

Subject to compliance with certain covenants, in the opinion of Chapman and Cutler LLP, and Emile Banks & Associates, LLC, Co-Bond Counsel, under present law, interest on the Bonds is excludible from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account, however, in computing an adjustment which is used in determining the federal alternative minimum tax for certain corporations. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes. See "TAX EXEMPTION" and "Form of Legal Opinion" herein for a more complete discussion. The Bonds will not be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.



**OFFICIAL STATEMENT**

**\$35,095,000**

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011A  
MILWAUKEE COUNTY, WISCONSIN**

**Dated:** March 15, 2011

**Due:** October 1, 2012/2018

The \$35,095,000 General Obligation Refunding Bonds, Series 2011A (the "Bonds") are being issued by Milwaukee County, Wisconsin (the "County") pursuant to Chapter 67 of the *Wisconsin Statutes*. The proceeds of the Bonds will be used to refund certain outstanding obligations of the County as described herein, 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 as set forth below, and interest on the Bonds, payable semiannually on each April 1 and October 1, commencing on October 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>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2012	\$ 4,640,000	5.00%	0.52%	602245 XV9
2013	6,225,000	5.00%	0.78%	602245 XW7
2014	6,225,000	5.00%	1.25%	602245 XX5
2015	6,225,000	5.00%	1.58%	602245 XY3
2016	6,235,000	5.00%	1.93%	602245 XZ0
2017	3,935,000	5.00%	2.21%	602245 YA4
2018	1,610,000	5.00%	2.47%	602245 YB2

The Bonds are not subject to prior redemption.

**Registrar/Paying Agent:** Milwaukee County Treasurer's Office

**Delivery:** Delivery of the Bonds is expected on March 30, 2011

The date of this Official Statement is March 17, 2011.

*(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 \$35,095,000 General Obligation Refunding Bonds, Series 2011A (the "Bonds"), and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

<b>Issuer:</b>	Milwaukee County, Wisconsin						
<b>Dated:</b>	March 15, 2011						
<b>Security:</b>	The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount. A direct irrepealable tax will be levied upon all taxable property in the County upon award of the Bonds. (See "THE BONDS - Security and Financing" herein.)						
<b>Purpose and Authority:</b>	Proceeds of the Bonds will be used to refund certain of the Outstanding Obligations of the County as defined herein, and to pay the cost of issuing the Bonds, pursuant to the laws of the State of Wisconsin including Chapter 67 of the <i>Wisconsin Statutes</i> and resolutions adopted by the County Board.						
<b>Optional Redemption:</b>	The Bonds are not subject to call and prior redemption.						
<b>Record Date:</b>	The 15th day of the month preceding the payment date.						
<b>Principal Payments:</b>	Annually, October 1, 2012 through 2018.						
<b>Interest Payments:</b>	On each April 1 and October 1, commencing on October 1, 2011.						
<b>Tax Status:</b>	Interest on the Bonds (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" herein. Interest on the Bonds is not exempt from Wisconsin income or franchise taxes.						
<b>NOT Bank Qualified:</b>	The Bonds will <u>not</u> be designated as "qualified tax-exempt obligations."						
<b>Professional Consultants:</b>	<table><tr><td><i>Co-Financial Advisor:</i></td><td>Public Financial Management, Inc. Milwaukee, Wisconsin and Peralta Garcia Solutions, LLC Chicago, Illinois</td></tr><tr><td><i>Co-Bond Counsel:</i></td><td>Chapman and Cutler LLP Chicago, Illinois and Emile Banks &amp; Associates, LLC Milwaukee, Wisconsin</td></tr><tr><td><i>Paying Agent/Registrar:</i></td><td>Milwaukee County Treasurer's Office</td></tr></table>	<i>Co-Financial Advisor:</i>	Public Financial Management, Inc. Milwaukee, Wisconsin and Peralta Garcia Solutions, LLC Chicago, Illinois	<i>Co-Bond Counsel:</i>	Chapman and Cutler LLP Chicago, Illinois and Emile Banks & Associates, LLC Milwaukee, Wisconsin	<i>Paying Agent/Registrar:</i>	Milwaukee County Treasurer's Office
<i>Co-Financial Advisor:</i>	Public Financial Management, Inc. Milwaukee, Wisconsin and Peralta Garcia Solutions, LLC Chicago, Illinois						
<i>Co-Bond Counsel:</i>	Chapman and Cutler LLP Chicago, Illinois and Emile Banks & Associates, LLC Milwaukee, Wisconsin						
<i>Paying Agent/Registrar:</i>	Milwaukee County Treasurer's Office						

<b>Legal Matters:</b>	Legal matters incident to the authorization and issuance of the Bonds are subject to the opinions of Chapman and Cutler LLP, Chicago, Illinois, and Emile Banks & Associates, LLC, Milwaukee, Wisconsin, Co-Bond Counsel, as to validity and tax exemption. Each opinion will be substantially in the form set forth in Appendix B attached hereto. Neither Co-Bond Counsel has participated in the preparation of Official Statement, except for information under the heading TAX EXEMPTION.”
<b>Conditions Affecting Issuance of Bonds:</b>	The Bonds are offered subject to receipt of the unqualified approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, and Emile Banks & Associates, LLC, Milwaukee, Wisconsin, Co-Bond Counsel to the County.
<b>Delivery:</b>	Delivery is expected on or about March 30, 2011.
<b>Book-Entry-Only:</b>	The Bonds will be issued as book-entry-only securities through The Depository Trust Company.
<b>No Litigation:</b>	There is no litigation now pending or, to the knowledge of County officials, threatened, which questions the validity of the Bonds or of any proceedings of the County taken with respect to the issuance or sale thereof.
<b>Limitations on Offering or Reoffering Securities:</b>	No dealer, broker, salesman or other person has been authorized by the County or the Co-Financial Advisors to give any information or to make any representations other than those contained in the Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the County or the Co-Financial Advisors. The Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Questions regarding the Bonds or the Official Statement can be directed to Pamela Bryant, Capital Finance Manager, Milwaukee County Department of Administrative Services, 901 North Ninth Street, Room 308, Milwaukee, Wisconsin 53233, (414/278-4396).

**OFFICIAL STATEMENT**

**\$35,095,000**

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011A**

**MILWAUKEE COUNTY, WISCONSIN**

**Introductory Statement**

This Official Statement is provided to furnish information in connection with the sale of \$35,095,000 General Obligation Refunding Bonds, Series 2011A, by Milwaukee County, Wisconsin (the "County"). The Bonds are issued pursuant to the Constitution and laws of the State of Wisconsin, and resolutions adopted by the County Board of Supervisors. The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount.

**THE BONDS**

**Purpose**

The proceeds of the Bonds will be used to refund on the call dates below, certain of the outstanding obligations of the County as presented below (the "Refunded Obligations"), and to pay the cost of issuing the Bonds.

<u>Dated</u>	<u>Issue</u>	<u>Maturities Outstanding</u>	<u>Maturities Refunded</u>	<u>Amount Refunded</u>	<u>Call Date</u>
04/01/2001	General Obligation Corporate Purpose Bonds, Series 2001A	2011-2016	2012-2016	\$ 12,500,000	10/01/2011
02/01/2002	General Obligation Corporate Purpose Bonds, Series 2002A	2011-2017	2012-2017	15,150,000	08/01/2011
02/01/2003	General Obligation Corporate Purpose Bonds, Series 2003A	2011-2018	2013-2018	10,425,000	08/01/2012

The estimated sources and uses of proceeds are as follows:

Estimated Sources:

Par Amount	\$ 35,095,000.00
Original Issue Premium	4,613,640.00
Cash on Hand	89,969.44
Accrued Interest	73,114.58
Total Sources of Funds	<u>\$ 39,871,724.02</u>

Estimated Uses:

Escrow Account	39,531,621.31
Cost of Issuance	266,988.13
Deposit to Debt Service Fund	73,114.58
Total Uses of Funds	<u>\$ 39,871,724.02</u>

### **Escrow Verification**

Robert Thomas CPA, LLC, Shawnee Mission, Kansas will provide refunding escrow verification services on the Bonds to the County. Robert Thomas CPA will provide an opinion with respect to the accuracy of (a) the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments, together with an initial cash deposit, to be held pursuant to an escrow deposit agreement to pay the principal and redemption price of, and interest on, the Refunded Obligations to be refunded from the date of issuance of the Bonds to and including their redemption date and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Internal Revenue Code of 1986, as amended, will be verified solely as to mathematical accuracy by Robert Thomas CPA.

### **Escrow Agent**

Deutsche Bank National Trust Company, Chicago, Illinois will serve as escrow agent to the County to maintain the refunding escrow as a segregated account of securities pledged solely to the payment of principal of and interest on the outstanding obligations to be refunded.

### **Security Provisions**

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

### **Optional Redemption**

The Bonds are not subject to call and prior redemption.

## **FORM OF THE BONDS**

The Bonds will be designated "Milwaukee County, Wisconsin, General Obligation Refunding Bonds, Series 2011A." As originally issued, the Bonds will be dated March 15, 2011.

The Bonds 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 Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

## **BOOK-ENTRY-ONLY SYSTEM**

*The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Bonds, 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and amendments to the Note documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County 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 Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds 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 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 Bonds. Any increased costs of issuance of the Bonds 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 Bonds 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 Bonds. 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 Bonds, 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 Bonds. The County and the Co-Financial Advisors will undertake no responsibility to oppose any revision or withdrawal of such ratings.

## UNDERWRITING

Bids for the Bonds were received at a competitive public sale on March 17, 2011.

Citigroup Global Markets Inc. (the "Underwriter"), 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 \$39,650,031.35 (consisting of the par amount of the Bonds, plus an original issue premium of \$4,613,640.00, less an underwriter's discount of \$58,608.65), plus accrued interest.

The Bonds will be offered at the respective initial public offering prices which produce the yields shown on the cover page of this Official Statement. After the Bonds 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 Bonds. The Co-Financial Advisors have relied upon governmental officials 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 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 Bonds.

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

## LITIGATION

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

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

## CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinions 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 Bonds, and assume 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 and Emile Banks & Associates, LLC, have, at the request of the County, supplied the information under the heading "TAX EXEMPTION."

## TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States of America, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The County has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause the interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the compliance by the County with the above-referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment in determining the federal alternative minimum tax for certain corporations as described below.

In rendering their opinions, Co-Bond Counsel will rely upon certifications of the County with respect to certain material facts within the knowledge of the County and upon the mathematical computation of the yield on the Bonds and the yield on certain investments by [INSERT NAME OF VERIFICATION AGENT]. The opinions of Co-Bond Counsel represent their respective legal judgment based upon their respective reviews of the law and the facts that they each deem relevant to render such opinions, and are not a guarantee of result.

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, including interest on the Bonds.

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

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

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

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

Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

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

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

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

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

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

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner of a 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.

#### **NOT BANK QUALIFIED TAX-EXEMPT OBLIGATIONS**

The County will not designate the Bonds 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 (the "Rule") promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended, as authorized by the respective resolutions authorizing the issuance of the Bonds, the County will enter into a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the County to 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 Bonds 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 Bonds (although owners of the Bonds will have the right to obtain specific performance of the Bonds under the Continuing Disclosure Certificate). Nevertheless, such a failure must be reported in accordance with the Rule, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## CERTIFICATION

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

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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. 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):*

#### **Marvin Pratt (2011)<sup>1</sup>**

*Joseph J. Czarnezki (2009)*  
*John La Fave (2003)*  
*Dan Diliberti (2005)*  
*John Barrett (1999)*  
*David A. Clarke, Jr. (2002)*  
*John T. Chisholm (2007)*

#### Board of Supervisors<sup>2</sup>

#### **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)*  
*Lynne D. De Bruin (1992)*  
*Marina Dimitrijevic (2004)*  
*Nikiya Q. Harris (2010)*  
*Willie Johnson, Jr. (2000)*

*Patricia Jursik (2007)*  
*Theodore A. Lipscomb (2008)*  
*Joseph A. Rice (2004)*  
*Joe Sanfelippo (2008)*  
*James J. Schmitt (1998)*  
*Johnny L. Thomas (2008)*  
*John F. Weishan, Jr. (2000)*

<sup>1</sup> Mr. Pratt is Interim County Executive until the winner of the April 5, 2011 special election takes office.

<sup>2</sup> There are currently two vacant Board of Supervisor seats that are scheduled to be filled with winners of the April 5, 2011 special election.

### *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

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 2010 and 2011 is presented on page 48 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, 2009. 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 31 consecutive years (December 31, 1979 through December 31, 2009).

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 2005-2009 is presented on pages 46 and 47 of this Official Statement. The excerpts from the County's 2009 financial statements are included as APPENDIX A. The County realized a general fund deficit of approximately \$5,163,000 for the fiscal year 2009. The realized deficit does not reflect the fund balance that will lapse at the end of the year - Reserved for 2009 Appropriations. As is required by *Wisconsin Statutes* the County must apply any "surplus/deficit" (inclusive of revenues and expenditures and application of fund balance) from the year to the subsequent budget year. As reported in 2008, the Reserve for 2009 Appropriations of \$7,947,000 (the "2007 surplus") must be lapsed and applied against the calculation of the "2009 surplus".

**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.

<b>Forecast Year</b>	<b>2009 Model</b>	<b>2010 Model</b>
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.

<b>2010 Structural Change</b>	<b>Impact on 2011</b>
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
<b>Total</b>	<b>(\$ 51.4 M)</b>

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 increased 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 due to operational efficiencies gained by the Sheriff assuming control of the County Correctional Facility South (formerly HOC) in 2009.

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 \$8.3 million. In order to reduce the impact of these unrealized savings on the 2010 fiscal year the County instituted 14 additional furlough days for employees represented by these bargaining units and laid off over 75 employees which included the privatization of Courthouse security services. These actions are estimated to save over \$2.0 million. A corrective action process that includes a hiring freeze and other purchasing restrictions remains in place. The County is projecting that the general fund will end fiscal year 2010 with a deficit of approximately \$3.4 million.

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.

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. Since that forecast was developed, the County has settled labor contracts with 5 of its 8 bargaining units for the 2009-2011 period. All five of the settled contracts include increased employee health care contributions. Four of the five contracts include salary freezes for 2009 and 2010 and three of the five contracts include pension benefit reductions. Each of these five contracts will reduce the original employee compensation forecasted increases. The County is at the initial stages of the arbitration process with the remaining three unions. This process has continued in 2011.

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. The 2009 claims cost continued that trend. This trend demonstrates the county's close management of healthcare claims. Recent analysis by the county's healthcare actuary predicted a 10-12% healthcare trend given the county's demographics and Southeastern Wisconsin healthcare inflation. As a result, the county continues to closely manage its healthcare costs and some plan design changes were included in the 2011 budget to mitigate healthcare costs trends.

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 in 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. An updated

version of the County's five-year forecast will be presented to the County Board in March. It will be updated in the spring to reflect major changes that occur in the Governor's 2011-2013 Biennial Budget.

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 2009 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 bonding cap policy 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 authorized and borrowed significantly more than what would have been allowed under the above referenced bonding cap policy 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 issued general obligation debt for four years of capital projects during a two year period (2009 and 2010) and then intends to issue much less than usual dollar amounts of 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 policy 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*:

Investment Vehicle	Maximum Percentage of Portfolio
Time and other Money Market deposits of banks, savings banks, trust companies, savings and loans, credit unions, regulated by the Securities and Exchange Commission	0-60% Total
U.S. Treasury, GNMA, Federal Home Loan Mortgage, and any other agency/instrumentality securities that are explicitly guaranteed by the federal government.	0-100% Total
Securities issued by the Federal National Mortgage Association, Fannie Mae and Federal Home Loan Mortgage Corp. - Freddie Mac.	0-30% per agency 0-60% Total
Other agency/instrumentality securities (including securities issue by the Federal Home Loan Bank, Federal Farm Credit Banks, Small Business Administration, and others.	0-15% per agency 0-30% Total
Municipal securities - including general obligation bonds, essential service bonds rated AA or higher, or securities of any county, city, drainage district, vocational, technical and adult education district, village, town or school district of the State of Wisconsin.	0-10% per issuer 0-10% Essential Rev. 0-25% Total
Local Government Pooled Investment Fund of the State Investment Board	0-50% Total
Repurchase agreements with public depository institutions (only) and where specific and appropriate collateral is provided	0-50% Total
Corporate securities rated AAA or AA, including commercial paper	0-5% per issuer 0-15% Total
Securities of an open-end management investment company or investment trust, investing in statutorily allowed securities	0-25% Total
All other security types, when and if authorized in the future by amendment to Wisconsin statute	0-25% Total

### ***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 three major program areas: Administration, Area Agency Services and Resource Center.

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 of Family Care (DFC) was originally created in 2000 as the Milwaukee County Department on Aging – Care Management Organization (CMO) to operate a Family Care Program for people age 60 and older. Under Milwaukee County's existing contract with the State Department of Health Services (DHS), DFC must operate separately from both the Aging Resource Center and the Disability Resource Center. Since it is the responsibility of the resource center to objectively inform persons in need of long-term care about the options available to them if choosing a managed care organization that can best address their needs, DHS considers the organizational separation of the two functions an essential element in the administration of the Family Care Benefit, resulting in the creation of the Department of Family Care.

The Department administers the Family Care benefit for both the Aging (over age 60) and disabled populations (ages 18-59), who are determined to be eligible by a resource center, DFC is responsible for creating a comprehensive plan of care for each client; contracting with a wide range of service providers; and monitoring the quality of services that clients receive. DFC delivers member-centered, community-based, outcome-focused, managed long-term care services and member-centered care planning for all Family Care members. In return for coordinating and managing these services, the DFC 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 conoidal 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 2010 was 1,266,315 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. A report, which considers various governance options for the Zoo, will be presented to policymakers upon completion.

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 was 605,100 in 2010. 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 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. Frontier Airlines and AirTran have hub operations at GMIA. Nearly 90 cities are served non-stop or direct, and connections are available to cities throughout the world. A total of 9,848,377 passengers used GMIA in 2010.

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 was issued and a contract was signed with CSDA Architects to begin work on an expanded program of 710 residences in early 2011.

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

implementing Phase 2 of the Performance Contracting. Improvements are being made to the Courthouse, Criminal Justice Facility, and other 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 2011, budgeted operating revenues support approximately 16.4 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 is 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 interest and penalties for 2010 are projected to be approximately \$3.1 million; the 2011 budget assumes that the rate of increase will level off in 2011.

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.<sup>3</sup> The number of individuals actually employed by the County fluctuates on a seasonal basis. As of October 27, 2010, approximately 81 percent of all individuals employed by the County were organized and represented by labor organizations as described below.

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<sup>3</sup> 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.

Union	Approximate Number of Employees Represented	Contract Expiration Date*
Milwaukee District Council 48 AFSCME, AFL-CIO and Affiliated Locals	3,477	12/31/2008
Milwaukee Deputy Sheriff's Association	400	12/31/2008
Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO	338	12/31/2011
Milwaukee Building and Construction Trades Council, AFL-CIO	86	12/31/2011
Association of Milwaukee County Attorneys	49	12/31/2008
Technicians, Engineers and Architects of Milwaukee County	33	12/31/2011
Milwaukee County Firefighters Association	18	12/31/2008
District No. 10 International Association of Machinists and Aerospace Workers	5	12/31/2011
Total Represented Employees	4,406	

\* 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.

#### *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. This age requirement has been increased for certain new employees as described below. 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*

The amount of an eligible retiree's annual pension is calculated by multiplying the years of eligible service times an annual multiplier times an annual salary that is typically based on an average of a certain number of employment years as defined by Ordinance and labor agreements. 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. Changes enacted in 2010 lowered this multiplier for several groups of employees as detailed below.

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.

#### *History of Changes since 2001 to Pension Benefits*

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.

- 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.
- A change to the service credit allowed all service credit earned after January 1, 2001 to 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 became 2% of final average salary per year of service, which benefit was not to exceed 80%. The average salary for participants who joined the system prior to January 1, 1982 (see prior bullet point), was to be 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.
- In 2010, the normal retirement age for non-represented employees hired after January 1 was increased to age 64. This was also included in new labor contracts with the Attorney, Machinists and TEAMCO bargaining units. It is intended to be applied to all bargaining units except the Deputy Sheriffs and Firefighters.

- In 2010, the multiplier was reduced from 2.0 to 1.6 for all non-represented employees. This was also included in new labor contracts with the Attorney, Machinists and TEAMCO bargaining units. It is intended to be applied to all bargaining units except the Deputy Sheriffs and Firefighters.
- For 2011, an employee contribution of 4% is included for all non-represented employees and will be pursued through the negotiation process with the County's Unions.

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 252 retirements since 2005. The table below shows annual retirements since 2002.

<b>Year</b>	<b>Number of Retirements</b>
2002	350
2003	290
2004	750
2005	186
2006	219
2007	296
2008	243
2009	318
2010	305

The accelerated retirements which followed the pension changes effective in 2001 have increased backdrop payments. As of November 15, 2010, the County has paid out a total of \$153.3 million in lump sum payments for the backdrop to 1,230 individuals upon retirement.

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.

Including the contribution from the 2009 pension note proceeds, the most recent valuation of the ERS dated January 1, 2010 indicates a 93.3 percent funded status. This funded ratio is based on an actuarial value of assets of \$1,956,443,729 and an actuarial accrued liability of \$2,097,332,110. However, market losses of ERS assets during 2008 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**

<b>Year</b>	<b>Annual Required Contribution PROJECTED (\$ millions)*</b>	<b>Annual Required Contribution ACTUAL (\$ millions)*</b>	<b>County Contribution (\$ millions)*</b>	
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.
2009	\$25.86	\$31.02	\$457.02	This contribution includes amortization of the unfunded actuarial liability of \$8,959,996, normal cost of \$21,395,539, a contribution from the sale of pension obligation bonds of \$397,000,000, a contribution to the OBRA retirement plan of \$660,925, and the contribution from the settlement of an outstanding lawsuit of \$29,000,000
2010	\$32.07	\$28.27	\$32.07 **	The contribution includes the amortization of the unfunded actuarial accrued liability of \$6,813,146, normal costs of \$20,736,844, and a contribution for the OBRA retirement plan of \$716,439.

