>

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, 2008
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 140	\$ 140	\$ 114	\$ (26)
Transit Fares	49,452	49,452	53,201	3,749
Total Charges for Services	49,592	49,592	53,315	3,723
Other Revenues	10,458	10,458	3,186	(7,272)
Total Operating Revenues	<u>60,050</u>	<u>60,050</u>	<u>56,501</u>	<u>(3,549)</u>
Operating Expenses:				
Personnel Services	118,196	118,196	108,099	10,097
Contractual Services	24,456	24,456	28,525	(4,069)
Intra-County Services	841	841	816	25
Commodities	13,994	13,994	20,544	(6,550)
Depreciation and Amortization	12,157	12,157	12,819	(662)
Maintenance	540	640	543	97
Other	8,651	9,423	2,535	6,888
Total Operating Expenses	<u>178,835</u>	<u>179,707</u>	<u>173,881</u>	<u>5,826</u>
Operating Income (Loss)	<u>(118,785)</u>	<u>(119,657)</u>	<u>(117,380)</u>	<u>2,277</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	87,757	88,530	88,522	(8)
Interest Expense	(993)	(993)	(944)	49
Total Nonoperating Revenues (Expenses)	<u>86,764</u>	<u>87,537</u>	<u>87,578</u>	<u>41</u>
Income (Loss) Before Transfers	(32,021)	(32,120)	(29,802)	2,318
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces				
Contributed Capital From Capital Grants	9,850	9,850	569	(9,281)
Transfers In	22,171	22,270	19,048	(3,222)
Transfers Out	-	-	(284)	(284)
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,469)</u>	<u>\$ (10,469)</u>



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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. This fund also accounts for the compensated absence liability of the Behavioral Health Division accumulated prior to January 1, 2007.

Airport – Receipt of Passenger Facility Charge revenue from Mitchell International Airport, plus the expenditure of these funds for Federal Aviation Administration (FAA) approved capital projects at the Airport. In addition, the fund maintains assets held for debt security of a local airline.

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, 2008
 (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	\$ 784	\$ 1,072	\$ 128	\$ 9,344	\$ -	\$ 136	\$ 11,464
Cash and Investments -- Restricted	-	-	-	-	34,082	-	34,082
Total Assets	<u>\$ 784</u>	<u>\$ 1,072</u>	<u>\$ 128</u>	<u>\$ 9,344</u>	<u>\$ 34,082</u>	<u>\$ 136</u>	<u>\$ 45,546</u>
 LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99
Total Liabilities	<u>99</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99</u>
Fund Balances:							
Reserved	685	1,072	128	9,344	34,082	136	45,447
Total Fund Balances	<u>685</u>	<u>1,072</u>	<u>128</u>	<u>9,344</u>	<u>34,082</u>	<u>136</u>	<u>45,447</u>
Total Liabilities and Fund Balances	<u>\$ 784</u>	<u>\$ 1,072</u>	<u>\$ 128</u>	<u>\$ 9,344</u>	<u>\$ 34,082</u>	<u>\$ 136</u>	<u>\$ 45,546</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2008
(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	\$ 45	\$ 2	\$ 4	\$ -	\$ 1,193	\$ -	\$ 1,244
Charges for Services	659	60	-	-	11,273	-	11,992
Other	243	288	3	-	-	24	558
Total Revenues	<u>947</u>	<u>350</u>	<u>7</u>	<u>-</u>	<u>12,466</u>	<u>24</u>	<u>13,794</u>
Expenditures:							
Current:							
Public Works and Highways	-	-	-	-	10,987	-	10,987
Human Services	-	-	3	327	-	-	330
Parks, Recreation and Culture	849	131	-	-	-	-	980
Total Expenditures	<u>849</u>	<u>131</u>	<u>3</u>	<u>327</u>	<u>10,987</u>	<u>-</u>	<u>12,297</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>98</u>	<u>219</u>	<u>4</u>	<u>(327)</u>	<u>1,479</u>	<u>24</u>	<u>1,497</u>
Net Changes in Fund Balance	<u>98</u>	<u>219</u>	<u>4</u>	<u>(327)</u>	<u>1,479</u>	<u>24</u>	<u>1,497</u>
Fund Balances -- Beginning	587	853	124	9,671	32,603	112	43,950
Fund Balances -- Ending	<u>\$ 685</u>	<u>\$ 1,072</u>	<u>\$ 128</u>	<u>\$ 9,344</u>	<u>\$ 34,082</u>	<u>\$ 136</u>	<u>\$ 45,447</u>



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COMBINING STATEMENTS

Internal Service Funds

Information Management Services

This fund is used to account for electronic data processing, graphics and telecommunication services provided to County departments.