\* 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.

\*\* The 2010 County Contribution is estimated to be the budget amount of \$32.07 million. The actual amount will be contributed by July 2011.

## 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
2010	928,449
2000	940,164
1990	959,275
1980	964,988
1970	1,054,249

The Bureau of Economic Analysis provides estimates of per capita income data. Available data for the County, State and United States over the past five years are presented in the following table.

#### Per Capita Personal Income

Year	Milwaukee County	State of Wisconsin	United States
2009	Unavailable	\$ 37,398	\$ 39,626
2008	\$ 36,880	37,770	40,166
2007	36,006	36,990	39,392
2006	35,008	35,644	37,698
2005	33,001	33,673	35,424

The Department of Workforce Development provides develops monthly estimates of the labor force, employment, unemployment, and unemployment rates for the County and the State of Wisconsin. The below table provides the average annual estimates since 2004 and the unadjusted value for September 2010.

#### Labor Force Statistics for Milwaukee County (Not Seasonally Adjusted)

Year	Labor Force	Employment	Unemployment	Unemployment Rate	
				Milwaukee County	State of Wisconsin
2010*	457,188	420,071	37,117	8.1%	7.0%
2009	464,302	420,938	43,364	9.3%	8.5%
2008	467,511	441,519	25,992	5.6%	4.8%
2007	470,528	444,090	26,438	5.6%	4.8%
2006	457,017	431,293	25,724	5.6%	4.7%
2005	453,562	427,163	26,399	5.8%	4.8%
2004	456,447	427,655	28,792	6.3%	5.0%

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

\* Seasonally unadjusted data as of December 2010.

### ***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. 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 9,848,377 passengers used GMIA in 2010. 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, 2011, area businesses are significantly more optimistic toward 2011 than they were towards 2010 one year ago. For the first quarter 2011, year-over-year, 71 percent of businesses surveyed see sales increases, while 62 percent predict profit gains. Employment gains are expected to be modest with 51 percent of companies surveyed predicting employment increases for first quarter 2011, as compared to first quarter 2010. The survey contains responses from 144 Milwaukee area firms, employing more than 64,400 people.

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### Large Area Private-Sector Employers

Company	Business Description	Approximate Employment
Aurora Health Care Inc.	Health Care System	21,570
Wheaton Franciscan Healthcare	Health Care System	8,377
Roundy's Supermarkets Inc.	Retail Supermarkets	6,800
Froedert & Community Health	Health Care System	6,090
Northwestern Mutual	Insurance, Investment Products	5,000
Children's Hospital	Health Care System	4,992
The Medical College of Wisconsin	Private Medical School	4,800
AT&T Wisconsin	Telecommunication Services	4,200
Columbia St. Mary's Health System	Health Care System	4,127
Wisconsin Energy Corp	Electric & Natural Gas Utility	4,060
Marshall & Ilsley Corp	Bank Holding Company	3,896
Harley-Davidson Inc	Motorcycles & Accessories	3,566
US Bank NA	Banking Services	3,318
Rockwell Automation Inc	Industrial Automation Products	3,000
Johnson Controls Inc	Control Systems, Batteries & Auto Interiors	2,500
Wells Fargo	Banking & Financial Services	2,300
Marquette University	University	2,258
Potawatomi Bingo Casino	Casino	2,237
Bon-Ton Department Stores	Department Stores	1,900
Goodwill Industries	Training Programs, Retail, & Food Service	1,843
Assurant Health	Health Insurance	1,700
Patrick Cudahy Inc.	Manufacturer of Processed Meats	1,600
Chase	Global Financial Services	1,538
Briggs & Stratton Corp	Small Gasoline Engines	1,500
MillerCoors LLC	Beer Brewery	1,500
The Marcus Corp	Theaters and Hotel Properties	1,468
Extencicare Health Services	Skilled Nursing Homes	1,430
Cargill Meat Solutions	Meat Processor	1,350
Rexnord Corp	Power Transmission Equipment	1,350
Journal Communications Inc	Diversified Media Company	1,157
Robert W Baird	Asset Management and Capital Markets	1,066
Joy Global Inc	Manufactures & Distributes Mining Equip	1,042
Brady Corp	Manufacturer of Identification Materials	923

Source: The Business Journal of Greater Milwaukee, Book of Lists, December 24, 2010

### Major Industrial Taxpayers in the County

Name of Company	Type of Business or Services	2010 Full Market Value	2010 Full Market Value
Harley -Davidson	Manufacturer, motorcycles	\$ 106,593,300	0.17%
General Electric	Manufacturer, medical equipment	75,428,200	0.12%
Miller Brewing Company	Manufacturer, beer and aluminum cans	65,934,800	0.10%
Bucyrus International	Manufacturer, mining equipment	47,648,000	0.08%
Rockwell Automation	Manufacturer, electrical/electronic products	38,019,800	0.06%
Journal Communications Briggs & Stratton Corporation	Publishing, printing and broadcasting Manufacturer, small engines	36,236,100 24,589,600	0.06% 0.04%
Sigma Aldrich Corporation	Manufacturer/distributor, specialty chemicals	24,374,800	0.04%
Rexnord Industries/Falk Corporation	Manufacturer, power transmissions	21,189,200	0.03%
Vtlc Development Llc	Real estate development	18,391,500	0.03%
Quad/Graphics Inc.	Printing	16,567,200	0.03%
P.P.G. Industries Inc.	Manufacturer, coatings and resins	15,084,300	0.02%
Brady Worldwide Inc.	Manufacturer, safety and identification	14,906,900	0.02%
P & H Mining Equipment	Manufacturer, mining equipment	13,811,800	0.02%
All Glass Aquarium	Manufacturer, aquariums	13,607,000	0.02%
Patrick Cudahy	Manufacturer, processes meats	12,878,800	0.02%
Dentice, Joseph & Ellen	Real estate development	12,447,600	0.02%
Hondo Incorporated	Manufacturer, beverage containers	11,243,300	0.02%
Palermos Properties Llc	Distributor, frozen pizza	10,667,700	0.02%
Bostik Inc.	Manufacturer, adhesives and sealants	10,287,100	0.02%
Badger Meter, Inc.	Manufacturer, using flow measurement	9,618,100	0.02%
Krones Inc	Manufacturer machines for packaging	9,423,700	0.01%
Alliance Development	Distributor	8,583,200	0.01%
General Mills	Manufacturer/Marketer, consumer foods	7,944,800	0.01%
Ball Corporation	Manufacturer, metal products	7,248,400	0.01%
		<b>\$ 632,725,200</b>	<b>1.00%</b>

Total 2010 Milwaukee County Equalized Value (TID Included)

\$ 63,403,510,200

Source: Wisconsin Department of Revenue

**Major Non-Industrial Taxpayers in the County**

<b>Name of Company</b>	<b>Type of Business</b>	<b>2010 Full Market Value</b>	<b>% of County's 2010 Full Market Value</b>
Bayshore Town Center LLC	Real Estate	\$ 336,640,397	0.53%
Northwestern Mutual Life Insurance Co	Insurance	328,872,460	0.52%
Mayfair Property Inc	Shopping Mall	286,819,760	0.45%
US Bank Corp	Banking	261,662,908	0.41%
Bre Southridge Mall LLC	Real Estate	132,880,266	0.21%
Columbia St. Mary's	Health Care	132,468,184	0.21%
Metropolitan Associates	Real Estate	131,235,177	0.21%
Marcus Corp/Milw City Center/Pfister	Hotels, Theaters	111,317,713	0.18%
Wheaton Franciscan Services	Health Care	109,328,914	0.17%
Towne Realty	Real Estate	96,597,495	0.15%
NNN 411 East Wisconsin LLC	Real Estate	95,278,364	0.15%
Wal-Mart/Sam's Club	Retailer	85,973,564	0.14%
Centerpoint Properties	Real Estate	72,684,530	0.11%
M&I Marshall & Ilsley Bank	Banking	71,355,380	0.11%
Mandel Group	Real Estate	70,131,473	0.11%
100 E Wisconsin Ave Joint Venture	Real Estate	68,584,711	0.11%
Aurora Health	Health Care	66,960,517	0.11%
GE Medical Systems	Health Care	63,318,893	0.10%
Riverbend Place	Real Estate	61,593,461	0.10%
Flanders Westborough	Real Estate	59,550,227	0.09%
Geneva Exchange Fund	Real Estate	58,562,081	0.09%
Liberty Property Limited	Real Estate	57,203,450	0.09%
875 East Wisconsin - Vanguard Advisors	Real Estate	57,178,099	0.09%
Renaissant Lafayette Apts	Real Estate	54,964,146	0.09%
Dayton-Hudson	Retailer	54,577,659	0.09%
		<u>\$ 2,925,739,829</u>	<u>4.61%</u>
Total 2010 Milwaukee County Equalized Value (TID Included)		<u>\$ 63,403,510,200</u>	

Source: Wisconsin Department of Revenue

**Major Construction Projects Panned and In Process in the County**

**Construction Projects Located in the City of Milwaukee**

<b>Project Name</b>	<b>Municipality</b>	<b>Project Type</b>	<b>Estimated Project Costs</b>
Palermos Pizza	City of Milwaukee	Commercial	\$ 8,697,000
National Ave. Lofts	City of Milwaukee	Multi-Family Residential	5,400,000
Beerline B Apartments	City of Milwaukee	Multi-Family Residential	6,610,000
CVI Veterans Manor	City of Milwaukee	Multi-Family Residential	6,750,000
The Moderne	City of Milwaukee	Multi-Family Residential	40,000,000
Marquette University	City of Milwaukee	University	10,215,000
St. Marcus School Addition	City of Milwaukee	Multi-Family Residential	5,000,000
Ingeteam	City of Milwaukee	Manufacturing	10,400,000
Courtyard Marriott	City of Milwaukee	Hotel	6,129,000
<b>TOTAL</b>			<b>\$ 99,201,000</b>

**Construction Projects Located in Other Municipalities**

<b>Project Name</b>	<b>Municipality</b>	<b>Project Type</b>	<b>Estimated Project Costs</b>
Cedar Glen	City of Wauwatosa	Residential - Senior Housing	\$ 7,557,000
Aurora Health Clinic	City of Wauwatosa	Health Services	6,300,000
Enclave	City of Wauwatosa	Residential	13,027,000
UWM Accelerator	City of Wauwatosa	University/Business	5,500,000
Eaton Corporation	City of Wauwatosa	Operations/Technical Center	15,000,000
Highland Commons	City of West Allis	Multi-Family Residential	6,000,000
Sacred Heart at Monastery Lake	City of Franklin	Residential - Senior Housing	11,000,000
Irgens Development	City of Greenfield	Commercial	4,600,000
Pick N' Save	City of Greenfield	Commercial	7,200,000
Wal Mart Super Center	City of Greenfield	Commercial	13,320,000
Berkshire- Greendale	Village of Greendale	Residential	7,079,000
Southridge Mall Remodeling	Village of Greendale	Commercial	52,500,000
Sacred Heart Living Center	City of St. Francis	Residential - Senior Housing	6,173,000
<b>TOTAL</b>			<b>\$ 155,256,000</b>
<b>GRAND TOTAL</b>			<b>\$ 254,457,000</b>

**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*

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, now Frontier Airlines. See "Other County Obligations."

### *General Obligation Debt by Issue*

The County's existing general obligation debt by issue as of the issuance of the Bonds 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	Ref. CABs, Series 1993A	\$ 57,669,714	12/01/2011	0.00%	\$ 7,716,986
	04/01/2001	Bonds, Series 2001A *	41,325,000	10/01/2016	5.00%	2,500,000
2	06/01/2001	Taxable Ref. Bonds, 2001A	2,610,000	12/01/2011	6.30%	250,000
3	10/01/2001	Ref. Bonds, Series 2001A	49,925,000	12/01/2011	4.00%	2,375,000
4	10/01/2001	Airport Bonds, 2001A (AMT)	1,450,000	12/01/2011	4.50%	145,000
	02/01/2002	Bonds, Series 2002A *	41,225,000	08/01/2017	5.00% - 5.25%	2,525,000
	02/01/2003	Bonds, Series 2003A *	25,950,000	08/01/2018	5.00% - 5.25%	3,450,000
5	07/01/2003	Ref. Bonds, Series 2003A	100,025,000	08/01/2017	3.00% - 3.90%	99,545,000
	02/01/2004	Bonds, Series 2004A	26,950,000	08/01/2019	3.25% - 4.125%	18,370,000
	11/01/2005	Bonds, Series 2005A	24,610,000	12/01/2020	4.00% - 5.00%	18,200,000
6	11/01/2005	Ref. Bonds, Series 2005B	63,025,000	10/01/2015	5.00% - 5.25%	47,060,000
	04/01/2006	Bonds, Series 2006A	31,595,000	10/01/2021	5.00%	27,805,000
	06/01/2007	Bonds, Series 2007A	32,625,000	12/01/2022	4.00% - 4.25%	29,310,000
7	09/01/2007	State Trust Fund Loan – Housing	1,000,000	03/15/2017	5.25%	838,374
	05/01/2008	Bonds, Series 2008A	30,860,000	12/01/2023	3.25% - 4.25%	29,355,000
	04/02/2009	Taxable Pension Notes, Series 2009A	265,000,000	12/01/2028	2.86% - 6.84%	254,975,000
	08/01/2009	Taxable Bonds, Series 2009C (BABs)	24,775,000	10/01/2024	4.20% - 5.40%	24,775,000
	08/01/2009	Notes, Series 2009D	17,250,000	10/01/2016	2.00% - 2.625%	13,515,000
	11/15/2009	Taxable Bonds, Series 2009E (BABs)	30,365,000	08/01/2024	2.25% - 5.25%	30,365,000
	11/15/2009	Notes, Series 2009F	15,610,000	08/01/2019	2.00% - 3.50%	14,435,000
	12/08/2009	State Trust Fund Loan	2,000,000	03/15/2019	4.50%	2,000,000
	05/01/2010	Taxable Bonds, Series 2010A (BABs)	22,725,000	10/01/2025	3.125% - 5.10%	22,725,000
	05/01/2010	Notes, Series 2010B	12,325,000	10/01/2018	1.00% - 3.00%	12,325,000
8	12/21/2010	Taxable Bonds, Series 2010C (BABs)	38,165,000	10/01/2026	1.55% - 5.55%	38,165,000
	12/21/2010	Notes, Series 2010D	9,770,000	10/01/2020	0.50% - 4.00%	9,770,000
		Subtotal				<u>712,495,360</u>
	03/15/2011	Ref. Bonds, Series 2011A	35,095,000	10/01/2018	5.00%	<u>35,095,000</u>
		TOTAL				<u>747,590,360</u>

\* Principal Outstanding reflects refunding by the Bonds.

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 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.
6. 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.
7. 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.
8. On March 30, 2011, the County will issue \$35,095,000 General Obligation Refunding Bonds, Series 2011A. A portion of the issue was utilized to refund certain maturities totaling \$12,500,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 2001A, \$15,150,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 2002A, and \$10,425,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 2003A. 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		The Bonds		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2011	\$ 65,623,726	\$ 34,443,638	\$ 619,666	\$ 156,406	-	\$ 955,364	\$ 66,243,391	\$ 35,555,407	\$ 101,798,799
2012	61,012,044	31,402,368	875,773	135,641	\$ 4,640,000	1,754,750	66,527,817	33,292,759	99,820,575
2013	62,063,081	28,828,892	1,099,579	107,616	6,225,000	1,522,750	69,387,660	30,459,258	99,846,918
2014	58,759,729	26,396,999	1,103,156	71,330	6,225,000	1,211,500	66,087,885	27,679,829	93,767,715
2015	42,537,010	24,096,008	301,836	33,823	6,225,000	900,250	49,063,847	25,030,081	74,093,928
2016	41,016,708	22,356,975	298,706	22,957	6,235,000	589,000	47,550,415	22,968,932	70,519,347
2017	42,385,519	20,652,520	297,588	11,606	3,935,000	277,250	46,618,108	20,941,376	67,559,484
2018	37,154,884	18,781,750	-	-	1,610,000	80,500	38,764,884	18,862,250	57,627,134
2019	36,966,353	17,037,142	-	-	-	-	36,966,353	17,037,142	54,003,495
2020	35,745,000	15,242,093	-	-	-	-	35,745,000	15,242,093	50,987,093
2021	34,965,000	13,393,789	-	-	-	-	34,965,000	13,393,789	48,358,789
2022	33,875,000	11,545,401	-	-	-	-	33,875,000	11,545,401	45,420,401
2023	32,590,000	9,722,191	-	-	-	-	32,590,000	9,722,191	42,312,191
2024	31,545,000	7,910,760	-	-	-	-	31,545,000	7,910,760	39,455,760
2025	24,840,000	6,097,431	-	-	-	-	24,840,000	6,097,431	30,937,431
2026	24,135,000	4,507,039	-	-	-	-	24,135,000	4,507,039	28,642,039
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>707,899,055</b>	<b>296,840,475</b>	<b>4,596,305</b>	<b>539,379</b>	<b>35,095,000</b>	<b>7,291,364</b>	<b>747,590,360</b>	<b>304,671,218</b>	<b>1,052,261,578</b>

Approximately 70.0 percent of County's general obligation debt (including the effects of the Bonds) 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 \$4.6 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**

<b>Date of Issue</b>	<b>GARB Issue</b>	<b>Amount Issued</b>	<b>Final Maturity</b>	<b>Interest Rates Outstanding</b>	<b>Principal Outstanding</b>
01/01/2003	Airport Revenue, Series 2003A	\$ 7,125,000	12/01/2022	4.25% - 5.50%	\$ 4,500,000
03/31/2004	Airport Revenue, Series 2004A	37,360,000	12/01/2029	4.50% - 5.00%	31,710,000
12/22/2005	Airport Revenue, Series 2005A	29,010,000	12/01/2030	4.00% - 5.25%	28,445,000
12/22/2005	Airport Revenue Ref., Series 2005B	7,755,000	12/01/2014	4.00%	3,795,000
11/16/2006	Airport Revenue, Series 2006A	25,665,000	12/01/2031	4.00% - 5.00%	23,725,000
11/16/2006	Airport Revenue Ref., Series 2006B	5,020,000	12/01/2015	5.00%	1,795,000
11/15/2007	Airport Revenue, Series 2007A	13,445,000	12/01/2032	4.125% - 5.00%	12,560,000
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%	1,860,000
10/14/2010	Airport Revenue, Series 2010A	31,570,000	12/01/2034	3.00% - 5.00%	31,570,000
10/14/2010	Airport Revenue Ref., Series 2010B	51,590,000	12/01/2023	2.00% - 5.00%	51,590,000
	<b>Total</b>				<b>\$204,240,000</b>

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. In 2009 Republic Airways Holding, Inc. purchased Midwest Airlines, Inc. In June 2010, Milwaukee County agreed to transfer the credit assistance agreement from Midwest Airlines to Frontier

Airlines, a subsidiary of Republic Airways, along with providing a guarantee of the debt obligations if Frontier Airlines is unable to support the debt.

**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, 2009 was \$20,950,000 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**

<b>Date of Issue</b>	<b>Type of Obligation</b>	<b>Amount Issued</b>	<b>Final Maturity</b>	<b>Interest Rate Outstanding</b>	<b>Principal Outstanding</b>
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 Bonds will be as follows:

2010 Equalized Value	\$	63,403,510,200
Legal Debt Limit (5% of Equalized Value)	\$	3,170,175,510
Existing Debt (Net of 2011 Refunding)	\$	712,495,360
Plus: The Bonds		<u>35,095,000</u>
Debt Outstanding	\$	747,590,360
Reserved for obligations to refund Series 2009B	\$	135,000,000
Effective remaining borrowing capacity	\$	2,287,585,150

**General Obligation Indirect Debt <sup>4</sup>**

<b>Governmental Unit</b>	<b>Outstanding Debt 12/31/2010</b>	<b>Percentage Within County</b>	<b>Amount Allocable To the County</b>
<i>Villages:</i>			
Village of Bayside	\$ 10,254,365	96.12%	\$ 9,856,329
Village of Brown Deer	9,643,524	100.00%	9,643,524
Village of Fox Point	13,365,001	100.00%	13,365,001
Village of Greendale	--	100.00%	--
Village of Hales Corners	8,276,748	100.00%	8,276,748
Village of River Hills	3,259,971	100.00%	3,259,971
Village of Shorewood	23,154,176	100.00%	23,154,176
Village of West Milwaukee	6,938,019	100.00%	6,938,019
Village of Whitefish Bay	33,826,524	100.00%	33,826,524
Villages Subtotal	<u>\$ 108,718,328</u>		<u>\$ 108,320,292</u>
<i>Cities:</i>			
City of Cudahy	\$ 32,605,000	100.00%	\$ 32,605,000
City of Franklin	39,890,000	100.00%	39,890,000
City of Glendale	16,323,225	100.00%	16,323,225
City of Greenfield	29,183,851	100.00%	29,183,851
City of Milwaukee	696,254,012	100.00%	696,254,012
City of Oak Creek	13,150,000	100.00%	13,150,000
City of South Milwaukee	44,140,000	100.00%	44,140,000
City of St. Francis	--	100.00%	--
City of Wauwatosa	40,935,984	100.00%	40,935,984
City of West Allis	79,997,465	100.00%	79,997,465
Cities Subtotal	<u>\$ 992,479,537</u>		<u>\$ 992,479,537</u>
<i>School Districts:</i>			
Brown Deer	\$ 22,642,506	100.00%	\$ 22,642,506
Cudahy	13,801,000	100.00%	13,801,000
Fox Point-Bayside Schools	7,755,000	97.89%	7,591,241
Franklin Public Schools	8,590,000	100.00%	8,590,000
Glendale-River Hills	5,300,000	100.00%	5,300,000
Greendale	18,674,476	100.00%	18,674,476
Greenfield	58,270,000	100.00%	58,270,000
Maple Dale-Indian Hill	3,230,000	100.00%	3,230,000
Milwaukee Area Technical College	101,275,000	82.02%	83,065,257
Milwaukee Public	146,292,942	99.99%	146,284,364
Nicolet High School	2,222,228	99.40%	2,208,828
Oak Creek-Franklin	58,699,929	100.00%	58,699,929
Shorewood	14,785,000	100.00%	14,785,000
South Milwaukee	44,140,000	100.00%	44,140,000
St. Francis	15,215,000	100.00%	15,215,000
Wauwatosa	2,565,000	100.00%	2,565,000
West Allis - West Milwaukee	43,755,763	93.57%	40,942,387
Whitefish Bay	20,710,000	100.00%	20,710,000
Whitnall	2,515,000	100.00%	2,515,000
School District Subtotal	<u>\$ 590,438,844</u>		<u>\$ 569,229,989</u>
Metropolitan Sewerage District	\$ 983,785,024	99.92%	\$ 983,037,916
<b>Total Overlapping Debt</b>			<u><b>\$ 2,653,067,734</b></u>

Source: Milwaukee County Department of Administration, February 2011 survey of taxing jurisdictions

<sup>4</sup> The proportion of indirect debt attributable to the County was determined by calculating the ratio of equalized value 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 <sup>5</sup>**

<b>Dec. 31 Year</b>	<b>Direct County Debt</b>	<b>Milwaukee Metropolitan Sewerage District Debt</b>	<b>Cities, Villages, Schools, and Technical College, Debt</b>	<b>Total Direct and Indirect Debt Year End</b>
2009	\$ 859,194,000	\$ 892,068,541	\$ 1,526,898,252	\$ 3,278,160,793
2008	427,685,000	906,086,611	1,532,230,557	2,866,002,168
2007	452,326,000	768,021,334	1,495,112,978	2,715,460,312
2006	456,597,000	741,759,757	1,437,550,126	2,635,906,883
2005	473,723,000	724,497,964	1,297,421,778	2,495,642,742

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

<b>Year</b>	<b>Population</b>	<b>Equalized Value (TID Included)</b>	<b>Total Direct Debt</b>	<b>Percent of Equalized Value</b>	<b>Per Capita</b>	<b>Total Direct and Indirect Debt</b>	<b>Percent of Equalized Value</b>	<b>Per Capita</b>
2009	931,830	66,836,154,500	859,194,000	1.29%	922	3,278,160,793	4.90%	3,518
2008	938,490	68,224,068,500	427,685,000	0.63%	456	2,866,002,168	4.20%	3,054
2007	937,324	67,119,283,700	452,326,000	0.67%	483	2,715,460,312	4.05%	2,897
2006	936,892	63,609,181,500	456,597,000	0.72%	487	2,635,906,883	4.14%	2,813
2005	938,995	56,680,686,000	473,723,000	0.84%	505	2,495,642,742	4.40%	2,658

<sup>5</sup> Direct County Debt reflects all general obligation debt of the County, including general obligation debt supported by Airport revenues. The County's \$135,000,000 Taxable Pension Note Anticipation Notes, Series 2009B are included in the Direct County Debt as these obligations are expected to be refinanced with general obligation long-term 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 Last Five Years (In Millions of Dollars)

	2006	2007	2008	2009	2010
Residential	\$42,355	\$44,453	\$44,934	\$43,426	\$40,953
Commercial	18,063	19,336	19,653	19,907	18,923
Manufacturing	1,439	1,489	1,552	1,487	1,520
Other	34	27	31	29	27
Total Real Estate	\$61,891	\$65,305	\$66,170	\$64,849	\$61,423
Personal Property	1,718	1,814	2,054	1,987	1,980
Total Real Estate and Personal Property	\$63,609	\$67,119	\$68,224	\$66,836	\$63,403
Adjustment for TID (Tax Incremental Districts)	(1,969)	(2,637)	(2,952)	(3,157)	(2,673)
Net Real Estate and Personal Property	\$61,640	\$64,482	\$65,272	\$63,679	\$60,730
Population	936,892	937,324	938,490	931,830	928,449
Equalized Value Per Capita (In Dollars)	\$65,792	\$65,762	\$69,550	\$70,047	\$70,302

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

**Property Tax Levies and Collections Last Five Years (In Millions of Dollars)<sup>6,7</sup>**

<b>Levy For Budget Year</b>	<b>Taxes Collectible By County</b>	<b>Collection of Current Year Levy as of December 31</b>	<b>Percent of Current Year Levy as of December 31</b>	<b>Total Tax Collections During the Year</b>	<b>Delinquent Taxes Outstanding as Year-End</b>
2009	\$ 869.70	\$ 853.90	98.18%	\$ 864.80	\$ 15.80
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

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 16.2 percent of total taxes for the 2010 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)<sup>8</sup>**

<b>Budget Year</b>	<b>Taxes Levied for the Fiscal Year</b>		<b>Collected for Levy Year</b>			<b>Collections</b>		<b>Total Collections to Date</b>	
	<b>(Original Levy)</b>	<b>Purchase and Adjust</b>	<b>Total Adjusted Levy</b>	<b>Current Tax Collections</b>	<b>Percent Original Levy Collected</b>	<b>Purchased Delinquents Original Levy Year</b>	<b>Total Adjusted Levy in Subsequent Years</b>	<b>Amount</b>	<b>Percentage of Adjusted Levy</b>
2009	\$276,186	\$37,390	\$313,576	\$265,691	96.20%	\$18,018	--	\$283,709	90.48%
2008	286,180	39,104	325,284	277,119	96.83%	23,952	\$15,713	316,784	97.39%
2007	265,319	30,891	296,210	257,350	97.00%	18,581	17,793	293,724	99.16%
2006	261,685	24,476	286,161	255,818	97.76%	15,664	13,574	285,061	99.62%
2005	248,267	22,885	271,152	242,587	97.71%	14,992	12,664	270,243	99.66%

Source: City of Milwaukee Comprehensive Annual Financial Report, 2009.

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.

<sup>6</sup> 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.

<sup>7</sup> Total Tax Collections During the Year includes collections for the current fiscal year and delinquent collections from any year during the past ten years.

<sup>8</sup> 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 2010 represents the 2009 property tax levy used to finance the County's 2009 budget. The County Board adopted the 2011 budget on November 17, 2010. The levies summarized below include the state forestry tax and other administrative levies used for regional planning and other non-general County purposes.

	2006	2007	2008	2009	2010
General County Purposes	\$297.3	\$307.0	\$316.0	\$325.1	\$328.6
County Sales Tax Credit	(64.7)	(65.9)	(65.2)	(67.4)	(65.4)
State Forestry Taxes/Other Administrative Levies	11.5	12.0	11.4	12.4	12.3
Total Net County Taxes	\$244.1	\$253.1	\$262.2	\$270.1	\$275.5
General County Purposes	5.42	4.98	4.90	4.98	5.16
County Sales Tax Credit	(1.18)	(1.07)	(1.01)	(1.03)	(1.03)
Net General County Purposes	4.24	3.91	3.89	3.95	4.13
State Forestry Taxes/Other Administrative Levies	0.20	0.19	0.17	0.18	0.19
Total Net County Taxes	4.44	4.10	4.06	4.13	4.32

**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 2011 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 \$.94 per \$1,000 of equalized value for the 2011 budget.

The Bonds were authorized by a three-quarters vote of the members-elect of the County Board, although only a simple majority was required as the Bonds are a refunding bond issue. The debt service levy rate allowed for the repayment of general obligation debt is not limited under current law.

### ***Governor's Biennial Budget Bill***

**General.** On March 1, 2011, Governor Scott Walker introduced his biennial budget bill (the "Bill") through companion bills, 2011 Assembly Bill 40 and 2011 Senate Bill 27. It is expected the Bill will be enacted in final form on or about the end of the State's fiscal year, June 30, 2011. In the event that a final budget bill is not enacted before the end of the State's fiscal year, the existing spending levels in effect under the previous biennial budget bill continue until a new budget bill has been enacted.

The Bill contains a number of provisions that would affect school districts, technical college districts and other municipalities in Wisconsin. The following discussion contains a summary of a portion of such provisions. The County makes no representation as to whether any of these provisions, or any other provisions, will be included in the final budget bill signed into law by the Governor. There are no assurances as to whether or not any of these provisions will be included in the final budget bill or, if included, what the final form of these provisions may be.

**Political Subdivision Property Tax Levy Limit.** Under Section 66.0602 of the *Wisconsin Statutes*, local property tax levy limits for cities, villages, towns and counties were applied to the property tax levies that were imposed in December 2010 (payable in 2011), but these property tax levy limits have expired for property tax levies after December 2010. The Bill would extend the levy limit to property tax levies that will be imposed in December 2011 and 2012 with certain changes described below.

Section 66.0602 prohibited any political subdivision from increasing its property tax levy by a percentage that exceeded its "valuation factor," which was defined as the greater of either three percent or the percentage change in the political subdivision's equalized value due to new construction less improvements removed between the previous year and the current year. The Bill would change the limit to the greater of zero percent or the percentage change in the political subdivision's equalized value due to new construction less improvements removed between the previous year and the current year.

Under Section 66.0602, the base amount of a political subdivision's levy in any year was the maximum allowable levy for the immediately preceding year. The Bill would change the base amount to the actual levy for the immediately preceding year.

Under the Bill, if a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision would be required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

The Bill would maintain the provisions of Section 66.0602 which (a) increase the levy limit by the amount of any increase in debt service on debt authorized before July 1, 2005, and (b) provide that the levy limit does not apply to amounts levied for the payment of general obligation debt service on obligations authorized on or after July 1, 2005.

**County and Municipal Aid Payments.** The Bill would also reduce the amount of county and municipal aid payments beginning in 2012. The aggregate amount of the reduction for all counties is \$36,500,000. The reductions for counties are generally allocated based on population with a limit on the reduction for each individual county equal to \$0.15 for each \$1,000 of the county's equalized value or 50 percent of the county's aid payment in 2011.

### ***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 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 \$ 3,965,044.

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 \$39.2 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, will be 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.

Prior to 2003, County Ordinances required that sales tax revenue not budgeted for debt service payments were to be 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. Although, the 2003 change sunset in January 1, 2008, the 2011 budget includes an ordinance change that makes the change permanent.

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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**Milwaukee County**  
**Five-Year Summary of Revenues, Expenditures, and Changes In Fund Balance – General Fund**  
**For The Years Ended December 31, 2005 Through 2009**  
(In Thousands of Dollars)

	2005	2006	2007	2008	2009
<b>Revenues:</b>					
Intergovernmental Revenue	\$ 275,467	\$ 292,298	\$ 363,920	\$ 355,455	\$ 364,721
Sales Taxes	61,646	62,904	62,981	66,695	58,838
Property Taxes	228,628	234,317	243,144	251,495	260,724
Interest on Investment & Rents	7,657	13,448	17,741	15,425	10,108
Charges for Services	213,361	228,898	337,014	367,915	333,104
Fines and Forfeitures	2,823	3,616	3,571	3,375	3,245
Licenses and Permits	442	634	552	978	453
Other	30,205	28,950	26,922	21,203	22,525
<b>Total Revenues</b>	<b>820,229</b>	<b>865,065</b>	<b>1,055,845</b>	<b>1,082,541</b>	<b>1,053,718</b>
<b>Expenditures:</b>					
Legislative, Executive and Staff	38,774	37,729	36,094	26,688	22,191
Courts and Judiciary	57,456	56,964	61,120	69,274	59,984
General Governmental Services	8,203	7,731	7,886	7,628	7,395
Public Safety	136,397	136,634	147,082	166,832	146,994
Public Works and Highways	16,532	13,850	16,142	17,495	40,169
Human Services	362,756	394,560	617,455	656,674	628,202
Parks, Recreation and Culture	55,810	56,907	59,282	65,819	59,292
Other	15,981	10,002	3,161	4,265	--
<b>Total Expenditures</b>	<b>691,909</b>	<b>714,377</b>	<b>948,222</b>	<b>1,014,675</b>	<b>964,227</b>
<b>Excess of Revenues Over Expenditures</b>	<b>128,320</b>	<b>150,688</b>	<b>107,623</b>	<b>67,866</b>	<b>89,491</b>
<b>Other Financing Sources (Uses):</b>					
Capital Lease Issued	--	--	--	3,252	--
Long-Term Debt Issued	--	--	--	302	1,006
Operating Transfers to Other Funds	(107,054)	(128,983)	(93,524)	(64,093)	(89,129)
Operating Transfers to Components Units	(6,216)	(6,459)	(6,356)	(6,531)	(6,531)
<b>Total Other Financing Uses</b>	<b>(113,270)</b>	<b>(135,442)</b>	<b>(99,880)</b>	<b>(67,070)</b>	<b>(94,654)</b>
<b>Special Items:</b>					
Proceeds from Legal Settlement	--	--	--	--	29,000
Contribution to Employees Retirement System	--	--	--	--	(29,000)
<b>Total Special Items</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>15,050</b>	<b>15,246</b>	<b>7,743</b>	<b>796</b>	<b>(5,163)</b>
<b>Fund Balance - January 1:</b>	<b>8,984</b>	<b>24,034</b>	<b>40,531*</b>	<b>48,274</b>	<b>49,070</b>
<b>Net Assets - December 31:</b>	<b>\$ 24,034</b>	<b>\$ 39,280</b>	<b>\$ 48,274</b>	<b>\$ 49,070</b>	<b>\$ 43,907</b>

\* 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, 2005- 2009

**Milwaukee County**  
**Five-Year Summary of Revenues, Expenses and Changes In Net Assets – All Proprietary Funds**  
**For The Years Ended December 31, 2005 Through 2009**  
(In Thousands of Dollars)

	2005	2006	2007	2008	2009
<b>Operating Revenues:</b>					
Charges for Services	\$ 186,047	\$ 193,183	\$ 148,734	\$ 197,294	\$ 155,443
Other	17,651	20,948	4,564	3,702	3,464
Total Operating Revenues	<u>203,698</u>	<u>214,131</u>	<u>153,298</u>	<u>200,996</u>	<u>158,907</u>
<b>Operating Expenses:</b>					
Personnel Services	224,083	232,138	166,497	166,090	149,566
Contractual Services	56,690	57,807	54,287	59,215	51,766
Intra County Services	16,475	15,586	12,452	16,320	13,096
Commodities	25,610	26,333	19,421	26,198	20,499
Depreciation	35,801	36,359	34,778	34,589	30,123
Maintenance	2,739	3,326	2,293	2,084	1,919
Insurance	5,533	5,753	6,881	7,551	1,441
Other	70,337	83,928	6,238	5,006	6,512
Total Operating Expenses	<u>437,268</u>	<u>461,230</u>	<u>302,847</u>	<u>317,053</u>	<u>274,922</u>
<b>Operating Income (Loss):</b>	<u>(233,570)</u>	<u>(247,099)</u>	<u>(149,549)</u>	<u>(116,057)</u>	<u>(116,015)</u>
<b>Nonoperating Revenues (Expenses):</b>					
Intergovernmental Revenues	141,291	149,038	83,099	89,385	90,773
Other Nonoperating Revenues (Expenses)	(4,126)	--	\$ 125	\$ 164	(12,231)
Net Interest Expense	(7,814)	(8,139)	(7,872)	(9,776)	(9,858)
Total Nonoperating Revenues	<u>129,351</u>	<u>140,899</u>	<u>75,352</u>	<u>79,773</u>	<u>68,684</u>
Income (Loss) Before Operating Transfers	(104,219)	(106,200)	(74,197)	(36,284)	(47,331)
Net Capital Contributions	10,537	8,271	13,511	13,291	18,565
Net Operating Transfers From Other Funds	<u>80,160</u>	<u>96,429</u>	<u>52,750</u>	<u>18,098</u>	<u>12,649</u>
<b>Net Income (Loss):</b>	(13,522)	(1,500)	(7,936)	(4,895)	(16,117)
<b>Net Assets - January 1:</b>	<u>248,340</u>	<u>234,818</u>	<u>228,992*</u>	<u>221,056</u>	<u>216,161</u>
<b>Net Assets - December 31:</b>	<u>\$ 234,818</u>	<u>\$ 233,318</u>	<u>\$ 221,056</u>	<u>\$ 216,161</u>	<u>\$ 200,044</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, 2005- 2009

**Milwaukee County  
2010 and 2011 Adopted Budgets**

	<b>2010 Adopted Budget</b>	<b>2011 Adopted Budget</b>
<b><u>Expenditures</u></b>		
Legislative & Executive	\$ 12,004,448	\$ 12,053,488
Administration	36,963,357	38,296,326
Courts & Judiciary	71,080,851	63,965,796
Public Safety	166,403,481	176,271,801
General Government	7,707,691	8,001,016
Transportation and Public Works	262,554,748	270,369,567
Health & Human Services	611,970,759	603,007,312
Parks, Recreation & Culture	73,614,894	75,010,079
Debt Service	67,462,033	67,917,596
County-Wide Non-Departmentals	(58,989,973)	(54,014,113)
Capital Improvements	208,444,189	31,770,681
Trust Funds	1,075,045	1,045,149
<b>Total Expenditures</b>	<b>\$ 1,460,291,523</b>	<b>\$ 1,293,694,700</b>
<b><u>Revenues</u></b>		
<b>Operating</b>		
Sales Tax	\$ 65,362,190	\$ 64,426,365
Bond Proceeds	176,349	10,000
Other Direct Revenue	459,699,973	479,916,492
State Shared Revenue	37,872,201	39,230,958
Remaining State Revenue	270,004,166	272,685,653
Total Federal Revenue	76,260,545	58,176,423
Indirect Revenue	75,179,532	73,819,409
Prior Year Surplus (Deficit)	4,144,018	4,144,018
<b>Operating Revenue Subtotal</b>	<b>\$ 988,698,974</b>	<b>\$ 992,409,318</b>
<b>Capital Improvement</b>		
Sales Tax	420,000	380,000
Bond Proceeds	83,408,448	16,757,880
Other Direct Revenue	37,496,201	13,788,738
Remaining State Revenue	9,486,229	79,438
Total Federal Revenue	77,516,930	724,625
<b>Capital Improvement Revenue Subtotal</b>	<b>\$ 208,327,808</b>	<b>\$ 31,730,681</b>
<b>Property Tax Levy</b>	<b>\$ 263,264,741</b>	<b>\$ 269,554,701</b>
<b>Total Revenues</b>	<b>\$ 1,460,291,523</b>	<b>\$ 1,293,694,700</b>

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## **APPENDIX A**

### **ANNUAL FINANCIAL STATEMENTS**

The County is audited annually by an independent public accounting firm. This appendix presents the County's audited Basic Financial Statements for the fiscal year ended December 31, 2009. Copies of the County's 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, 2009

Prepared by:  
Department of Administrative Services  
Fiscal Affairs Division

**COUNTY OF MILWAUKEE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended December 31, 2009  
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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, 2009, 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 41 percent, 96 percent and 47 percent, respectively, of the assets, net 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of December 31, 2009, 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 to the financial statements, the County of Milwaukee changed the financial reporting of the activities of the Fleet Maintenance and Facilities Management operations from being reported as part of the Public Works Services Internal Service Fund to being included as part of the General Fund effective January 1, 2009.

The management's discussion and analysis, the schedules of funding progress and the schedules of employer contributions as listed in 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.

*Baker Tilly Vinchow Krause, LLP*

Milwaukee, Wisconsin  
July 6, 2010

**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, 2009. 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 \$ 334,839 on a government-wide basis as of December 31, 2009. The unrestricted net assets of the County were a negative \$ (116,921).
- For the fiscal year, program and general revenues of the County's governmental activities totaled \$ 1,153,374. Expenses totaled \$ 1,154,620 including operating transfers out of \$ 21,521.
- For 2009, revenues of the County's business-type activities were \$ 256,580 including operating transfers in of \$ 21,521. Expenses totaled \$ 252,513.

**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, 2009, the County's governmental funds reported combined ending fund balances of \$ 154,160, as compared to \$ 116,869 for the year ended December 31, 2008.
- As of December 31, 2009, unreserved fund balance for the General Fund was \$ 4,007 or 0.4% of total General Fund expenditures. At the end of the 2008 fiscal year the unreserved fund balance of the General Fund was \$ 9,989.

## FINANCIAL HIGHLIGHTS (CONTINUED):

### Highlights for Fund Financial Statements (Continued)

- The County's enterprise funds had combined net assets of \$ 203,212 as of December 31, 2009, compared to \$ 199,145 as of December 31, 2008.

### General Financial Highlights

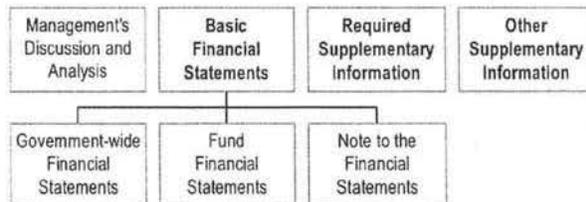
- In April 2009, the County issued \$ 265,000 of Taxable General Obligation Bonds and \$135,000 of Taxable Pension Notes. All proceeds of these two debt issues were contributed to the Milwaukee County Employee Retirement System.
- In August 2009, the County issued \$ 24,775 of General Obligation Bonds and \$17,250 of General Obligation Refunding Bonds to refund prior year's debt and finance various capital needs.
- In November 2009, the County issued \$ 30,365 of General Obligation Bonds and \$15,610 of General Obligation Promissory Notes to finance various capital needs.

## 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.

Components of the Financial Section



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

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

statements and schedules to provide details about the governmental, internal service, and fiduciary funds.

### Government-wide Financial Statements

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

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

The second statement- *the statement of activities*- presents information showing how the County's net assets changed during 2009. 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 52 - 54 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 ten 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.

The governmental fund financial statements are on pages 55 - 59 of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Fund Financial Statements (Continued)

#### ***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 60 – 62 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 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 63 - 64 of this report.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

### **Fund Financial Statements (Continued)**

#### ***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 67 – 152 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 155 - 160 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 163 - 178 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Milwaukee County, assets exceeded liabilities by \$ 334,839 at the close of the fiscal year. The County's net assets increased for this fiscal year by \$ 2,821.