Public Works Services

This fund is used to account for various services provided to other County departments including:

Professional Services - provides engineering, architectural and administrative services.

Facilities Management - 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, 2008
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Assets				
Current Assets:				
Cash and Investments	\$ 5,041	\$ 10,990	\$ 10,864	\$ 26,895
Accounts Receivable (Net of Allowances for Uncollectible Accounts)	65	834	-	899
Due From Other Governments	-	289	-	289
Inventories	-	568	-	568
Prepaid Items	131	-	2	133
Total Current Assets	<u>5,237</u>	<u>12,681</u>	<u>10,866</u>	<u>28,784</u>
Capital Assets:				
Land	-	1,164	-	1,164
Construction in Progress	1,341	5,769	-	7,110
Land Improvements	-	10,579	-	10,579
Building and Improvements	1,151	101,169	-	102,320
Furniture, Machinery and Equipment	35,401	46,409	7	81,817
Total Capital Assets	<u>37,893</u>	<u>165,090</u>	<u>7</u>	<u>202,990</u>
Less Accumulated Depreciation	<u>(28,791)</u>	<u>(115,489)</u>	<u>(5)</u>	<u>(144,285)</u>
Net Capital Assets	<u>9,102</u>	<u>49,601</u>	<u>2</u>	<u>58,705</u>
Total Assets	<u>\$ 14,339</u>	<u>\$ 62,282</u>	<u>\$ 10,868</u>	<u>\$ 87,489</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 440	\$ 1,151	\$ 7	\$ 1,598
Accrued Interest	120	314	-	434
Unearned Revenues	-	230	-	230
Bonds and Notes Payable - General Obligation	1,560	3,272	-	4,832
Compensated Absences	778	1,823	39	2,640
Capital Leases	-	139	-	139
Risk Claims	-	-	7,007	7,007
Total Current Liabilities	<u>2,898</u>	<u>6,929</u>	<u>7,053</u>	<u>16,880</u>
Long-Term Liabilities:				
Bonds and Notes Payable - General Obligation	11,415	26,163	-	37,578
Compensated Absences	916	1,980	45	2,941
Capital Leases	-	1,314	-	1,314
Risk Claims	-	-	3,560	3,560
Other Post Employment Benefits	1,593	6,408	199	8,200
Total Long-Term Liabilities	<u>13,924</u>	<u>35,865</u>	<u>3,804</u>	<u>53,593</u>
Total Liabilities	<u>16,822</u>	<u>42,794</u>	<u>10,857</u>	<u>70,473</u>
Net Assets				
Unrestricted	1,390	217	9	1,616
Invested in Capital Assets, Net of Related Debt	<u>(3,873)</u>	<u>19,271</u>	<u>2</u>	<u>15,400</u>
Total Net Assets	<u>(2,483)</u>	<u>19,488</u>	<u>11</u>	<u>17,016</u>
Total Liabilities and Net Assets	<u>\$ 14,339</u>	<u>\$ 62,282</u>	<u>\$ 10,868</u>	<u>\$ 87,489</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For The Year Ended December 31, 2008
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Operating Revenues:				
Charges for Services	\$ 17,405	\$ 44,735	\$ 7,633	\$ 69,773
Other	79	303	119	501
Total Operating Revenues	<u>17,484</u>	<u>45,038</u>	<u>7,752</u>	<u>70,274</u>
Operating Expenses:				
Personnel Services	9,671	26,782	643	37,096
Contractual Services	3,876	8,285	57	12,218
Intra-County Services	1,159	3,798	135	5,092
Commodities	175	2,293	3	2,471
Depreciation and Amortization	2,405	5,257	1	7,663
Maintenance	80	1,074	-	1,154
Insurance and Claims	-	-	7,551	7,551
Other	-	1,213	-	1,213
Total Operating Expenses	<u>17,366</u>	<u>48,702</u>	<u>8,390</u>	<u>74,458</u>
Operating Income (Loss)	<u>118</u>	<u>(3,664)</u>	<u>(638)</u>	<u>(4,184)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	234	629	-	863
Gain on Sale of Capital Assets	-	146	-	146
Interest Expense	(519)	(1,112)	-	(1,631)
Total Nonoperating Revenues (Expenses)	<u>(285)</u>	<u>(337)</u>	<u>-</u>	<u>(622)</u>
Income (Loss) Before Contributions and Transfers	(167)	(4,001)	(638)	(4,806)
Capital Contributions	255	2,113	-	2,368
Transfers In	166	3,573	643	4,382
Transfers Out	(917)	(1,470)	-	(2,387)
Change in Net Assets	(663)	215	5	(443)
Net Assets -- Beginning	(1,820)	19,273	6	17,459
Net Assets -- Ending	<u>\$ (2,483)</u>	<u>\$ 19,488</u>	<u>\$ 11</u>	<u>\$ 17,016</u>