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## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### County of Milwaukee, Wisconsin

#### Net Assets (In Thousands)

	Governmental		Business-type		Primary Government	
	Activities		Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 572,053	\$ 553,945	\$ 103,377	\$ 92,393	\$ 675,430	\$ 646,338
Long-Term Assets	403,937	10,717	10	3,431	403,947	14,148
Capital Assets	631,086	627,221	365,470	354,458	996,556	981,679
Total Assets	<u>1,607,076</u>	<u>1,191,883</u>	<u>468,857</u>	<u>450,282</u>	<u>2,075,933</u>	<u>1,642,165</u>
Current Liabilities	490,378	497,632	46,626	45,034	537,004	542,666
Long-term Liabilities	985,071	561,378	219,019	206,103	1,204,090	767,481
Total Liabilities	<u>1,475,449</u>	<u>1,059,010</u>	<u>265,645</u>	<u>251,137</u>	<u>1,741,094</u>	<u>1,310,147</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	198,007	222,474	178,590	177,253	376,597	399,727
Restricted	55,797	62,346	19,366	19,115	75,163	81,461
Unrestricted	<u>(122,177)</u>	<u>(151,947)</u>	<u>5,256</u>	<u>2,777</u>	<u>(116,921)</u>	<u>(149,170)</u>
Total Net Assets	<u>\$ 131,627</u>	<u>\$ 132,873</u>	<u>\$ 203,212</u>	<u>\$ 199,145</u>	<u>\$ 334,839</u>	<u>\$ 332,018</u>

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 2009, the balance of capital assets net of related debt was \$ 376,597. 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 2009 totaled \$ 75,163. This amount is subject to external restrictions, some of which include debt service, airport 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.

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 \$ (116,921) at the end of 2009. The unrestricted net assets increased by \$ 32,249 in 2009.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

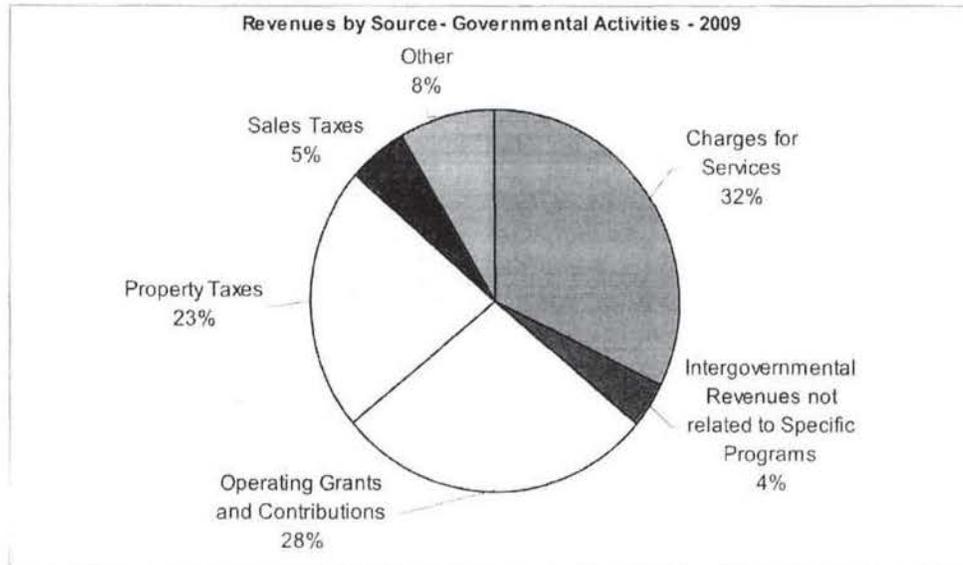
### Statement of Activities

The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2009 and 2008:

County of Milwaukee, Wisconsin Summary of Changes in Net Assets (In Thousands)						
	Governmental Activities		Business-type Activities		Primary Government Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 372,086	\$ 407,870	\$ 126,421	\$ 130,722	\$ 498,507	\$ 538,592
Operating Grants and Contributions	319,328	329,573	90,110	88,522	409,438	418,095
Capital Grants and Contributions	32,712	6,395	17,583	10,923	50,295	17,318
General Revenues:						
Property Taxes	260,724	251,495	-	-	260,724	251,495
Sales Taxes	59,258	67,112	-	-	59,258	67,112
Intergovernmental Revenues not						
Related to Specific Programs	46,056	39,734	-	-	46,056	39,734
Investment Income and Rents	7,120	13,516	945	1,417	8,065	14,933
Proceeds from Settlement of Lawsuit	29,000	-	-	-	29,000	-
Gain on Sale of Capital Assets	-	146	-	18	-	164
Other Revenue	27,090	17,037	-	-	27,090	17,037
<b>Total Revenues</b>	<b>1,153,374</b>	<b>1,132,878</b>	<b>235,059</b>	<b>231,602</b>	<b>1,388,433</b>	<b>1,364,480</b>
<b>Expenses:</b>						
Legislative, Executive, and Staff	52,144	54,395	-	-	52,144	54,395
Courts and Judiciary	63,839	67,435	-	-	63,839	67,435
General Governmental Services	7,991	8,912	-	-	7,991	8,912
Public Safety	148,192	180,186	-	-	148,192	180,186
Public Works and Highways	93,756	81,522	-	-	93,756	81,522
Human Services	648,296	675,169	-	-	648,296	675,169
Parks, Recreation, and Culture	83,520	85,321	-	-	83,520	85,321
Other	-	-	-	-	-	-
Interest	35,361	16,351	-	-	35,361	16,351
Airport	-	-	74,305	77,432	74,305	77,432
Transit	-	-	178,208	174,725	178,208	174,725
<b>Total Expenses</b>	<b>1,133,099</b>	<b>1,169,291</b>	<b>252,513</b>	<b>252,157</b>	<b>1,385,612</b>	<b>1,421,448</b>
<b>Change in Net Assets Before Transfers</b>	<b>20,275</b>	<b>(36,413)</b>	<b>(17,454)</b>	<b>(20,555)</b>	<b>2,821</b>	<b>(56,968)</b>
Transfers	(21,521)	(16,103)	21,521	16,103	-	-
<b>Change in Net Assets</b>	<b>(1,246)</b>	<b>(52,516)</b>	<b>4,067</b>	<b>(4,452)</b>	<b>2,821</b>	<b>(56,968)</b>
<b>Net Assets- Beginning of the Year</b>	<b>132,873</b>	<b>185,389</b>	<b>199,145</b>	<b>203,597</b>	<b>332,018</b>	<b>388,986</b>
<b>Net Assets- End of the Year</b>	<b>\$ 131,627</b>	<b>\$ 132,873</b>	<b>\$ 203,212</b>	<b>\$ 199,145</b>	<b>\$ 334,839</b>	<b>\$ 332,018</b>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Governmental Activities



Revenues for the County's governmental activities were \$ 1,153,374 for the fiscal year 2009, representing an increase of \$ 20,496, or 2.0%, over fiscal year 2008. Sources of revenue for 2009 as a percentage of total revenues are shown above. Charges for Services constitute the largest source of County revenues, amounting to \$ 372,086 for fiscal year 2009, a decrease of \$ 35,784 from 2008. Charges for services represent collections from those who directly benefit from County services. In 2009, the County discontinued collecting payments related the County's General Assistance Medical Program (GAMP), which had accounted for \$ 57,491 of 2008 Charges for Services Revenue. The decrease in GAMP revenue was offset by an increase of \$ 20,119 in Charges for Services revenue related to the County's Aging Care Maintenance Organization (CMO). The increase in Aging CMO revenue was due to an increase in the reimbursement rate for services and an increase in the number of program participants.

Property tax revenue increased by \$ 9,229 over the prior year; however, property tax revenue as a percent of total governmental activity revenues only increased by 1.0% from the prior year. Sales tax revenue decrease by \$ 7,854 as a result of decreased consumer spending.

Operating grants and contributions continue to support a significant portion of County services with \$ 319,328 of revenue in 2009. Operating grants and contributions generally represent federal and state grant revenues. \$ 261,271 of the 2009 operating grants and contributions supported human service programs.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Governmental Activities (Continued)

Total expenses for all of the County's governmental activities for the fiscal year 2009 were \$ 1,133,099, representing a decrease of \$ 36,192 or 3.0% from 2008. As the chart below indicates, human service programs continue to represent the County's largest expense category, totaling \$ 648,296 in 2009, a decrease of \$ 26,873 from 2008. The discontinuance of the County's General Assistance Medical Program (GAMP) in 2009 caused Human Services expense to decrease by \$50,391. The decrease due to GAMP was offset by an increase in Aging CMO expenses of \$ 19,564. Aging CMO expenses increased due to higher program participation and an increase in reimbursement costs related to nursing home services.

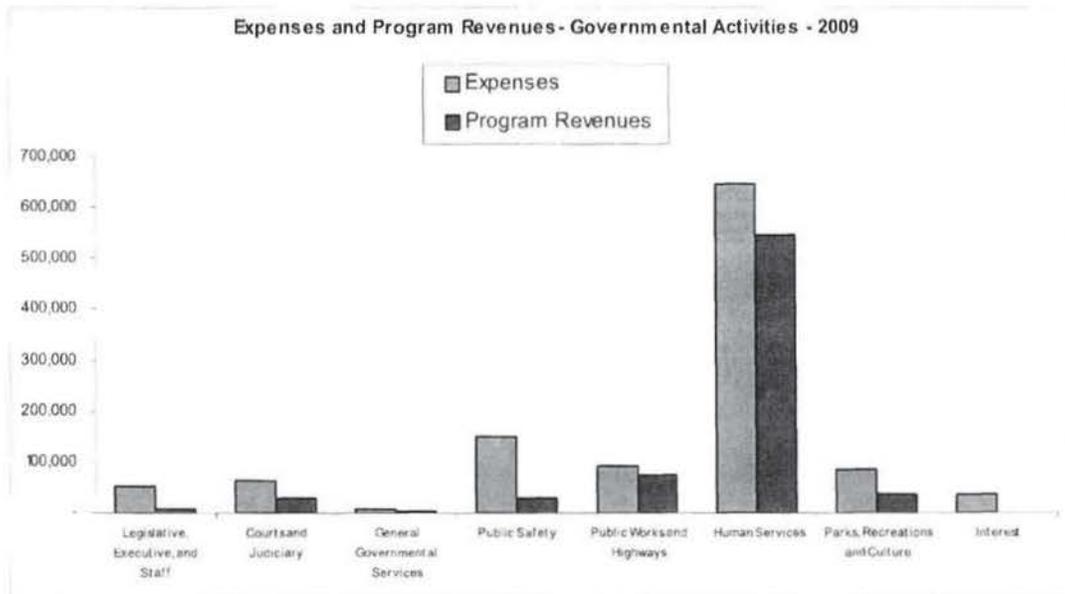
Public Safety represents the second largest expense category totaling \$ 148,192 for the operation of correctional facilities, pre-trial holding facilities, county sheriff services, the district attorney and the medical examiner. Total Public Safety expenses decreased by \$ 31,994, or 17.2% from the prior year. In 2009, the State Supreme Court ruled in favor of the County on a lawsuit related to the County's House of Corrections. As a result, the estimated liability related to unfunded claims and judgments was decreased by \$ 18,000. This amount was credited to Public Safety expenses for 2009 contributing to the decreased expenses. Another \$9,534 of the decrease in Public Safety expenses was due to the elimination of interdepartmental charges from the Fleet Maintenance and Facilities Management Divisions. In 2009, activities of the Fleet Maintenance and Facilities Management Divisions were accounted for in the General Fund; therefore, any charges from these divisions to other General Fund departments were eliminated for financial statement presentation. Prior to 2009, these activities had been accounted for in an internal service fund; therefore, the charges were not removed from General Fund departmental expense accounts. The net 2009 tax contribution for Public Safety was \$ 119,275, a 16.6% decrease from 2008.

Expenses for Public Works and Highways in 2009 totaled \$ 93,756 in 2009, which represents an increase of \$ 12,234, or 15.0%, from the prior year. The increase is due to the expenditures for Fleet Maintenance and Facilities Management being reflected in this expenditure line, instead of being cross-charged to other departments.

Total 2009 expenses for Parks, Recreation and Culture were \$83,520, a decrease of \$1,801 over the prior year. The decrease was due primarily to reductions in costs from the prior year, and the elimination of Fleet Maintenance and Facilities Management Division interdepartmental charges.

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## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



### Business-type activities

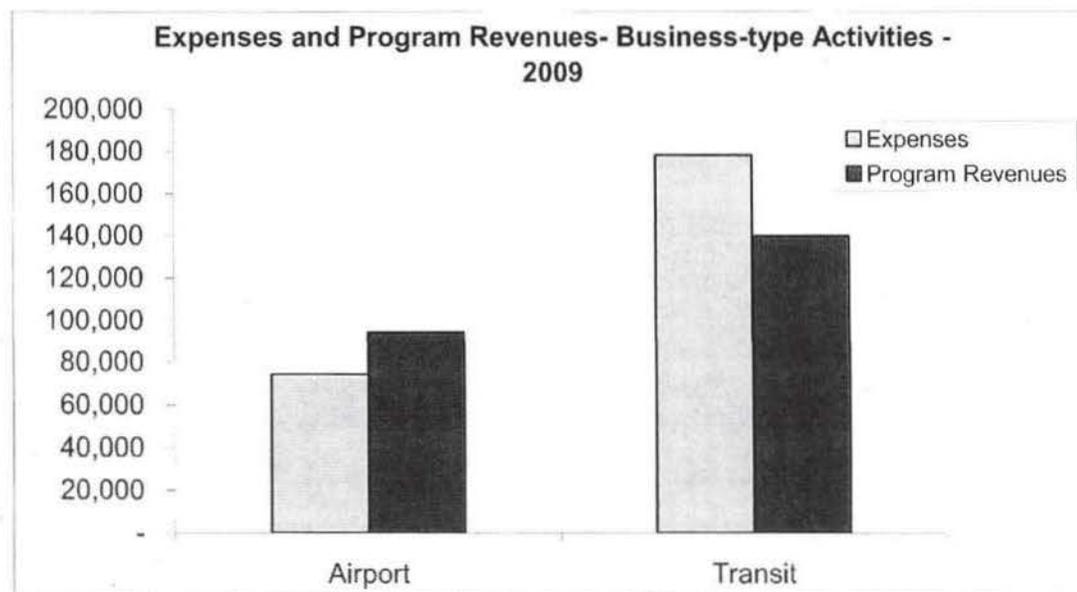
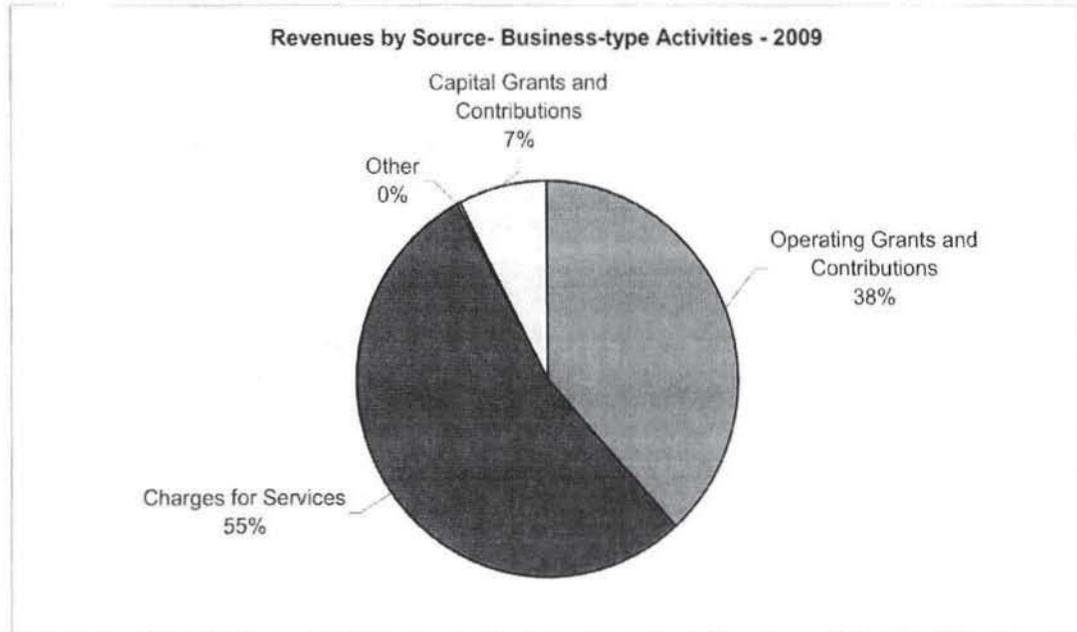
In 2009, the Airports revenue from fees charged to airlines for use of the airports, including fees received from ancillary services of the airports, exceeded its annual operating costs by \$ 5,696. Charges for Services revenue from the Airport decreased by \$ 3,224, or 4.3% from the prior year. Operating 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 \$ 23,004 for fiscal year 2009. Total state and federal grants for the Transit System was \$ 89,931 for 2009, an increase of 1.6% over 2008. Direct support from users of the Transit System was \$ 52,297 or 29.5% of total expenses.

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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, 2009, the County's governmental funds reported combined ending fund balances of \$ 154,160. *Unreserved fund balance* of \$ 4,007 represents 9.1% 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 \$ 1,837 for inventories, \$ 70,673 for encumbrances, \$ 6,220 for debt service, \$ 4,144 for 2010 appropriations, \$ 4,144 for 2011 appropriations, \$ 8,978 for the Behavioral Health Division, \$ 6,499 for the Fleet and Facilities Divisions, \$ 10,012 for the Department of Aging Care Maintenance Organization, \$ 13,558 for delinquent property taxes, and \$ 24,088 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, 2009, unreserved fund balance of the general fund was \$ 4,007 while total fund balance was \$ 43,907. 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 0.4% of total fund expenditures, while total fund balance represents 3.9% of that same amount.

The debt service fund has a total fund balance of \$ 6,220 all of which is reserved for the payment of debt service. The net decrease in the debt service reserve for the current year was \$ 4,537. The County used a portion of the debt service reserve in 2009 for debt service interest costs.

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## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (CONTINUED)

### Governmental funds (Continued)

The capital projects fund has a total fund balance of \$ 64,468 all of which is reserved for commitments made on capital projects in progress. The net increase in fund balance during the current year in the capital projects fund was \$ 52,873. The increase in fund balance was due to unspent bond proceeds at the end of 2009.

### 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 2009, unrestricted net assets of the two major funds, the Airports and the Transit System, totaled \$ 5,256. Total net assets of these same two major funds were \$ 203,212 at the end of 2009, compared to \$ 199,145 at the end of 2008. The total net assets for the Airports increased by \$ 19,452 while total net assets for the Transit System decreased by \$ 15,385.

## GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund  
Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary Basis  
For the Year Ending December 31, 2009  
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Revenues and Other Sources</u></b>				
Intergovernmental Revenue	\$ 345,533	\$ 388,488	\$ 364,721	\$ (23,767)
Taxes	327,673	327,722	319,562	(8,160)
Charges for Services	381,171	344,462	336,802	(7,660)
Other	73,696	61,345	70,586	9,241
<b>Total</b>	<b>\$ 1,128,073</b>	<b>\$ 1,122,017</b>	<b>\$ 1,091,671</b>	<b>\$ (30,346)</b>
<b><u>Expenditures and Other Uses</u></b>				
Expenditures	\$ 1,016,099	\$ 1,041,599	\$ 1,011,880	\$ 29,719
Transfers	111,974	80,418	84,533	(4,115)
<b>Total</b>	<b>\$ 1,128,073</b>	<b>\$ 1,122,017</b>	<b>\$ 1,096,413</b>	<b>\$ 25,604</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,742)</b>	<b>\$ (4,742)</b>

## GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

As shown above, expenditures and other financing uses exceeded revenues and other financing sources by \$ 4,742 in the General Fund for the year ended December 31, 2009. This table is based on a budgetary basis presentation. The budgetary basis of actual revenues and expenditures presented above differs from the combined statement of revenues, expenditures, and changes in net assets due to the inclusion of encumbrances of \$ 7,526 in expenditures offset by the inclusion of the contribution from reserves for 2009 appropriations of \$ 7,947.

Actual General Fund revenues were below the budgeted revenues by \$ 30,346, or 2.7%, during fiscal year 2009.

Intergovernmental revenues were \$ 23,767, or 6.1%, below the final budget amount for 2009. Changes in the County's Children's and Adult Long-term Support Services programs resulted in approximately \$17,100 less federal and state aid than included in the County's final budget. This revenue shortfall was offset by lower expenditures for long-term support services. Another \$6,900 of the revenue shortfall was due to lower than anticipated spending for Housing and Community Development Block Grant programs.

Taxes were \$ 8,160, or 2.5%, below budget for 2009 due to a shortfall in sales tax collections of \$ 8,598. Sales tax collections were lower than anticipated due to decreased consumer spending.

Other Revenues in 2009 exceeded the budget by \$ 9,241 of the final budget amount. In 2009, the County received \$ 29,000 from a lawsuit settlement. The proceeds from the lawsuit settlement created a budget surplus in other revenues; however, this surplus is offset by shortfalls in other revenue categories including a \$ 7,558 shortfall in sale of County property. Elimination of interdepartmental charges accounts for another \$ 9,276 of the shortfall in Other Revenues.

General Fund expenditures were \$ 29,719, or 2.9%, below the amount budgeted while transfers to other funds exceeded the budget by \$ 4,115. In 2009, the County contributed \$29,000 it received from a lawsuit settlement to the Milwaukee County Employee Retirement System. This payment was not budgeted; therefore, departmental expenditures were \$ 58,719 below budgeted expenditures for 2009. As discussed above, changes were made to the County's Children and Adult Long-term Support Services program in 2009. These changes account for approximately \$ 17,100 of the departmental expenditure savings. Another \$ 6,900 is due to lower than anticipated spending in the Housing and Community Development Block Grant Programs. Expenditures for employee health care benefits account for another \$12,000 in the expenditure savings. The unused portion of the Unallocated Contingency Fund contributed \$ 10,468 to the budget surplus related to expenditures. The Sheriff's Department and House of Correction's actual expenditures were \$ 7,442 under budget for 2009. In 2009, the House of Correction was merged with the Sheriff's Department resulting in savings in salaries, overtime and other operating expenditures. Other

## GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

departments with significant expenditure savings included the following: Department of Human Resources, \$ 1,943; Department of Administrative Services, \$ 1,195; District Attorney, \$ 1,341; Fleet Services, \$ 2,894; County Health Related Programs, \$ 2,065; Department on Aging, \$ 2,311; Aging Care Maintenance Organization, \$ 4,203; Parks Department, \$ 2,290; and the Zoological Department, \$1,690.