COUNTY OF MILWAUKEE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2008
(In Thousands)

	Information Management <u>Services</u>	Public Works <u>Services</u>	Risk <u>Management</u>	<u>Total</u>
Cash Flows Provided (Used) by Operating Activities:				
Receipts from Customers and Users	\$ 94	\$ 20,784	\$ 619	\$ 21,497
Receipts from Interfund Services	17,405	24,379	7,133	48,917
Payments to Suppliers	(4,420)	(12,485)	(7,716)	(24,621)
Payments to Employees	(9,104)	(23,819)	(567)	(33,490)
Payments for Interfund Services Used	(1,259)	(3,798)	1,443	(3,614)
Net Cash Flows Provided (Used) by Operating Activities	<u>2,716</u>	<u>5,061</u>	<u>912</u>	<u>8,689</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:				
Intergovernmental Revenues	234	340	-	574
Transfers From Other Funds	166	3,573	643	4,382
Transfers (To) Other Funds	(917)	(1,470)	-	(2,387)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(517)</u>	<u>2,443</u>	<u>643</u>	<u>2,569</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:				
Proceeds from Long-Term Debt	908	3,718	-	4,626
Principal Payment on Long-Term Debt	(1,562)	(3,552)	-	(5,114)
Interest Paid on Long-Term Debt	(510)	(1,082)	-	(1,592)
Payments on Capital Lease	-	(137)	-	(137)
Sale of Capital Assets	-	146	-	146
Acquisition of Capital Assets	(1,086)	(3,772)	-	(4,858)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(2,250)</u>	<u>(4,679)</u>	<u>-</u>	<u>(6,929)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(51)	2,825	1,555	4,329
Cash and Cash Equivalents at Beginning of Year	5,092	8,165	9,309	22,566
Cash and Cash Equivalents at End of Year	<u>\$ 5,041</u>	<u>\$ 10,990</u>	<u>\$ 10,864</u>	<u>\$ 26,895</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Assets Financed by Capital Leases	<u>\$ -</u>	<u>\$ 1,590</u>	<u>\$ -</u>	<u>\$ 1,590</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	<u>\$ 118</u>	<u>\$ (3,664)</u>	<u>\$ (638)</u>	<u>\$ (4,184)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	2,405	5,257	1	7,663
(Increase) Decrease in Assets				
Accounts Receivable	(2)	115	-	113
Inventories	-	80	-	80
Prepaid Items	17	-	(2)	15
Increase (Decrease) in Liabilities				
Accounts Payable	(389)	300	(103)	(192)
Accrued Liabilities	(35)	(78)	-	(113)
Unearned Revenues	-	10	-	10
Risk Claims	-	-	1,578	1,578
Other Post Retirement Benefits	796	3,089	100	3,985
Compensated Absences	(194)	(48)	(24)	(266)
Total Adjustments	<u>2,598</u>	<u>8,725</u>	<u>1,550</u>	<u>12,873</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 2,716</u>	<u>\$ 5,061</u>	<u>\$ 912</u>	<u>\$ 8,689</u>

COMBINING STATEMENTS

Fiduciary Funds

Agency Funds

Agency funds are custodial in nature and are used to account for assets held by the County as an agent for individuals, private organizations, and other governmental units. Significant Agency Funds consist of Civil Court-ordered family support payments.

COUNTY OF MILWAUKEE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended December 31, 2008
(In Thousands)

	<u>January 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2008</u>
<u>CIVIL COURT ORDERED AGENCY FUND FOR FAMILY SUPPORT/PAYMENTS</u>				
Cash and Investments	\$ 12,800	\$ 46,845	\$ 47,997	\$ 11,648
Total Assets	<u>\$ 12,800</u>	<u>\$ 46,845</u>	<u>\$ 47,997</u>	<u>\$ 11,648</u>
Agency Deposits	\$ 12,800	\$ 46,924	\$ 48,076	\$ 11,648
Total Liabilities	<u>\$ 12,800</u>	<u>\$ 46,924</u>	<u>\$ 48,076</u>	<u>\$ 11,648</u>
<u>OTHER AGENCY FUNDS</u>				
Cash and Investments	\$ 11,291	\$ 40,329	\$ 41,305	\$ 10,315
Other Receivables	-	29,131	29,131	-
Total Assets	<u>\$ 11,291</u>	<u>\$ 69,460</u>	<u>\$ 70,436</u>	<u>\$ 10,315</u>
Accounts Payable	\$ 331	\$ 10,378	\$ 10,584	\$ 125
Agency Deposits	10,960	42,589	43,359	10,190
Total Liabilities	<u>\$ 11,291</u>	<u>\$ 52,967</u>	<u>\$ 53,943</u>	<u>\$ 10,315</u>
<u>SUMMARY</u>				
Cash and Investments	\$ 24,091	\$ 87,174	\$ 89,302	\$ 21,963
Other Receivables	-	29,131	29,131	-
Total Assets	<u>\$ 24,091</u>	<u>\$ 116,305</u>	<u>\$ 118,433</u>	<u>\$ 21,963</u>
Accounts Payable	\$ 331	\$ 10,378	\$ 10,584	\$ 125
Agency Deposits	23,760	89,513	91,435	21,838
Total Liabilities	<u>\$ 24,091</u>	<u>\$ 99,891</u>	<u>\$ 102,019</u>	<u>\$ 21,963</u>

APPENDIX B

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

(To Be Dated the Date of Issuance)

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

Re: Milwaukee County, Wisconsin
\$22,725,000 Taxable General Obligation Corporate Purpose
Bonds, Series 2010A
(Build America Bonds – Direct Payment)

The Taxable General Obligation Corporate Purpose Bonds, Series 2010A, (the "*Bonds*") of Milwaukee County, Wisconsin (the "*County*") are in fully registered form; are dated May 1, 2010; are issued in the aggregate principal amount of \$22,725,000; are in denominations of \$5,000 each and integral multiples thereof; are appropriately lettered and numbered; mature serially on October 1 of each of the years and in the principal amounts as set forth below; and bear interest at the interest rates per annum, payable on April 1 and October 1 of each year, commencing on April 1, 2011, as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2015	\$ 1,530,000	3.125%
2016	2,020,000	3.250
2017	2,020,000	3.750
2018	2,020,000	4.000
2019	2,160,000	4.350
2020	2,160,000	4.500
2021	2,160,000	4.700
2022	2,160,000	4.875
2023	2,165,000	4.900
2024	2,165,000	5.000
2025	2,165,000	5.100

The Bonds maturing on and after October 1, 2019, are subject to redemption prior to maturity on October 1, 2018, and on any date thereafter, at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest to the date fixed for redemption.

We have examined the documents which we deem pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the County Board of Supervisors of the County. On the basis of such examination, we are of the opinion that the Bonds have been lawfully authorized and issued under the laws of the State of Wisconsin; that they are the lawful and enforceable obligations of the County in accordance with their terms, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; that they are payable from taxes to be levied on all taxable property in the County, without limitation as to rate or amount; and that the form of Bond prescribed for said issue is proper.