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 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 \$ 6,056 difference between the original budget revenue of \$ 1,128,073 and the final budget revenue of \$ 1,122,017 is due primarily to the following:

- An increase of \$ 14,821 in capitation reimbursement revenue from the State to the Department of Aging for providing Care Management Organization (CMO) services under the Family Care program.
- A decrease of \$31,122 to adjust the Department of Health and Human Services (DHHS) budget resulting from a delay in implementation of the Family Care program. The decrease was offset by an increase of \$ 2,942 due to various cost saving measures.
- Recognition of \$ 1,550 American Recovery and Reinvestment Act of 2009 grant funds for various Sheriff programs
- An increase of \$ 11,166 in revenue from the State for funding additional cases receiving Long Term Support services from DHHS.
- An increase of \$ 1,109 in non-departmental revenue due to an unrestricted private donation.
- A decrease of \$ 52,134 in State revenue due to a delay in expanding the Department of Aging Family Care program for providing CMO services.
- An increase of \$ 7,125 in revenue from the Debt Service Reserve. Of this, \$ 6,000 from revenue recognized in 2008 for 2009 and \$1,125 from a private donation in 2008 for 2009.
- An increase of \$ 5,220 in Medicaid revenue for increased DHHS clients due to the success of the Reach program.

## GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

- A decrease in revenue of \$ 5,000 from the realignment of revenue and expenses due to an additional delay in changes related to the Family Care program.

The difference between the original budget expenditures of \$ 1,016,099 (before transfers) and the final budget expenditures of \$ 1,041,599 (before transfers) resulted in an increased appropriation of \$ 25,500 due primarily to the following:

- An increase of \$ 5,360 for the Department of Aging CMO services under Family Care, including service provider increases of \$ 3,355 and provider agency rate increases of \$ 1,639.
- A decrease in expenditures of \$ 29,330 resulting from a delay in implementation of the Family Care program.
- Expenditure increase of \$ 1,550 funded from the American Recovery and Reinvestment Act of 2009 for various Sheriff equipment improvements.
- An increase of \$ 11,166 in expenditures related to increased clients receiving Long Term Support program services.
- A \$ 59,756 decrease in expenditures due to a delay in expanding the Family Care program resulting in fewer individuals receiving services.
- An increase of \$ 1,275 for a contribution from the Housing Reserve to provide increased assistance due to economic conditions.
- Increased expenditures of \$5,220 for increased clients and cost per client due to the success of the DHHS Reach program.
- An increase in expenditures of \$ 2,351 to support various DHHS housing programs.
- An increase of \$3,800 in expenditures for the Department of Aging CMO due to State mandated changes and service utilization increases of \$ 5,800, partially offset by a \$ 2,000 reduction due to a delay in expanding the Family Care Program.

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 \$ 111,974 and amended budget of \$ 80,418). The net contribution actually made by the General Fund to other funds was \$ 84,533. The General Fund collects all of the property tax and sales tax revenues of the County, which was \$ 319,562 for 2009. The General Fund also collected intergovernmental revenues not related to a specific program of \$ 46,056. 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, 2009 was \$ 996,556 (net of accumulated depreciation of \$ 1,004,964). 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 1.5% (a 0.6% increase in governmental activities and a 3.1% decrease for business-type activities).

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

- Transportation and Public Works major projects included bridge repairs on Honey Creek for \$ 1,779, reconstruction on West Good Hope Road for \$ 6,495, and Silver Spring reconstruction for \$ 4,971.
- Major Parks projects included the Lincoln Park Family Aquatic Center for \$5,559. The Milwaukee County Historical Society Renovation was \$1,865.
- The Airport continued improvements on runway safety for NEPA (National Environmental Policy Act) compliance for \$16,153.
- The County's Fleet Division invested \$14,431 in equipment for the Sheriff's Department, Fleet and the Airport.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
	Land	\$ 59,303	\$ 59,521	\$ 21,367	\$ 21,367	\$ 80,670
Construction in Progress	19,246	8,256	25,012	13,755	44,258	22,011
Land Improvements	106,761	114,005	74,299	60,701	181,060	174,706
Building and Improvements	288,461	305,100	202,677	208,398	491,138	513,498
Infrastructure	95,471	86,964	-	-	95,471	86,964
Machinery, Vehicles & Equipment	61,844	53,375	42,115	50,237	103,959	103,612
<b>Total</b>	<b>\$ 631,086</b>	<b>\$ 627,221</b>	<b>\$ 365,470</b>	<b>\$ 354,458</b>	<b>\$ 996,556</b>	<b>\$ 981,679</b>

Additional information on the County's capital assets can be found in Note 5 on pages 104 - 110 of this report.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

### Long-term debt

At December 31, 2009, the County had total debt outstanding of \$ 1,050,177. Of this amount, \$ 866,547 comprised of general obligation bonds and \$ 183,630 of airport revenue bonds.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 836,667	\$ 410,818	\$ 29,880	\$ 26,443	\$ 866,547	\$ 437,261
Revenue Bonds	-	-	183,630	176,815	183,630	176,815
<b>Totals</b>	<b>\$ 836,667</b>	<b>\$ 410,818</b>	<b>\$ 213,510</b>	<b>\$ 203,258</b>	<b>\$ 1,050,177</b>	<b>\$ 614,076</b>

The County's total debt increased by \$ 436,101 during the year ended December 31, 2009. This increase is due primarily to the issuance of \$400,000 in pension obligation bonds used to reduce the County's outstanding pension liability.

New general obligation bonds were issued in August 2009 and November 2009 for \$ 90,000 to finance the following capital projects: parks, recreation and culture \$ 20,827, highways and bridges \$ 33,821; human services \$ 3,115, public safety \$ 6,397, general government buildings and related improvements for \$ 15,895, and refunding of prior year debt for \$9,945.

Additional information on the County's long-term debt can be found in Note 8 on pages 113 – 125 of this report.

### Economic Factors and Next Year's Budget and Rates

- Milwaukee County unemployment rate increased from 5.9% in 2008 to 8.6% in 2009. The national average unemployment rate for 2009 was 9.3%.
- Equalized value of taxable property decreased to \$ 66.8 billion in 2009 from \$ 68.2 billion in 2008.

During the 2009 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 balances. This excess is identified on the governmental funds balance sheet as a Reserved for 2011 Appropriations, and will be added to the revenue of the 2011 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 9<sup>th</sup> Street, Room 308, Milwaukee, WI 53233.

## **BASIC FINANCIAL STATEMENTS**

COUNTY OF MILWAUKEE  
Statement of Net Assets  
December 31, 2009  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 187,896	\$ 55,265	\$ 243,161	\$ 6,052
Cash and Investments -- Restricted	28,337	29,269	57,606	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	14,253	3,547	17,800	1,538
Property Taxes:				
Current Levy	264,102	-	264,102	-
Delinquent	10,797	-	10,797	-
Accrued Interest and Dividends	7,533	-	7,533	4
Notes	980	-	980	-
Other	8,351	3,585	11,936	-
Due From Other Governments	47,906	8,427	56,333	-
Inventories	1,837	3,008	4,845	150
Prepaid Items	61	276	337	244
Total Current Assets	<u>572,053</u>	<u>103,377</u>	<u>675,430</u>	<u>7,988</u>
Noncurrent Assets:				
Long-term Investments	-	-	-	7,401
Receivables:				
Contributions	-	-	-	1,033
Delinquent Property Taxes	7,198	-	7,198	-
Notes	951	-	951	-
Deferred Charges	181	-	181	-
Net Pension Asset	395,607	-	395,607	-
Other Post Employment Benefit Asset	-	10	10	-
Other Assets	-	-	-	559
Capital Assets (Net)				
Land	59,303	21,367	80,670	-
Construction in Progress	19,246	25,012	44,258	2,386
Land Improvements	236,373	170,746	407,119	-
Buildings and Improvements	646,754	347,825	994,579	38,647
Infrastructure	163,833	-	163,833	-
Machinery, Vehicles and Equipment	154,623	156,438	311,061	11,841
Less: Accumulated Depreciation	(649,046)	(355,918)	(1,004,964)	(22,584)
Total Capital Assets (Net)	<u>631,086</u>	<u>365,470</u>	<u>996,556</u>	<u>30,290</u>
Total Noncurrent Assets	<u>1,035,023</u>	<u>365,480</u>	<u>1,400,503</u>	<u>39,283</u>
Total Assets	<u>\$ 1,607,076</u>	<u>\$ 468,857</u>	<u>\$ 2,075,933</u>	<u>\$ 47,271</u>

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

COUNTY OF MILWAUKEE  
Statement of Net Assets  
December 31, 2009  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 46,616	\$ 4,962	\$ 51,578	\$ 665
Accrued Liabilities	35,263	3,172	38,435	848
Accrued Interest Payable	7,925	1,286	9,211	56
Accrued Pension Payable	39,414	-	39,414	-
Due to Other Governments	1,480	-	1,480	-
Unearned Revenues	272,892	11,537	284,429	2,478
Bonds and Notes Payable - General Obligation	56,183	3,527	59,710	386
Bonds and Notes Payable - Revenue	-	7,865	7,865	-
Unfunded Claims and Judgments	1,000	-	1,000	-
Landfill Postclosure Costs	115	-	115	-
Pollution Remediation Costs	316	-	316	-
Compensated Absences Payable	21,395	6,225	27,620	-
Risk Claims	7,125	4,013	11,138	-
Capital Leases	441	196	637	38
Other Current Liabilities	213	3,843	4,056	101
Accrued Pension and Postretirement Benefits	-	-	-	87
<b>Total Current Liabilities</b>	<b>490,378</b>	<b>46,626</b>	<b>537,004</b>	<b>4,659</b>
Noncurrent Liabilities:				
Bonds and Notes Payable - General Obligation	780,484	26,353	806,837	16,681
Bonds and Notes Payable - Revenue	-	175,765	175,765	-
Net Pension Obligation	-	-	-	-
Unfunded Claims and Judgments	1,000	-	1,000	-
Landfill Postclosure Costs	3,415	-	3,415	-
Pollution Remediation Costs	180	-	180	-
Compensated Absences Payable	27,732	6,453	34,185	-
Risk Claims	3,769	4,577	8,346	-
Other Post Employment Benefits	164,855	5,686	170,541	-
Capital Leases	3,636	185	3,821	40
Other Noncurrent Liabilities	-	-	-	793
Accrued Pension and Postretirement Benefits	-	-	-	8,609
<b>Total Noncurrent Liabilities</b>	<b>985,071</b>	<b>219,019</b>	<b>1,204,090</b>	<b>26,123</b>
<b>Total Liabilities</b>	<b>1,475,449</b>	<b>265,645</b>	<b>1,741,094</b>	<b>30,782</b>
<b>NET ASSETS</b>				
Unrestricted Surplus (Deficit)	(122,177)	5,256	(116,921)	(3,140)
Restricted for:				
Debt Service	6,220	14,253	20,473	-
Aging Care Maintenance Organization	10,012	-	10,012	-
Capital Asset Needs	-	5,113	5,113	-
Airport - PFC and Debt	22,179	-	22,179	-
Behavioral Health Division	8,978	-	8,978	-
Fleet and Facilities Divisions	6,499	-	6,499	-
Museum	-	-	-	6,060
Other	1,909	-	1,909	302
Invested in Capital Assets, Net of Related Debt	198,007	178,590	376,597	13,267
<b>Total Net Assets</b>	<b>131,627</b>	<b>203,212</b>	<b>334,839</b>	<b>16,489</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,607,076</b>	<b>\$ 468,857</b>	<b>\$ 2,075,933</b>	<b>\$ 47,271</b>

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

COUNTY OF MILWAUKEE  
Statement of Activities  
For The Year Ended December 31, 2009  
(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	
<b>Primary Government:</b>								
Governmental Activities:								
Legislative, Executive and Staff	\$ (52,144)	\$ 5,811	\$ 355	\$ -	\$ (45,978)	\$ -	\$ (45,978)	\$ -
Courts and Judiciary	(63,839)	4,758	22,063	-	(37,018)	-	(37,018)	-
General Governmental Services	(7,991)	4,782	79	-	(3,130)	-	(3,130)	-
Public Safety	(148,192)	10,500	17,967	-	(119,725)	-	(119,725)	-
Public Works and Highways	(93,756)	27,746	16,913	30,638	(18,459)	-	(18,459)	-
Human Services	(648,296)	286,763	261,271	-	(100,262)	-	(100,262)	-
Parks, Recreation and Culture	(83,520)	31,726	680	2,074	(49,040)	-	(49,040)	-
Interest and Other Charges	(35,361)	-	-	-	(35,361)	-	(35,361)	-
Total Governmental Activities	<u>(1,133,099)</u>	<u>372,086</u>	<u>319,328</u>	<u>32,712</u>	<u>(408,973)</u>	<u>-</u>	<u>(408,973)</u>	<u>-</u>
Business-Type Activities:								
Airport	(74,305)	70,997	179	23,119	-	19,990	19,990	-
Transit	(178,208)	55,424	89,931	(5,536)	-	(38,389)	(38,389)	-
Total Business-Type Activities	<u>(252,513)</u>	<u>126,421</u>	<u>90,110</u>	<u>17,583</u>	<u>-</u>	<u>(18,399)</u>	<u>(18,399)</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ (1,385,612)</u>	<u>\$ 498,507</u>	<u>\$ 409,438</u>	<u>\$ 50,295</u>	<u>(408,973)</u>	<u>(18,399)</u>	<u>(427,372)</u>	<u>-</u>
<b>Component Units:</b>								
Museum	\$ (15,033)	\$ 9,792	\$ 3,503	\$ -	-	-	-	(1,738)
War Memorial Center	(2,897)	322	1,748	-	-	-	-	(827)
Marcus Center	(7,988)	3,904	1,280	-	-	-	-	(2,804)
Research Park Corporation	(963)	94	-	-	-	-	-	(869)
Total Component Units	<u>\$ (26,881)</u>	<u>\$ 14,112</u>	<u>\$ 6,531</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,238)</u>
<b>General Revenues:</b>								
Property Taxes					260,724	-	260,724	-
Sales Taxes					59,258	-	59,258	-
Intergovernmental Revenues Not Related to Specific Program					46,056	-	46,056	-
Investment Income					7,120	945	8,065	5,315
Other Revenue					27,090	-	27,090	1,366
Transfers					(21,521)	21,521	-	-
Special Item - Proceeds from Settlement of Lawsuit					29,000	-	29,000	-
Total General Revenues, Transfers and Special Items					<u>407,727</u>	<u>22,466</u>	<u>430,193</u>	<u>6,681</u>
<b>Change in Net Assets</b>					<u>(1,246)</u>	<u>4,067</u>	<u>2,821</u>	<u>443</u>
Net Assets -- Beginning					132,873	199,145	332,018	16,046
Net Assets -- Ending					<u>\$ 131,627</u>	<u>\$ 203,212</u>	<u>\$ 334,839</u>	<u>\$ 16,489</u>

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

COUNTY OF MILWAUKEE  
Balance Sheet  
Governmental Funds  
December 31, 2009  
(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Investments	\$ 72,374	\$ 6,047	\$ 71,422	\$ 17,507	\$ 167,350
Cash and Investments -- Restricted	6,158	-	-	22,179	28,337
Receivables:					
Accounts (Net of Allowances for Doubtful Accounts)	13,992	179	-	-	14,171
Property Taxes:					
Current Levy	264,102	-	-	-	264,102
Delinquent	17,995	-	-	-	17,995
Accrued Interest	7,533	-	-	-	7,533
Notes Receivable	662	1,269	-	-	1,931
Other	8,242	-	109	-	8,351
Due From Other Governments	46,620	-	993	-	47,613
Inventories	1,837	-	-	-	1,837
<b>Total Assets</b>	<u>\$ 439,515</u>	<u>\$ 7,495</u>	<u>\$ 72,524</u>	<u>\$ 39,686</u>	<u>\$ 559,220</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 37,909	\$ -	\$ 8,056	\$ 121	\$ 46,086
Accrued Liabilities	35,257	6	-	-	35,263
Accrued Pension Payable	39,414	-	-	-	39,414
Other Liabilities	213	-	-	-	213
Due to Other Governments	1,480	-	-	-	1,480
Deferred Revenues	281,335	1,269	-	-	282,604
<b>Total Liabilities</b>	<u>395,608</u>	<u>1,275</u>	<u>8,056</u>	<u>121</u>	<u>405,060</u>
<b>Fund Balance:</b>					
Reserved for 2010 Appropriations	4,144	-	-	-	4,144
Reserved for 2011 Appropriations	4,144	-	-	-	4,144
Reserved for Debt Service	-	6,220	-	-	6,220
Reserved for Encumbrances	6,205	-	64,468	-	70,673
Reserved for Aging Care Maintenance Organization	10,012	-	-	-	10,012
Reserved for Inventories	1,837	-	-	-	1,837
Reserved for Health and Safety	-	-	-	136	136
Reserved for Zoo	-	-	-	652	652
Reserved for Parks	-	-	-	998	998
Reserved for Persons with Disabilities	-	-	-	123	123
Reserved for Behavioral Health Division	-	-	-	8,978	8,978
Reserved for Airport - PFC and Debt	-	-	-	22,179	22,179
Reserved for Fleet and Facilities Divisions	-	-	-	6,499	6,499
Reserved for Delinquent Property Tax	13,558	-	-	-	13,558
Unreserved -- Designated for Economic Development	196	-	-	-	196
Unreserved -- Designated for Housing	813	-	-	-	813
Unreserved -- Designated for Aging CMO	437	-	-	-	437
Unreserved -- Designated for Investments	2,561	-	-	-	2,561
<b>Total Fund Balance</b>	<u>43,907</u>	<u>6,220</u>	<u>64,468</u>	<u>39,565</u>	<u>154,160</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 439,515</u>	<u>\$ 7,495</u>	<u>\$ 72,524</u>	<u>\$ 39,686</u>	<u>\$ 559,220</u>

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

COUNTY OF MILWAUKEE  
 Reconciliation of the Balance Sheet  
 of Governmental Funds  
 to the Statement of Net Assets  
 For the Year Ended December 31, 2009  
 (In Thousands)

Total Fund Balances for Governmental Funds as of 12/31/09 \$ 154,160

**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	59,303
Construction in Progress	17,176
Land Improvements	233,119
Buildings and Improvements	643,766
Infrastructure	163,833
Machinery, Vehicles and Equipment	119,270
Less: Accumulated Depreciation	(615,560)

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:

(3,168)

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.

9,712

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	(821,978)
Unamortized Debt Issuance Costs	181
Capital Leases	(4,033)
Unfunded Claims and Judgments	(2,000)
Landfill Postclosure Costs	(3,530)
Pollution Remediation Costs	(496)
Compensated Absences Payable	(45,943)
Other Post Employment Benefits	(160,004)

Contributions to the County's Employee Retirement System resulted in a decrease to fund balance in the Governmental Funds; however, the contributions created an asset in the Governmental Activities to be amortized in future years.  
 Net Pension Asset

395,607

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.

(7,787)

Total Net Assets of Governmental Activities as of 12/31/09 \$ 131,627

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, 2009  
(In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental	\$ 364,721	\$ -	\$ 15,819	\$ -	\$ 380,540
Property Taxes	260,724	-	-	-	260,724
Sales Taxes	58,838	-	420	-	59,258
Charges for Services	333,104	-	-	11,487	344,591
Fines and Forfeits	3,245	-	-	-	3,245
Licenses and Permits	453	-	-	-	453
Investment Income and Rents	10,108	-	550	694	11,352
Other	22,525	2,534	14,908	175	40,142
<b>Total Revenues</b>	<u>1,053,718</u>	<u>2,534</u>	<u>31,697</u>	<u>12,356</u>	<u>1,100,305</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Legislative, Executive and Staff	22,191	-	-	-	22,191
Courts and Judiciary	59,984	-	-	-	59,984
General Governmental Services	7,395	-	-	-	7,395
Public Safety	146,994	-	-	-	146,994
Public Works and Highways	40,169	-	-	23,893	64,062
Human Services	628,202	-	-	372	628,574
Parks, Recreation and Culture	65,823	-	-	983	66,806
Capital Outlay	-	-	56,994	-	56,994
<b>Debt Service:</b>					
Principal Retirement	-	48,164	-	-	48,164
Interest and Other Charges	-	32,215	-	-	32,215
<b>Total Expenditures</b>	<u>970,758</u>	<u>80,379</u>	<u>56,994</u>	<u>25,248</u>	<u>1,133,379</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
Expenditures	<u>82,960</u>	<u>(77,845)</u>	<u>(25,297)</u>	<u>(12,892)</u>	<u>(33,074)</u>
<b>Other Financing Sources (Uses):</b>					
General Obligation Bonds Issued	231	11,160	78,609	-	90,000
Pension Obligation Bonds Issued	775	399,225	-	-	400,000
Premium on Debt Issued	-	-	539	-	539
Discount on Debt Issued	-	-	(619)	-	(619)
Principal Payment - Current Refunding	-	(9,214)	-	-	(9,214)
Transfers In	12,560	69,829	453	7,010	89,852
Transfers Out	(101,689)	-	(812)	-	(102,501)
<b>Total Other Financing Sources (Uses)</b>	<u>(88,123)</u>	<u>471,000</u>	<u>78,170</u>	<u>7,010</u>	<u>468,057</u>
<b>Special Items:</b>					
Proceeds from Legal Settlement	29,000	-	-	-	29,000
Contribution to Employee Retirement System	(29,000)	(397,692)	-	-	(426,692)
<b>Total Special Items</b>	<u>-</u>	<u>(397,692)</u>	<u>-</u>	<u>-</u>	<u>(397,692)</u>
<b>Net Change in Fund Balances</b>	(5,163)	(4,537)	52,873	(5,882)	37,291
Fund Balances - Beginning	49,070	10,757	11,595	45,447	116,869
Fund Balances - Ending	<u>\$ 43,907</u>	<u>\$ 6,220</u>	<u>\$ 64,468</u>	<u>\$ 39,565</u>	<u>\$ 154,160</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, 2009  
 (In Thousands)

Net change in fund balances -- total governmental funds \$ 37,291

**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	56,994	
Items reported as capital outlay that were not capitalized	(7,140)	
Depreciation reported in the government-wide statements	(41,556)	
Net book value of assets retired	(1,869)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		13,065
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	(490,000)	
Premium on debt issued	(539)	
Discount on debt issued	619	
Principal repaid	57,378	
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.		(20,184)
Principal payments reduce notes receivable on the Statement of Net Assets but are reported as revenues in the funds.		(1,133)
Reassignment of Capital Assets net of Long-Term Liabilities for the Internal Service Funds		12,231
Contributions to the County's Employee Retirement System resulted in a decrease to fund balance in the Governmental Funds; however, the contributions created an asset in the Governmental Activities to be amortized in future years. Contributions to Employee Retirement System		426,692
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	(2,780)	
Amortization of Bond Costs	(2,501)	
Net Pension Obligation	7,281	
Unfunded Claims and Judgments	18,000	
Landfill Postclosure Costs	715	
Pollution Remediation Costs	(181)	
Compensated Absences Payable	645	
Other Postemployment Benefits	(63,291)	
Change in net assets of governmental activities	\$	(1,246)

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, 2009  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Intergovernmental	\$ 345,533	\$ 388,488	\$ 364,721	\$ (23,767)
Property Taxes	260,237	260,286	260,724	438
Sales Taxes	67,436	67,436	58,838	(8,598)
Charges for Services	377,272	340,565	333,104	(7,461)
Fines and Forfeits	3,409	3,408	3,245	(163)
Licenses and Permits	490	489	453	(36)
Investment Income and Rents	12,684	12,609	10,108	(2,501)
Other	52,889	39,181	22,525	(16,656)
Total Revenues	<u>1,119,950</u>	<u>1,112,462</u>	<u>1,053,718</u>	<u>(58,744)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative, Executive and Staff	26,040	29,198	24,647	4,551
Courts and Judiciary	61,306	63,721	62,044	1,677
General Governmental Services	7,738	8,601	8,068	533
Public Safety	157,699	161,931	153,170	8,761
Public Works and Highways	46,726	45,656	40,749	4,907
Human Services	652,080	666,398	633,244	33,154
Parks, Recreation and Culture	64,510	66,094	60,958	5,136
Total Expenditures	<u>1,016,099</u>	<u>1,041,599</u>	<u>982,880</u>	<u>58,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>103,851</u>	<u>70,863</u>	<u>70,838</u>	<u>(25)</u>
<b>Other Financing Sources (Uses):</b>				
Application of Fund Balance	7,947	7,947	7,947	-
General Obligation Bonds Issued	176	833	231	(602)
Pension Obligation Bonds Issued	-	775	775	-
Transfers In	-	-	12,560	12,560
Transfers Out	(105,443)	(73,887)	(90,562)	(16,675)
Transfers To Component Units	(6,531)	(6,531)	(6,531)	-
Total Other Financing Sources (Uses)	<u>(103,851)</u>	<u>(70,863)</u>	<u>(75,580)</u>	<u>(4,717)</u>
<b>Special Items:</b>				
Proceeds from Legal Settlement	-	-	29,000	29,000
Contribution to Employee Retirement System	-	-	(29,000)	(29,000)
Total Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	(4,742)	(4,742)
Fund Balances -- Beginning	49,070	49,070	49,070	-
Fund Balances -- Ending	<u>\$ 49,070</u>	<u>\$ 49,070</u>	<u>\$ 44,328</u>	<u>\$ (4,742)</u>

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

COUNTY OF MILWAUKEE  
Balance Sheet  
Proprietary Funds  
December 31, 2009  
(In Thousands)

	Business-Type Activities -- Enterprise Funds			Governmental Activities -- Internal Service Funds
	Airports	Transit System	Total	
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 31,997	\$ 23,268	\$ 55,265	\$ 20,546
Cash and Investments -- Restricted	29,269	-	29,269	-
<b>Receivables:</b>				
Accounts (Net of Allowances for Uncollectible Accounts and Contractual Adjustments)	3,037	510	3,547	82
Other	79	3,506	3,585	-
Due From Other Governments	8,427	-	8,427	293
Inventories	-	3,008	3,008	-
Prepaid Items	-	276	276	61
<b>Total Current Assets</b>	<b>72,809</b>	<b>30,568</b>	<b>103,377</b>	<b>20,982</b>
<b>Noncurrent Assets:</b>				
Other Post Employment Benefit Asset	-	10	10	-
<b>Capital Assets:</b>				
Land	18,594	2,773	21,367	-
Construction in Progress	23,569	1,443	25,012	2,071
Land Improvements	164,186	6,560	170,746	3,254
Building and Improvements	286,976	60,849	347,825	2,988
Machinery, Vehicles and Equipment	11,772	144,666	156,438	35,353
Total Capital Assets	505,097	216,291	721,388	43,666
Less: Accumulated Depreciation	(208,838)	(147,080)	(355,918)	(33,486)
<b>Total Capital Assets (Net)</b>	<b>296,259</b>	<b>69,211</b>	<b>365,470</b>	<b>10,180</b>
<b>Total Noncurrent Assets</b>	<b>296,259</b>	<b>69,221</b>	<b>365,480</b>	<b>10,180</b>
<b>Total Assets</b>	<b>\$ 369,068</b>	<b>\$ 99,789</b>	<b>\$ 468,857</b>	<b>\$ 31,162</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 3,484	\$ 1,478	\$ 4,962	\$ 529
Accrued Liabilities	359	2,813	3,172	-
Accrued Interest Payable	823	463	1,286	138
Unearned Revenues	8,325	3,212	11,537	1
Bonds and Notes Payable - General Obligation	1,165	2,362	3,527	1,782
Bonds and Notes Payable - Revenue	7,865	-	7,865	-
Compensated Absences	1,525	4,700	6,225	1,370
Risk Claims	-	4,013	4,013	7,125
Capital Leases	196	-	196	5
Other Liabilities	10	3,833	3,843	-
<b>Total Current Liabilities</b>	<b>23,752</b>	<b>22,874</b>	<b>46,626</b>	<b>10,950</b>
<b>Long-Term Liabilities:</b>				
Bonds and Notes Payable - General Obligation	2,616	23,737	26,353	12,907
Bonds and Notes Payable - Revenue	175,765	-	175,765	-
Compensated Absences Payable	1,524	4,929	6,453	1,814
Risk Claims	-	4,577	4,577	3,769
Other Post Employment Benefits	5,686	-	5,686	4,851
Capital Leases	185	-	185	39
<b>Total Long-Term Liabilities</b>	<b>185,776</b>	<b>33,243</b>	<b>219,019</b>	<b>23,380</b>
<b>Total Liabilities</b>	<b>209,528</b>	<b>56,117</b>	<b>265,645</b>	<b>34,330</b>
<b>Net Assets</b>				
Unrestricted	4,926	330	5,256	1,385
<b>Restricted for:</b>				
Debt Service	14,253	-	14,253	-
Capital Asset Needs	5,113	-	5,113	-
Invested in Capital Assets, Net of Related Debt	135,248	43,342	178,590	(4,553)
<b>Total Net Assets</b>	<b>159,540</b>	<b>43,672</b>	<b>203,212</b>	<b>(3,168)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 369,068</b>	<b>\$ 99,789</b>	<b>\$ 468,857</b>	<b>\$ 31,162</b>

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, 2009  
(In Thousands)

	Business-Type Activities -- Enterprise Funds			Governmental
	Airports	Transit System	Total	Activities -- Internal Service Funds
Operating Revenues:				
Rentals and Other Service Fees	\$ 57,431	\$ 98	\$ 57,529	\$ 32,065
Admissions and Concessions	13,552	-	13,552	-
Transit Fares	-	52,297	52,297	-
Total Charges for Services	70,983	52,395	123,378	32,065
Other Revenues	14	3,029	3,043	421
Total Operating Revenues	<u>70,997</u>	<u>55,424</u>	<u>126,421</u>	<u>32,486</u>
Operating Expenses:				
Personnel Services	19,685	115,120	134,805	14,761
Contractual Services	16,350	30,018	46,368	5,398
Intra-County Services	9,354	1,583	10,937	2,159
Commodities	4,073	16,132	20,205	294
Depreciation and Amortization	15,054	12,505	27,559	2,564
Maintenance	481	562	1,043	876
Other	304	1,137	1,441	-
Insurance and Claims	-	-	-	6,490
Client Payments	-	-	-	22
Total Operating Expenses	<u>65,301</u>	<u>177,057</u>	<u>242,358</u>	<u>32,564</u>
Operating Income (Loss)	<u>5,696</u>	<u>(121,633)</u>	<u>(115,937)</u>	<u>(78)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	179	89,931	90,110	663
Investment Income	945	-	945	-
Reassignment of Long-term Liabilities to General Fund	-	-	-	35,151
Reassignment of Capital Assets to General Fund	-	-	-	(47,382)
Interest Expense	(9,004)	(1,151)	(10,155)	(648)
Total Nonoperating Revenues (Expenses)	<u>(7,880)</u>	<u>88,780</u>	<u>80,900</u>	<u>(12,216)</u>
Income (Loss) Before Contributions and Transfers	<u>(2,184)</u>	<u>(32,853)</u>	<u>(35,037)</u>	<u>(12,294)</u>
Capital Contributions (Returned)	23,119	(5,536)	17,583	982
Transfers In	1,393	23,004	24,397	-
Transfers Out	<u>(2,876)</u>	<u>-</u>	<u>(2,876)</u>	<u>(8,872)</u>
Change in Net Assets	19,452	(15,385)	4,067	(20,184)
Net Assets -- Beginning	140,088	59,057	199,145	17,016
Net Assets -- Ending	<u>\$ 159,540</u>	<u>\$ 43,672</u>	<u>\$ 203,212</u>	<u>\$ (3,168)</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, 2009  
(In Thousands)

	Business-Type Activities -- Enterprise Funds			Governmental Activities
	Airports	Transit System	Total	Internal Service Funds
<b>Cash Flows Provided (Used) by Operating Activities:</b>				
Receipts from Customers and Interfund Users	\$ 67,230	\$ 55,089	\$ 122,319	\$ 4,587
Receipts from Interfund Services	-	-	-	27,981
Payments to Suppliers	(20,161)	(47,720)	(67,881)	(12,937)
Payments to Employees	(17,840)	(111,546)	(129,386)	(13,115)
Payments for Interfund Services Used	(9,354)	(1,583)	(10,937)	(1,932)
Net Cash Flows Provided (Used) by Operating Activities	<u>19,875</u>	<u>(105,760)</u>	<u>(85,885)</u>	<u>4,584</u>
<b>Cash Flows Provided (Used) by Noncapital Financing Activities:</b>				
Intergovernmental Revenues	179	94,983	95,162	659
Transfers From Other Funds	1,393	23,004	24,397	-
Transfers (To) Other Funds	(2,876)	-	(2,876)	(8,872)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(1,304)</u>	<u>117,987</u>	<u>116,683</u>	<u>(8,213)</u>
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities:</b>				
Proceeds from Bonds	14,473	7,251	21,724	2,234
Capital Contributions	23,119	(5,536)	17,583	-
Principal Payment on Bonds	(8,880)	(2,641)	(11,521)	(1,825)
Interest Paid on Bonds	(8,969)	(966)	(9,935)	(636)
Payments on Capital Lease	(258)	-	(258)	(5)
Acquisition of Capital Assets	(36,278)	(1,899)	(38,177)	(2,488)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(16,793)</u>	<u>(3,791)</u>	<u>(20,584)</u>	<u>(2,720)</u>
<b>Cash Flows Provided (Used) by Investing Activities:</b>				
Investment Income	945	-	945	-
Net Cash Flows Provided (Used) by Investing Activities	<u>945</u>	<u>-</u>	<u>945</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,723	8,436	11,159	(6,349)
Cash and Cash Equivalents at Beginning of Year (As Restated)	58,543	14,832	73,375	26,895
Cash and Cash Equivalents at End of Year	<u>\$ 61,266</u>	<u>\$ 23,268</u>	<u>\$ 84,534</u>	<u>\$ 20,546</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Assets Financed by Capital Leases	<u>\$ 394</u>	<u>\$ -</u>	<u>\$ 394</u>	<u>\$ -</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 5,696	\$ (121,633)	\$ (115,937)	\$ (78)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	15,054	12,505	27,559	2,564
(Increase) Decrease in Assets:				
Accounts Receivable	(4,590)	(429)	(5,019)	12
Other Receivables	-	(92)	(92)	-
Inventories	-	(64)	(64)	-
Prepaid Items	-	40	40	72
Other Post Employment Asset	-	3,421	3,421	-
Other Assets	-	258	258	-
Increase (Decrease) in Liabilities:				
Accounts Payable	1,047	(1,134)	(87)	41
Accrued Liabilities	177	259	436	18
Unearned Revenues	823	(72)	751	-
Compensated Absences	79	(183)	(104)	(13)
Risk Claims	-	77	77	327
Other Post Employment Benefits	1,589	-	1,589	1,641
Other Liabilities	-	1,287	1,287	-
Total Adjustments	<u>14,179</u>	<u>15,873</u>	<u>30,052</u>	<u>4,662</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 19,875</u>	<u>\$ (105,760)</u>	<u>\$ (85,885)</u>	<u>\$ 4,584</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, 2009  
(In Thousands)

	Pension Trust Fund	Agency Funds
<b><u>Assets</u></b>		
Cash and Investments:		
Domestic Common and Preferred Stocks	\$ 397,634	\$ -
Corporate Bonds and Convertible Debentures	514,877	-
International Common and Preferred Stocks	345,155	-
Real Estate Investments Trusts	42,241	-
Federal Agency and Mortgage-Backed Certificates	68,792	-
U.S. Government and State Obligations	53,048	-
International Fixed Income	24,433	-
Private Equity	22,206	-
Deposits	327,962	19,709
Total Cash and Investments	1,796,348	19,709
Receivables:		
Pension Trust Fund Contribution	31,647	-
Accrued Interest and Dividends	5,345	-
Other	56,445	-
Securities Lending	56,643	-
Other Assets	5,927	-
Total Assets	1,952,355	19,709
<b><u>Liabilities</u></b>		
Accounts Payable	-	176
Agency Deposits	-	19,533
Securities Lending	56,643	-
Other Liabilities	73,172	-
Total Liabilities	129,815	19,709
<b><u>Net Assets</u></b>		
Held in Trust for Pension Benefits	\$ 1,822,540	\$ -

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, 2009  
(In Thousands)

	Total
Additions:	
Contributions:	
County of Milwaukee	\$ 457,789
Plan Participants	132
Total Contributions	457,921
Investment Income	
Net Appreciation (Depreciation) in Fair Value	287,625
Interest and Dividends	31,951
Other Income	239
Total Investment Income	319,815
Security Lending Income	273
Less: Security Lending Rebates and Fees	(91)
Net Security Lending Activity	182
Investment Expense	(3,488)
Net Investment Income (Loss)	316,509
Total Additions, Net of Losses	774,430
Deductions:	
Benefits Paid to Retirees and Beneficiaries	(145,346)
Administrative Expenses	(4,358)
Total Deductions	(149,704)
Change In Plan Net Assets	624,726
Plan Net Assets Held In Trust for Pension Benefits	
Beginning of Year	1,197,814
End of Year	\$ 1,822,540

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, 2009  
(In Thousands)

	Museum	War Memorial Center	Marcus Center	Research Park Corporation	Total
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and Investments	\$ 3,081	\$ 77	\$ 2,477	\$ 417	\$ 6,052
Accounts Receivable	1,283	-	125	130	1,538
Accrued Interest Receivable	-	-	4	-	4
Inventories	146	-	4	-	150
Prepaid Items	197	-	41	6	244
Total Current Assets	<u>4,707</u>	<u>77</u>	<u>2,651</u>	<u>553</u>	<u>7,988</u>
<b>Noncurrent Assets:</b>					
Long-Term Investments	3,955	-	1,391	2,055	7,401
Accounts Receivable	1,033	-	-	-	1,033
Other	152	-	407	-	559
Capital Assets (Net)					
Construction in Progress	-	-	2,386	-	2,386
Buildings and Improvements	19,221	-	19,426	-	38,647
Machinery, Vehicles and Equipment	10,020	-	1,821	-	11,841
Less: Accumulated Depreciation	(11,070)	-	(11,514)	-	(22,584)
Total Capital Assets (Net)	<u>18,171</u>	<u>-</u>	<u>12,119</u>	<u>-</u>	<u>27,904</u>
Total Noncurrent Assets	<u>23,311</u>	<u>-</u>	<u>13,917</u>	<u>2,055</u>	<u>39,283</u>
Total Assets	<u>\$ 28,018</u>	<u>\$ 77</u>	<u>\$ 16,568</u>	<u>\$ 2,608</u>	<u>\$ 47,271</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 388	\$ -	\$ 213	\$ 64	\$ 665
Accrued Liabilities	659	-	186	3	848
Accrued Interest Payable	56	-	-	-	56
Unearned Revenues	1,026	-	1,340	112	2,478
Bonds and Notes Payable	122	-	238	26	386
Capital Leases	22	-	16	-	38
Other Current Liabilities	-	-	101	-	101
Accrued Pension and Postretirement Benefits	87	-	-	-	87
Total Current Liabilities	<u>2,360</u>	<u>-</u>	<u>2,094</u>	<u>205</u>	<u>4,659</u>
<b>Noncurrent Liabilities:</b>					
Bonds and Notes Payable	16,337	-	286	58	16,681
Capital Leases	13	-	27	-	40
Other Noncurrent Liabilities	-	-	793	-	793
Accrued Pension and Postretirement Benefits	8,609	-	-	-	8,609
Total Noncurrent Liabilities	<u>24,959</u>	<u>-</u>	<u>1,106</u>	<u>58</u>	<u>26,123</u>
Total Liabilities	<u>27,319</u>	<u>-</u>	<u>3,200</u>	<u>263</u>	<u>30,782</u>
<b>Net Assets</b>					
Unrestricted Surplus (Deficit)	(7,060)	-	1,792	2,128	(3,140)
Restricted	6,060	77	8	217	6,362
Invested in Capital Assets, Net of Related Debt	1,699	-	11,568	-	13,267
Total Net Assets	<u>699</u>	<u>77</u>	<u>13,368</u>	<u>2,345</u>	<u>16,489</u>
Total Liabilities and Net Assets	<u>\$ 28,018</u>	<u>\$ 77</u>	<u>\$ 16,568</u>	<u>\$ 2,608</u>	<u>\$ 47,271</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, 2009  
(In Thousands)

	Museum	War Memorial Center	Marcus Center	Research Park Corporation	Total
Revenues:					
County Program Support	\$ 3,503	\$ 1,748	\$ 1,280	\$ -	\$ 6,531
Charges for Services:					
Contributions and memberships	4,925	92	207	56	5,280
Other	4,867	230	3,697	38	8,832
Interest on Investments and Rents	507	740	3,013	1,055	5,315
Other	728	95	534	9	1,366
Total Revenues	<u>14,530</u>	<u>2,905</u>	<u>8,731</u>	<u>1,158</u>	<u>27,324</u>
Expenses:					
Public Works and Highways	-	-	-	963	963
Parks, Recreation and Culture	15,033	2,897	7,988	-	25,918
Total Expenses	<u>15,033</u>	<u>2,897</u>	<u>7,988</u>	<u>963</u>	<u>26,881</u>
Changes in Net Assets	(503)	8	743	195	443
Net Assets -- Beginning	1,202	69	12,625	2,150	16,046
Net Assets -- Ending	<u>\$ 699</u>	<u>\$ 77</u>	<u>\$ 13,368</u>	<u>\$ 2,345</u>	<u>\$ 16,489</u>

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

**Milwaukee County**  
**Notes to the Financial Statements**  
**December 31, 2009**  
**(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 2009, the County adopted Governmental Accounting Standards Board 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 that exist to invest resources for the purpose of generating income. In addition governments are required to report changes in fair value as investment income. It also requires them to disclose the methods and significant assumptions employed to determine fair value, and to provide other information that they currently present for other investments reported at fair value. It is effective for the fiscal periods beginning after June 15, 2008. As of December 31, 2009, the County did not have any land or real estate held as investments by endowments.

In 2009, the County began reporting the activities of its Fleet Maintenance and Facilities Management activities as part of the General Fund. Prior to 2009, Fleet Maintenance and Facilities Management had been reported as part of the Public Works Services Internal Service Fund. The County has determined that for the purpose of budgeting and financial reporting, the activities of Fleet Maintenance and Facilities Management are similar to other departments reported in the General Fund. As a result, the County began reporting financial position and

## Note 1-Summary of Significant Accounting Policies (Continued)

activities of these two departments as part of the General Fund on January 1, 2009.

### 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 the War Memorial Center has the ability to impose specific financial burdens on the County. The War Memorial Center has a December 31<sup>st</sup> 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 31<sup>st</sup>.

## 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 31<sup>st</sup>.

**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. The economic resources held by the Corporation are contributed to the Research Park through land sales and rent, by agreement of the County, for the direct benefit of the County and its constituents. The Corporation has a fiscal year ending December 31<sup>st</sup>.

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 two-month availability period for these receivables of \$ 17,995.

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 accumulation of resources and the payment of principal and interest on long-term general obligation debt.

**The Capital Projects Fund** accounts for the financial 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** 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 fund is as follows:

**Zoo**-used for the purchase of animals and maintenance of the miniature passenger railroad.

**Parks**- used for the enhancement of the Todd Wehr Nature Center and restoration of the Trimborn Farm as a historic park.