It is our opinion that, under present law, interest on the Bonds is not excludible from gross income of the owners thereof for Federal income tax purposes. 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. The owners of the Bonds should consult their own tax advisers concerning the tax consequences of owning 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,

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

(To Be Dated the Date of Issuance)

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

Re: Milwaukee County, Wisconsin
\$12,325,000 General Obligation
Promissory Notes, Series 2010B

The General Obligation Promissory Notes, Series 2010B (the "Notes") of Milwaukee County, Wisconsin (the "County") are in fully registered form; are dated May 1, 2010; are issued in the aggregate principal amount of \$12,325,000; are in denominations of \$5,000 each and integral multiples thereof; are appropriately lettered and numbered; mature serially on October 1 of each of the years and in the principal amounts as set forth below; and bear interest at the rates per annum, payable on April 1 and October 1 of each year, commencing on October 1, 2010, as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2011	\$ 1,235,000	1.000%
2012	1,465,000	2.000
2013	1,505,000	2.000
2014	1,540,000	2.000
2015	1,580,000	2.125
2016	1,620,000	2.500
2017	1,665,000	2.750
2018	1,715,000	3.000

The Notes are not subject to prepayment.

We have examined the documents which we deem pertinent to the validity of the Notes, including the certified record evidencing the authorization of the Notes by the County Board of Supervisors of the County. On the basis of such examination we are of the opinion that the Notes 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; 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 Note prescribed for said issue is proper.

It is our opinion that, subject to compliance by the County with certain covenants, under present law, interest on the Notes (i) is excludible from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and

corporations under the Internal Revenue Code of 1986, as amended (the “Code”), and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants of the County could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactively to the date of the issuance of the Notes. Ownership of the Notes 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 Notes. The owners of the Notes should consult their own tax advisors concerning the tax consequences of ownership of the Notes.

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

In rendering this opinion, we have relied upon certifications of the County with respect to certain material facts solely within the knowledge of the County. 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,

APPENDIX C

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 its Taxable General Obligation Corporate Purpose Bonds, Series 2010A (Build America Bonds – Direct Payment) dated May 1, 2010 in the aggregate principal amount of \$22,725,000 (the "*Bonds*") and its General Obligation Promissory Notes, Series 2010B dated May 1, 2010, in the aggregate principal amount of \$12,325,000 (the "*Notes*" and, together with the Bonds (the "*Securities*"). The Securities are being issued pursuant to respective Authorizing Resolutions adopted by the Governing Body (as hereinafter defined) of the Issuer on March 18, 2010, and respective Award Resolutions adopted by the Governing Body of the Issuer on April 22, 2010 (collectively, the "*Resolutions*") and delivered to Robert W. Baird & Co., Inc. (the "*Purchaser*") on the date of this Disclosure Certificate. Pursuant to the Resolutions, 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 owners 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 owners of the Securities shall include beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

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.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

"*Fiscal Year*" means the fiscal year of the Issuer.

"*Final Official Statement*" means the final official statement dated April 22, 2010, 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.

“*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.

“*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 the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements. (a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ended December 31, 2009, provide EMMA 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 EMMA when and if available.

(b) If the Issuer is unable or fails to provide to EMMA an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to EMMA.

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 by Issue
- FINANCIAL INFORMATION - Equalized Values
- FINANCIAL INFORMATION - Property Tax Levies and Collections Last Five Years
- FINANCIAL INFORMATION - Property Tax Rates for County Levies
- FINANCIAL INFORMATION - Five-Year Summary of Revenues, Expenditures
and change in Fund Balance — General Fund

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 EMMA 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 the owners of the 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 EMMA. 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 the owners of the affected Securities pursuant to the respective Resolutions.

(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 EMMA.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of 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 EMMA 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 EMMA 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 occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. (a) The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions 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 respective Resolutions 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 the beneficial owners 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 22th day of April, 2010.

Chairperson of the County Board

County Clerk