**Persons with Disabilities**- used for special projects to help free disabled persons from environmental and attitudinal barriers.

## Note 1-Summary of Significant Accounting Policies (Continued)

### C. Basis of Presentation (Continued)

**Behavioral Health Division-** used for mental health research, patient activities and special events, and compensated absence payouts for Behavioral Health Division retirees.

**Public Works-** used for compensated absence payouts and other post-employment benefit costs for retirees from the Fleet Maintenance and Facilities Management divisions.

**Airport PFC (Passenger Facility Charge)-** used for the collection of Federal Aviation Administration (FAA) approved passenger facility charges, which are 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 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 the financing of goods and services provided by one department to other departments of the County, or to other governmental entities, on a cost-reimbursement basis. Information Management Services, Public Works Services, and Risk Management are the County's internal service funds.

Public Works Services includes Architectural and Engineering Professional Services and a Water Utility. Prior to 2009, Public Works Services included Fleet Maintenance and Facilities Management in addition to the Architectural and Engineering Professional Services and Water Utility. In 2009, the County began reporting the activities of Fleet Maintenance and Facilities Management as part of the General Fund.

**The Pension Trust Fund** accounts for the 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 assets 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.

## **Note 1-Summary of Significant Accounting Policies (Continued)**

### **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.

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, Pension Trust, 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".

## **Note 1-Summary of Significant Accounting Policies (Continued)**

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

#### **2. Receivables (Continued)**

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

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

## Note 1-Summary of Significant Accounting Policies (Continued)

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

#### 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 their use is limited by applicable bond covenants. At the end of 2009, these restricted assets were \$ 17,341 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 \$ 16,175 at the end of 2009. Passenger facility charges are collected by the Airport and are used for capital projects of repayment of bonds for approved capital projects. The passenger facility charges are accounted for in a separate Special Revenue Fund.

In addition, at the end of 2009, the Airport had \$ 11,928 of 2004, 2005, 2006, 2007, and 2009 revenue bond proceeds that were unspent, and for purposes of this report, are considered restricted.

In addition, the County has restricted \$ 6,004 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. During 2009, the company announced that another company was purchasing it. Milwaukee County is currently in the process of determining if the change in ownership will have a significant impact on the debt guarantee.

## **Note 1-Summary of Significant Accounting Policies (Continued)**

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

#### **4. Restricted Assets (Continued)**

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 \$ 6,158. This restricted cash is for a working capital reserve, restricted reserve and a solvency reserve under the contract.

#### **5. Capital Assets**

##### **Government-wide Statements**

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

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## 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)

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

The County owns a collection of zoo animals and a collection of museum historical artifacts. The County's collection of zoo animals and museum historical artifacts meet the definition of a capital asset and normally should be capitalized and reported in the financial statements. However, the requirement of capitalization is waived for collections meeting all of the following conditions, 1) the collection is held for reasons other than financial gain. 2) The collection is protected, kept unencumbered, cared for, and preserved. 3) The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections. With regard to the collection of zoo animals and in accordance with industry practice, animal collections are recorded at the nominal amount of \$ 1 (one dollar), as there is no 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

## **Note 1-Summary of Significant Accounting Policies (Continued)**

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

#### **5. Capital Assets (Continued)**

##### **Fund Financial Statements (Continued)**

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 payment upon retirement for a majority of accumulated sick leave hours earned. Full payment is either made in cash or is used to pay for 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 \$ 1,406 in 2009.

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 \$ 21,395 and \$ 6,225, 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

## **Note 1-Summary of Significant Accounting Policies (Continued)**

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

#### **7. Long-Term Obligations (Continued)**

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 prior debt, or the life of the new debt, whichever is shorter. Bonds payable are reported net of the applicable bond premium or discount and gains or losses, as applicable. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

#### **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".

## **Note 1-Summary of Significant Accounting Policies (Continued)**

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

#### **8. Equity Classifications (Continued)**

##### **Fund Statements**

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Statutes of the State of Wisconsin require that the surplus/deficit of all departments of the County be determined in accordance with GAAP based on fund financial statements. The amount of any surplus/deficit of the current year is reserved by County Ordinance 32.91(4)a(4) and State Statute to be 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 surplus, in whole or in part, be placed in a debt service reserve for the retirement of 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 co-payments. The County's Department of Health and Human Services (DHHS) provides and allowance for amounts due from recipients of housing loans provided to low-income homeowners. BHD, Aging CMO, and DHHS adjust revenue in the current year of operations for the difference between amounts billed (or loans made) and expected reimbursement. In as much as the adjustment is an

## **Note 1-Summary of Significant Accounting Policies (Continued)**

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

#### **9. Allowance for Doubtful Accounts (Continued)**

estimate, any difference between the amount accrued and the amount settled is recorded in operations in the year of settlement. At December 31, 2009, the total allowance for BHD, Aging CMO, and DHHS was \$ 11,572. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at December 31, 2009. 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 debt interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested, unspent debt proceeds over the same period. During 2009, the net amount of capitalized interest was \$ 878.

#### **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, 2009.

#### **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 Government-wide financial statement as part of 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

## **Note 1-Summary of Significant Accounting Policies (Continued)**

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

#### **13. Pollution Remediation Costs (Continued)**

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. A negative capital contribution represents a return of capital contributions, or the issuance of debt used for building capital assets. 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.

#### **15. Unearned Revenues**

Deferred revenues reported in the government-wide and proprietary financial statements represent unearned revenues. The unearned 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.

#### **16. Pension Obligation Asset**

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. In 2009, the County issued \$400,000 of pension obligation bonds. The bond proceeds were used to contribute funds to the Milwaukee County Employee Retirement System. The payment of bond proceeds to the pension fund contributed to the creation of a net pension asset.

## **Note 1-Summary of Significant Accounting Policies (Continued)**

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

#### **17. 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.

#### **18. 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. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

#### **19. 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

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

### **Budgetary Information (Continued)**

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 2009 appropriations and encumbrances. For budget purposes, fund balance-reserved for 2009 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 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 2009 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 2009 Appropriations is available for financial expenditures and is reflected as other financing sources (uses). In the Non-GAAP Budgetary Basis statements, principal and interest payments on pension obligation bonds are considered a departmental personnel service appropriation and are reflected as an expenditure, instead of a debt service fund operating transfer under other financing sources (uses). The "Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds" is prepared on a basis

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

### Budgetary Basis of Accounting (Continued)

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	\$ 970,758	\$ (88,123)
Principal and Interest Payments for		
Pension Obligation Bonds	11,127	11,127
Encumbrances	7,526	-
Reserved for 2009 Appropriation	-	7,947
Transfers to Component Units	(6,531)	(6,531)
	<u>982,880</u>	<u>(75,580)</u>
<b>Non-GAAP Budgetary Basis</b>	<b>\$ 982,880</b>	<b>\$ (75,580)</b>

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

### Deficit Fund Net Assets

The Information Management Services Internal Service Fund had a negative balance of net assets (net liabilities) of \$ 4,751 as of December 31, 2009. The net liabilities were due to the fund incurring depreciation expense on assets purchased with the debt proceeds at a faster rate than the payment of principal on the outstanding debt. The net liabilities will breakeven in future years as the principal is paid down by the fund.

### 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 2009, the County's actual operating and debt service levy rates were \$ 3.14 per \$ 1,000 of equalized value and \$ .92 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 trusts 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 County's primary financial institution will earn a guaranteed rate of return set to the current market LIBOR rates. The funds maintained at the County's primary financial institution are secured by collateral in the County's name at a Federal Reserve Bank. The County maintains other bank accounts for convenience of deposit. These accounts are transferred to the primary account as warranted.

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".

**Statement of Net Assets:**

Cash and Investments	\$ 243,161
Cash and Investments- Restricted	57,606
<b>Subtotal</b>	<b>300,767</b>

**Statement of Fiduciary Net Assets:**

Cash and Investments	
Pension Trust Fund	1,796,348
Agency Fund	19,709
<b>Total</b>	<b>\$ 2,116,824</b>

Deposits-County/Agency	\$ 129,450
Investments-County/Agency	191,026
Pension Deposits	327,962
Pension Investments	1,468,386
<b>Total</b>	<b>\$ 2,116,824</b>

#### Cash Deposits

The carrying amount of the County's deposits at December 31, 2009 was \$ 129,450 and the bank balance was \$ 136,516.

### **Note 3- Deposits and Investments (Continued)**

#### **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 \$ 136,516 of deposits with financial institutions, \$ 6,216 was covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund and \$ 130,300 was collateralized with government securities held in a separate financial institution in the County's name.

#### **Investments**

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

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.

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### Note 3- Deposits and Investments (Continued)

#### Investments (Continued)

As of December 31, 2009 the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury Bonds	\$ 15,407
U.S. Treasury Inflation-Protected Bonds	12,005
U.S. Treasury Notes	18,550
U.S. Treasury Bills	200
U.S. Agency Fixed Rate Securities	36,301
U.S. Agency Guaranteed Adjustable Rate Securities	14,906
GNMA Fixed Rate Securities	6,903
GNMA Guaranteed Adjustable Rate Securities	581
Small Business Administration Guaranteed Adjustable Rate Securities	4,277
Municipal Fixed Rate Securities	5,150
Treasury Mutual Fund	9,741
Guaranteed Investment Contracts	7,599
Corporate Government Guaranteed Notes	8,905
Corporate Asset Backed Securities	2,819
Corporate Certificates of Deposit	716
Corporate Notes	7,133
Futures Hedge Contract with Commodities Broker	366
Certificates of Deposit	15,081
Money Market Cash Equivalents	24,386
<b>Total</b>	<b>\$ 191,026</b>

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, 2009 was \$ 366. 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 \$ 566 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.

As of December 31, 2009, the County had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Bonds	\$ 15,407	\$ 1,004	\$ 14,403	-	-
U.S. Treasury Inflation Protected Bonds	12,005	2,574	7,257	2,174	-
U.S. Treasury Notes	18,550	4,528	14,022	-	-
U.S. Treasury Bills	200	200	-	-	-
U.S. Agency Fixed Rate Securities	36,301	1,559	33,998	-	744
U.S. Agency Guaranteed Adjustable Rate Securities	14,906	14,867	39	-	-
GNMA Fixed Rate Securities	6,903	-	-	-	6,903
GNMA Guaranteed Adjustable Rate Securities	581	486	95	-	-
Small Business Administration Guaranteed Adjustable Rate Securities	4,277	4,277	-	-	-
Municipal Fixed Rate Securities	5,150	1,410	2,164	-	1,576
Treasury Mutual Fund	9,741	9,741	-	-	-
Guaranteed Investment Contracts	7,599	-	-	-	7,599

### Note 3- Deposits and Investments (Continued)

#### Interest Rate Risk-Investments (Continued)

As of December 31, 2009, the County had the following investments and maturities (continued):

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Corporate Government Guaranteed Notes	\$ 8,905	-	\$ 8,905	-	-
Corporate Asset Backed Securities	2,819	-	2,819	-	-
Corporate Certificates of Deposit	716	-	716	-	-
Corporate Notes	7,133	776	6,357	-	-
Futures Hedge Contract with Commodities Broker	366	366	-	-	-
Certificates of Deposit	15,081	9,357	5,724	-	-
Money Market Cash Equivalents	24,386	24,386	-	-	-
<b>Total</b>	<b>\$ 191,026</b>	<b>\$ 75,531</b>	<b>\$ 96,499</b>	<b>\$ 2,174</b>	<b>\$ 16,822</b>

#### 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.

Investment Type	Fair Value	Standard & Poor's	Moody's Investor Service
U.S. Treasury Bonds	\$ 15,407	AAA	Aaa
U.S. Treasury Inflation Protected Bonds	12,005	AAA	Aaa
U.S. Treasury Notes	18,550	AAA	Aaa
U.S. Treasury Bills	200	AAA	Aaa
U.S. Agency Fixed Rate Securities	36,301	AAA	Aaa
U.S. Agency Guaranteed Adjustable Rate Securities	14,906	AAA	Aaa
GNMA Fixed Rate Securities	6,903	AAA	NR
GNMA Guaranteed Adjustable Rate Securities	581	AAA	NR
Small Business Administration Guaranteed Adjustable Rate Securities	4,277	AAA	NR
Municipal Fixed Rate Securities	569	AAA	Aaa
Municipal Fixed Rate Securities	1,204	AAA	Aa2
Municipal Fixed Rate Securities	1,006	AA+	Aa1
Municipal Fixed Rate Securities	569	AA+	NR
Municipal Fixed Rate Securities	603	AA	NR

### Note 3- Deposits and Investments (Continued)

#### Credit Risk-Investments (Continued)

Investment Type	Fair Value	Standard & Poor's	Moody's Investor Service
Municipal Fixed Rate Securities	\$ 1,199	NR	Aaa
Treasury Mutual Fund	9,741	NR	Aaa
Guaranteed Investment Contracts	7,599	AAA	Aaa
Corporate Government Guaranteed Notes	8,905	AAA	Aaa
Corporate Asset Backed Securities	2,819	AAA	Aaa
Corporate Certificates of Deposit	716	N/A	N/A
Corporate Notes	2,919	AA+	Aa2
Corporate Notes	1,062	AA-	A1
Corporate Notes	1,048	A+	Aa3
Corporate Notes	1,071	A	A2
Corporate Notes	1,033	A	A3
Futures Hedge Contract with Commodities Broker	366	N/A	N/A
Certificates of Deposit	15,081	N/A	N/A
Money Market Cash Equivalents	24,386	AAA	Aaa
<b>Total</b>	<b>\$ 191,026</b>		

#### 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, 2009, 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, 2009 was \$ 327,962 and the bank balance was \$ 330,129.

#### **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, 2009, 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. However, substantially all assets of the Pension Trust Fund are held in its name.

#### **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, 2009 the Pension Trust Fund had the following investments:

Investment Type	<u>Fair Value</u>
Domestic Common and Preferred Stocks	\$ 397,634
Corporate Bonds and Convertible Debentures	514,877
International Common and Preferred Stocks	345,155
Real Estate Investments Trusts	42,241
Federal Agency and Mortgage-Backed Certificates	68,792
U.S. Government and State Obligations	53,048
International Fixed Income	24,433
Private Equity	22,206
<b>Total</b>	<b><u>\$ 1,468,386</u></b>

#### 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, 2009, \$ 2,048 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 account the embedded options on cash flows. The Pension Trust Fund does not have a formal policy that limits investment maturities as a means of managing exposure to losses arising from increasing interest rates with the exception of the cash equivalent portfolio. The investment policy limits the duration of individual securities held in the cash equivalent portfolio to 2.5 years. In addition, the duration of the entire cash equivalent portfolio should be between 1 and 2 years.

As of December 31, 2009 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	\$ 2,290	0.36	Household Products	\$ 107	5.19
ABS-Car Loan	684	1.68	House Related	7,511	5.28
ABS-Credit Cards	1,378	2.55	Industrial	46,527	5.50
ABS-Equipment	199	0.44	Insurance	1,993	9.43
ABS-Home Equity	595	0.00	International Corporate Bonds	5,345	1.07
Automobiles & Components	126	3.25	International Government Bonds	5,671	4.60
Banking & Finance	42,112	4.45	Mining	1,730	11.09
BSDT Reserve Deposit Accts.	40	0.00	News/Media	5,997	11.88
Capital Goods	185	2.82	Oil & Gas	10,644	6.59
Chemicals	65	6.53	Other Corporate Bonds	392	8.68
CMO-Conduit	3,031	3.20	Paper & Forest Products	1,139	3.88
CMO-U.S. Agencies	1,871	5.63	Pvt Placements-More than 1 yr	11,102	5.25
CMO-Comm/Corp	12,214	0.97	Retail	2,535	10.37
Commingled Fds Cash Equivalent	310,883	0.05	Supranational issues	1,056	8.79
Convertible Bonds	7,049	3.85	Taxable Municipals	1,522	8.06
Convertible Preferred	397	2.31	Technology	954	5.69
FHLMC Multiclass	20,197	3.11	Transportation	6,308	3.66
FHLMC Pools	6,165	2.08	Treasury Bills-Less Than 1 Year	16,076	0.57
FNMA Pools	17,301	2.63	U.S. Agencies	4,907	2.36

### Note 3- Deposits and Investments (Continued)

#### Interest Rate Risk-Investments Pension Trust Fund (Continued)

As of December 31, 2009 the Pension Trust Fund had the following option-adjusted durations for the fixed income investment (continued):

<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>
FNMA REMIC	\$ 17,246	3.67	U.S. Governments	\$ 53,048	6.16
Food Beverage & Tobacco	435	10.75	Utility-Electric	13,945	5.27
Food Products	100	6.23	Utility-Gas	1,149	5.69
GNMA Multi Family Pools	111	0.99	Utility-Telephone	21,413	6.30
GNMA Single Family Pools	837	0.01	Whole Loan-CMO	169	0.00
Govt of Canada-Direct	3,473	2.15	Yankee Bonds	1,154	8.50
Health Care	7,669	2.21	Other*	309,076	8.50
<b>Sub-total</b>	<b>\$456,653</b>		<b>Sub-total</b>	<b>\$ 531,470</b>	
			<b>Total</b>	<b>\$ 988,123</b>	

\* Represents \$ 308,919 in units of participation and \$ 157 FHLMC Pools 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 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, 2009 the Pension Trust Fund had the following credit quality ratings of investments in fixed income securities as recognized by Moody's Investor Services:

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### Note 3- Deposits and Investments (Continued)

#### Credit Risk-Investments-Pension Trust Fund (Continued)

<u>Moody's Quality Ratings</u>	<u>Fair Value</u>
AAA	\$ 13,773
AA1	1,328
AA2	4,012
AA3	5,770
A1	8,755
A2	12,006
A3	11,396
BAA1	26,680
BAA2	17,953
BAA3	23,948
BA1	11,580
BA2	5,412
BA3	12,572
B1	19,447
B2	10,767
B3	9,299
CAA1	9,894
CAA2	1,490
CAA3	238
CA	3,020
C	-
NR	21,051
<b>Total Credit Risk Fixed Income Securities</b>	<b>\$ 230,391</b>
U.S. Government and Agencies	121,840
Units of Participation (Not Rated)	308,919
<b>Total Investment in Fixed Income</b>	<b>\$ 661,150</b>

#### 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, external investment pools, and other pooled investments are excluded from this definition. For the year ending December 31, 2009, 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 investments.

#### 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

### Note 3- Deposits and Investments (Continued)

#### Foreign Currency Risk Investments-Pension Trust Fund (Continued)

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, 2009 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	\$ 4,362	\$ 1,856	\$ -	\$ 6,218
Brazilian Real	517	1,393	-	1,910
British Pond Sterling	3,414	-	-	3,414
Canadian Dollar	480	3,473	-	3,953
Euro Currency Unit	3,838	-	22	3,860
Hong Kong Dollar	6,263	-	-	6,263
Japanese Yen	5,313	-	26	5,339
Mexican New Paso	-	2,357	-	2,357
New Zealand Dollar	-	1,126	-	1,126
Norwegian Krone	449	2,003	-	2,452
Singapore Dollar	1,226	181	-	1,407
South Korean Won	-	1,288	-	1,288
Swedish Krona	184	-	-	184
Swiss Franc	340	-	111	451
Thailand Baht	-	1,479	-	1,479
<b>Totals</b>	<b>\$ 26,386</b>	<b>\$ 15,156</b>	<b>\$ 159</b>	<b>\$ 41,701</b>

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

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#### Note 4- Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Receivables:</b>				
Accounts	\$ 25,564	\$ 179	\$ -	\$ 25,743
Taxes:				
Current Levy	264,102	-	-	264,102
Delinquent	17,995	-	-	17,995
Interest	7,533	-	-	7,533
Notes	662	1,269	-	1,931
Other	8,242	-	109	8,351
Due from Other Governments	46,620	-	993	47,613
Gross Receivables	<u>370,718</u>	<u>1,448</u>	<u>1,102</u>	<u>373,268</u>
Less: Allowance for				
Uncollectibles	<u>(11,572)</u>	<u>-</u>	<u>-</u>	<u>(11,572)</u>
<b>Net Total Receivables</b>	<b><u>\$359,146</u></b>	<b><u>\$ 1,448</u></b>	<b><u>\$ 1,102</u></b>	<b><u>\$361,696</u></b>

Of the delinquent taxes receivable of \$ 17,995, \$ 7,198 are not expected to be collected within one year.

At December 31, 2009 accounts receivable of the Enterprise funds are as follows:

	<u>Airport</u>	<u>Transit System</u>	<u>Total</u>
<b>Receivables:</b>			
Accounts	\$ 3,037	\$ 510	\$ 3,547
Other	79	3,506	3,585
Due from Other Governments	8,427	-	8,427
<b>Total Receivables</b>	<b><u>\$ 11,543</u></b>	<b><u>\$ 4,016</u></b>	<b><u>\$ 15,559</u></b>

All amounts are expected to be collected within one year. As of December 31, 2009 no amounts are deemed uncollectible.

#### Note 4- Receivables (Continued)

The gross amount of notes receivable consisted of the following at December 31, 2009:

General Fund	\$ 662
Debt Service Fund	1,269
<b>Total</b>	<b><u>\$ 1,931</u></b>
<b>Amounts Due Within One Year</b>	<b><u>\$ 980</u></b>
<b>Amounts Due In More Than One Year</b>	<b><u>\$ 951</u></b>

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:

2009 Property Tax Levy	\$ 264,102
Delinquent Tax Receivables	8,347
State and Federal Revenue Unavailable for Current Expenditures	3,259
Housing Loan Receivables	3,632
Other Unearned Revenue	3,041
Deferred Credits - Public Works Services	223
<b>Total Deferred Revenue</b>	<b><u>\$ 282,604</u></b>
Less: Amounts Earned but Not Available	<u>(9,712)</u>
<b>Net Unearned Revenue</b>	<b><u>\$ 272,892</u></b>

##### Unearned Revenue - Business-Type Activities:

Airport - Lease Revenue	\$ 8,325
Deferred Credits - Transit	3,212
<b>Total Unearned Revenue</b>	<b><u>\$ 11,537</u></b>

## Note 5- Capital Assets

### Primary Government

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2009.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 59,521	\$ -	\$ (218)	\$ 59,303
Construction in progress	8,256	15,846	(4,856)	19,246
<b>Total Capital Assets, not being Depreciated</b>	<b>67,777</b>	<b>15,846</b>	<b>(5,074)</b>	<b>78,549</b>
<b>Capital Assets, Being Depreciated</b>				
Land Improvements	241,408	742	(5,777)	236,373
Buildings	598,413	1,642	(542)	599,513
Fixed Equipment Buildings	46,938	470	(167)	47,241
Infrastructure	150,112	16,855	(3,134)	163,833
Machinery and Equipment	89,117	2,646	(2,935)	88,828
Vehicles and Related Equipment	47,120	14,910	(2,118)	59,912
Furniture and Fixtures	5,758	133	(8)	5,883
<b>Total Capital Assets, Being Depreciated</b>	<b>1,178,866</b>	<b>37,398</b>	<b>(14,681)</b>	<b>1,201,583</b>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(127,403)	(7,865)	5,656	(129,612)
Buildings	(312,902)	(16,273)	650	(328,525)
Fixed Equipment Buildings	(27,349)	(2,419)	-	(29,768)
Infrastructure	(63,148)	(8,348)	3,134	(68,362)
Machinery and Equipment	(61,237)	(7,739)	3,315	(65,661)
Vehicles and related Equipment	(26,640)	(1,673)	1,996	(26,317)
Furniture and Fixtures	(743)	(64)	6	(801)
<b>Total Accumulated Depreciation</b>	<b>(619,422)</b>	<b>(44,381)</b>	<b>14,757</b>	<b>(649,046)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>559,444</b>	<b>(6,983)</b>	<b>76</b>	<b>552,537</b>
<b>Governmental Activities Capital Assets- Net</b>	<b>\$ 627,221</b>	<b>\$ 8,863</b>	<b>\$ (4,998)</b>	<b>\$ 631,086</b>

Governmental activities capital assets, net of accumulated depreciation, at December 31, 2009 are comprised of the following:

General Capital Assets, Net	\$ 620,906
Internal Service Fund Capital Assets, Net	10,180
<b>Total Capital Assets, Net</b>	<b>\$ 631,086</b>

## Note 5- Capital Assets (Continued)

### Primary Government (Continued)

Depreciation was charged to governmental functions as follows:

#### Governmental Activities:

Legislative and Executive, and Staff	\$	6,188
Courts and Judiciary		123
General Governmental Services		34
Public Safety		6,373
Public Works and Highways		14,116
Human Services		4,273
Parks, Recreation, and Culture		13,274
<b>Total</b>	<b>\$</b>	<b><u>44,381</u></b>

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2009.

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b>Business-type Activities</b>				
<b>Capital Assets, not being Depreciated</b>				
Land	\$ 21,367	\$ -	\$ -	\$ 21,367
Construction in progress	13,755	11,257	-	25,012
<b>Total Capital Assets, not being Depreciated</b>	<b><u>35,122</u></b>	<b><u>11,257</u></b>	<b><u>-</u></b>	<b><u>46,379</u></b>
<b>Capital Assets, Being Depreciated</b>				
Land Improvements	151,796	18,950	-	170,746
Buildings	168,140	1,225	-	169,365
Fixed Equipment Buildings	175,067	3,393	-	178,460
Machinery and Equipment	12,682	2,418	-	15,100
Vehicles and related Equipment	137,547	332	-	137,879
Furniture and Fixtures	2,463	996	-	3,459
<b>Total Capital Assets, Being Depreciated</b>	<b><u>647,695</u></b>	<b><u>27,314</u></b>	<b><u>-</u></b>	<b><u>675,009</u></b>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(91,095)	(5,352)	-	(96,447)
Buildings	(106,250)	(3,186)	-	(109,436)
Fixed Equipment Buildings	(28,559)	(7,153)	-	(35,712)
Machinery and Equipment	(6,861)	(1,492)	-	(8,353)
Vehicles and Related Equipment	(93,959)	(10,213)	-	(104,172)
Furniture and Fixtures	(1,635)	(163)	-	(1,798)
<b>Total Accumulated Depreciation</b>	<b><u>(328,359)</u></b>	<b><u>(27,559)</u></b>	<b><u>-</u></b>	<b><u>(355,918)</u></b>
<b>Net Capital Assets Being Depreciated</b>	<b><u>319,336</u></b>	<b><u>(245)</u></b>	<b><u>-</u></b>	<b><u>319,091</u></b>
<b>Business-type Activities Capital Assets- Net</b>	<b><u>\$ 354,458</u></b>	<b><u>\$ 11,012</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 365,470</u></b>

**Note 5- Capital Assets (Continued)**

**Primary Government (Continued)**

Depreciation was charged to business-type activities as follows:

**Business-type Activities:**

Airport	\$ 15,054
Transit System	12,505
<b>Total</b>	<b>\$ 27,559</b>

**Discretely Presented Component Units**

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

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

Building Improvements	\$ 16,979
Parking Structure and Improvements	2,447
Furniture and Fixtures	77
Equipment and Computers	1,744
Construction in Progress	2,386
Less: Accumulated Depreciation	(11,514)
<b>Capital Assets, Net</b>	<b>\$ 12,119</b>

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

Building additions and improvements	\$ 19,221
Furniture, equipment and exhibits improvements	10,020
Less: Accumulated depreciation	(11,070)
<b>Capital Assets, Net</b>	<b>\$ 18,171</b>

**Construction Commitments**

Following is a list of major capital projects either started or continuing in 2009. These reflect projects for both governmental funds and proprietary funds.

<u>Project Area</u>	<u>Project Description</u>	<u>2009 Appropriations</u>	<u>2009 Expenditures</u>	<u>Committed</u>
Airport	Runway Safety Area Improvements- Nepa Compliance	\$ 27,347	\$ 11,403	\$ 18,489
Airport	Runway Safety Area Improvements- Nepa Compliance	7,156	4,750	2,283
Airport	D Concourse Improvements	1,708	1,383	122

## Note 5- Capital Assets (Continued)

### Construction Commitments (Continued)

Project Area	Project Description	2009 Appropriations	2009 Expenditures	Committed
Airport	Terminal HVAC Replacements	\$ 2,697	\$ 1,304	\$ 696
Airport	FBO West Ramp Reconstruction	1,535	1,220	7
Airport	GMIA Airfield Pavement Rehabilitation	1,952	867	8
Airport	GMIA - Security System Fiber Optic Replacement	1,242	856	349
Airport	Mall Level Restroom Renovation	1,368	712	64
Airport	GMIA Runway Safety Improvement	611	640	143
Airport	GMIA - In-Line Baggage Screening	23,363	639	69
Airport	GMIA - E Concourse Stem Remodeling	616	575	-
Airport	"C" Concourse Four Gate Expansions	717	493	-
Airport	"C" Concourse Four Gate Expansions	701	409	329
Airport	GMIA - Parking Structure 6th Floor Membrane	631	397	71
Airport	Interactive Training Kiosks	412	374	-
Airport	Terminal HVAC Replacements	472	369	118
Airport	Terminal Mall & Ticketing Carpet	590	321	23
Airport	GMIA Equipment Storage Building	395	296	42
Airport	GMIA - In-Line Baggage Screening	5,616	254	1,937
Airport	Concourse D Hammer Head Carpet	712	218	65
Airport	Stormwater Box Tunnel Repairs	227	207	-
Airport	Security & Wildlife Deterrent Perimeter Fencing	372	191	10
Airport	GMIA - Security System Fiber Optic Replacement	355	175	62
Airport	Runways 1L-19R and 7R-25L Repairs	658	172	5
Airport	GMIA Air Cargo Way Reconstruction	860	162	-
Airport	GMIA Terminal South Escalator	465	155	72
Airport	Firehouse Roof Replacement	290	151	27
Airport	GMIA Runway Safety Improvement	86	145	-
Airport	GMIA- Master Plan Update	331	142	150
Airport	GMIA - E Concourse Stem Remodeling	1,176	129	128
Airport	GMIA- Cargo Ramp 3D Access Control Security	270	123	37
Airport	LJT Runway & Taxiway Rehabilitation	315	116	20
Airport	GMIA - Concourse D Hammerhead Restroom	221	115	46
Airport	Mall Level Restroom Renovation	125	78	38
Airport	GMIA - Parking Structure 6th Floor Membrane	130	73	-
Airport	GMIA - Perimeter & ARFF Road Reconfiguration	225	71	-
Airport	Air Cargo Building Roof Replacement	354	66	-
Central Services	County Grounds Replace West Water Tower	760	762	26
Central Services	County Grounds East Water Tower	168	122	36
Courthouse Complex	Courtroom Bullet Resistant Glass Wall	209	237	11
Courthouse Complex	Criminal Justice Center Replace Pod Workstation	205	114	31
Courthouse Complex	Criminal Justice Facility Cell Toilet Flushing Controls	329	64	53
Environmental	Countywide Sanitary Sewers Repair	843	478	45
Environmental	Pond and Lagoon Demonstration	330	255	46
Environmental	Bradford Outfall Basic Planning	95	92	60
Environmental	McKinley Beach Southwest Outfall	12	73	-
Highways	West Good Hope Road	6,162	5,437	724

## Note 5- Capital Assets (Continued)

### Construction Commitments (Continued)

Project Area	Project Description	2009 Appropriations	2009 Expenditures	Committed
Highways	West Silver Spring Drive- North 124 <sup>th</sup> Street	\$ 6,891	\$ 4,726	\$ 4,384
Highways	West Oak Avenue Over Honey Creek	1,433	1,108	1,108
Highways	Mill Road 91st to South 45 Basic Planning	1,358	1,053	150
Highways	West. Good Hope Road Little Menominee	194	874	-
Highways	Reconstruct Hampton Avenue HWY	504	491	26
Highways	South 76 <sup>th</sup> Street to West Forest Home	140	282	-
Highways	Reconstruct Hampton from 92 <sup>nd</sup>	2,520	261	162
Highways	Reconstruct CTH "V" South 13 <sup>th</sup>	1,123	244	31
Highways	Milwaukee River Parkway Bridge	352	227	-
Highways	West Rawson Avenue 27th to Ash Street	-	225	-
Highways	West Silver Spring Drive- North 124 <sup>th</sup> Street	952	218	-
Highways	West Hampton 60 <sup>th</sup> to North 124 <sup>th</sup>	339	211	322
Highways	West College Avenue Whitnall Park	-	194	-
Highways	West. Good Hope Road Little Menominee	1,660	159	921
Highways	Mill Road- North 84 <sup>th</sup> to North 56 <sup>th</sup>	195	117	-
Highways	West College Avenue South 51 <sup>st</sup> to South 27 <sup>th</sup>	150	114	21
Highways	South 76 <sup>th</sup> Street- Puetz to Imperial	1,058	107	2
Highways	NHS East College/ South Howell to Pennsylvania	442	106	40
Highways	NHS Good Hope Rd/ S. 107th Street- N. Port Rd	68	87	-
Highways	Oak Creek Parkway Bridge 741	455	79	77
Highways	Honey Creek Parkway Bridge #779	-	73	-
Highways	Milwaukee River Parkway Bridge	257	64	47
House of Correction	HOC Fire Suppression System	197	168	8
House of Correction	Replace Water Pipe North Building	802	134	2
House of Correction	HOC Property Conveyor Replacement	150	129	-
House of Correction	HOC Security Cameras System	2,209	114	-
House of Correction	Replace Toilets in C2 Dorms	64	60	1
House of Correction	Replace Hot Water Heating Bundle	77	58	1
House of Correction	HOC Security Cameras System	59	52	-
House of Correction	Key Watcher System	48	52	-
Human Services	Coggs Center Electrical Substation	748	420	64
Human Services	Vliet Exterior Improvement	142	213	24
Human Services	Washington Park Senior Center Doors	90	85	10
Human Services	Variable Air Volume Boxes - Upgrade	338	68	83
Human Services	Coggs Center Electrical Substation	62	64	3
Human Services	Rose Center- Fire Alarm System and Elevator	126	64	-
Human Services	Wilson Center-Fire Alarm System & Elevator	78	54	-
McKinley Marina	McKinley Marina Seawall Improvement	380	70	-
Museum	Point of Sale Replacement 2008	1,027	749	270
Museum	Museum Air Handling and Piping	447	239	63
Museum	Electrical Distribution Replacement	671	201	147
Museum	Alcohol Specimen Storage Relocation	255	197	30
Museum	Penguin Exhibit Renovations	121	117	7
Museum	Electrical Distribution Replacement	65	92	16

## Note 5- Capital Assets (Continued)

### Construction Commitments (Continued)

Project Area	Project Description	2009 Appropriations	2009 Expenditures	Committed
Museum	Admission Booth Replacement	\$ 97	\$ 82	\$ -
Museum	Museum Roof Replacement	544	68	17
Museum	Family Farm Transformer	70	68	-
Museum	Museum Air Handling and Piping	1,075	59	379
Other Agencies	Fleet Airport Equipment Construction	7,436	6,245	-
Other Agencies	Fleet Equipment Acquisition	5,133	5,133	-
Other Agencies	Fleet General Equipment Construction	7,939	2,296	3,664
Other Agencies	Milwaukee County Historical Society	4,799	1,860	2,166
Other Agencies	Milwaukee County Inclusive Housing Fund	491	1,250	-
Other Agencies	Fleet Airport Equipment Construction	431	431	-
Other Agencies	Greenfield Park 116th to Lincoln	304	315	9
Other Agencies	Phone & Voice Mail @ Coggs Center	367	308	-
Other Agencies	King Center Vestibule and Locker Alterations	-	282	68
Other Agencies	Sheriff Fleet Equipment	288	280	-
Other Agencies	Special Needs Housing	2,000	277	-
Other Agencies	Coggs Center Phone & Voice Mail	254	258	1
Other Agencies	County Special Assessments	274	257	-
Other Agencies	IMSD Data Processing Equipment Construction	244	229	1
Other Agencies	Honey Creek Parkway Drive -76th Street	212	200	-
Other Agencies	Charles Allis Art Museum Water	209	187	20
Other Agencies	Todd Wehr Elevator Modernization	239	165	41
Other Agencies	Automated Vehicle Locator System	175	161	2
Other Agencies	Capital Monitoring Data Base	550	152	392
Other Agencies	Public Art Administration	406	148	128
Other Agencies	Estabrook Parkway Capital-Hampton	156	127	-
Other Agencies	Fiber Backbone Construction & Installation	102	102	-
Other Agencies	Milwaukee County Inclusive Housing Fund	1,100	100	-
Other Agencies	War Memorial HVAC Replacement	87	86	-
Other Agencies	Marcus Center HVAC Upgrade	213	77	34
Other Agencies	King Community Center	424	71	-
Other Agencies	Rewire County Facilities	221	71	57
Other Agencies	Charles Allis Art Museum Wiring Replacement	394	59	92
Parks	Lincoln Aquatic Center Phase II	6,326	5,231	286
Parks	Lake Park Lions Bridge Rehabilitation	1,097	1,217	79
Parks	Oak Leaf Trail- West Congress Street	455	469	19
Parks	Lincoln Family Aquatic Center	225	328	112
Parks	Washington Park Splash Pad	349	317	15
Parks	Madison Park Splash Pad	280	249	-
Parks	Lake Park Lions Bridge	239	242	4
Parks	Hansen Golf Course Irrigation	175	172	-
Parks	Parks Countywide Restroom Renovation	90	153	5
Parks	Dog Park Phase II	219	112	17
Parks	Wilson Park Recreation Center	65	87	-
Parks	Brown Deer Asphalt Cart Path	106	83	12

## Note 5- Capital Assets (Continued)

### Construction Commitments (Continued)

Project <u>Area</u>	Project <u>Description</u>	2009 <u>Appropriations</u>	2009 <u>Expenditures</u>	<u>Committed</u>
Parks	Dog Park Phase II	\$ 30	\$ 76	\$ -
Parks	Countywide Play Area Redevelopment	1,648	70	409
Parks	South Shore Breakwater Basic Planning		62	-
Parks	Grant Park Golf Tee Renovation	56	57	-
Transit	Replace Traks Fueling System	484	466	18
Transit	Bike Racks on Buses	545	381	-
Transit	Diesel Pump/Piping at Kinnickinnic	347	296	-
Transit	On Bus Camera System	242	239	-
Transit	Roof Top Air Conditioning - Transit	82	160	18
Transit	Bus Radio System Upgrades at MCTS Dispatch	1,620	152	1,272
Transit	HVAC Control System Basic Planning	638	143	64
Transit	Diesel Pump/Piping at Kinnickinnic	101	86	5

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.

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## Note 6- Interfund Transfers

The composition of interfund transfers as of December 31, 2009 is as follows:

Transfers In	Transfers From						Total
	General	Capital	Business	Internal	Internal	Internal	
	Fund	Projects	Type	Service	Service	Service	
General Fund	\$ -	\$ 812	\$ 2,876	\$ 2,092	\$ 6,758	\$ 22	\$ 12,560
Capital Projects	453	-	-	-	-	-	453
Debt Service	69,829	-	-	-	-	-	69,829
Special Revenue	7,010	-	-	-	-	-	7,010
Internal Service							
DPW	-	-	-	-	-	-	-
Business-type							
Airport	1,393	-	-	-	-	-	1,393
Transit	23,004	-	-	-	-	-	23,004
<b>Total</b>	<b>\$101,689</b>	<b>\$ 812</b>	<b>\$ 2,876</b>	<b>\$ 2,092</b>	<b>\$ 6,758</b>	<b>\$ 22</b>	<b>114,249</b>
Less: Government-wide eliminations							(92,728)
<b>Total Transfers- Government-wide Statement of Activities</b>							<b>\$ 21,521</b>

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 \$ 2,423 for the year ended December 31, 2009.

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

Year Ending	Amount
December 31	
2010	\$ 1,755
2011	306
2012	262
2012	256
2014	254
<b>Total</b>	<b>\$ 2,833</b>

**Note 7- Leases (Continued)**

**Capital Leases-Primary Government**

In 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 \$ 1,014 and is presented in the capital assets in the business-type activities.

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	-	1,014
Less: Accumulated Depreciation	(765)	(633)
<b>Total</b>	<b><u>\$ 4,077</u></b>	<b><u>\$ 381</u></b>

The future minimum lease payments and the net present value on these minimum lease payments as of December 31, 2009, are as follows:

Year Ending <u>December 31</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2010	\$ 578	\$ 222
2011	578	126
2012	578	80
2013	578	-
2014	578	-
2015-2017	1,823	-
Sub-totals	4,713	428
Less: Amount Representing Interest	(636)	(47)
<b>Present Value of Future Minimum Lease Payments</b>	<b><u>\$ 4,077</u></b>	<b><u>\$ 381</u></b>

## Note 8- Long-term Liabilities

### Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Payments & Adjustments	Ending Balance	Due in One Year
<b>Governmental Activities:</b>					
Bonds Payable					
General Obligation Bonds	\$ 401,387	\$ 482,589	\$ (54,460)	\$ 829,516	\$ 56,183
Add (Subtract) Deferred Amounts for:					
Premium	5,461	513	(1,244)	4,730	-
Discount	(781)	(49)	197	(633)	-
Loss on Refunding	(5,824)	(668)	1,881	(4,611)	-
Accretion	10,575	1,002	(3,912)	7,665	-
Sub-totals Bonds Payable	410,818	483,387	(57,538)	836,667	56,183
Other Liabilities					
Pension Obligation	38,366	30,356	(68,722)	-	-
Unfunded Claims and Judgments	20,000	1,150	(19,150)	2,000	1,000
Landfill Post-closure Costs	4,245	-	(715)	3,530	115
Pollution Remediation Costs	315	181	-	496	316
Compensated Absences	52,170	19,747	(22,790)	49,127	21,395
Risk Claims	10,567	6,759	(6,432)	10,894	7,125
Other Post Employment Benefits	104,913	121,175	(61,233)	164,855	-
Capital Leases	4,503	-	(426)	4,077	441
Sub-total Other Liabilities	235,079	179,368	(179,468)	234,979	30,392
<b>Total Governmental Activities Long-term Liabilities</b>	<b>\$ 645,897</b>	<b>\$ 662,755</b>	<b>\$ (237,006)</b>	<b>\$ 1,071,646</b>	<b>\$ 86,575</b>
<b>Business-type Activities:</b>					
Bonds Payable					
General Obligation Bonds	\$ 26,298	\$ 7,411	\$ (4,031)	\$ 29,678	\$ 3,527
Revenue Bonds	176,520	15,040	(7,520)	184,040	7,865
Add (Subtract) Deferred Amounts for:					
Premium	2,902	26	(441)	2,487	-
Discount	(2,302)	(570)	239	(2,633)	-
Loss on Refunding	(371)	(30)	109	(292)	-
Accretion	211	39	(20)	230	-
Sub-totals Bonds Payable	203,258	21,916	(11,664)	213,510	11,392
Other Liabilities					
Compensated Absences	12,782	5,419	(5,523)	12,678	6,225
Risk Claims	8,513	324	(247)	8,590	4,013
Other Post Employment Benefits - Transit	-	16,828	(16,828)	-	-
Other Post Employment Benefits - Airport	4,097	1,589	-	5,686	-
Capital Leases	245	394	(258)	381	196
Sub-total Other Liabilities	25,637	24,554	(22,856)	27,335	10,434
<b>Total Business-Type Activities Long-term Liabilities</b>	<b>\$ 228,895</b>	<b>\$ 46,470</b>	<b>\$ (34,520)</b>	<b>\$ 240,845</b>	<b>\$ 21,826</b>

## Note 8- Long-term Liabilities (Continued)

### Changes in Long-term Liabilities (Continued)

Compensated Absences consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments &amp; Adjustments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<b>Governmental Activities:</b>					
Retirement sick pay payout	\$ 30,568	\$ 213	\$ (1,188)	\$ 29,593	\$ 1,861
Vacation time earned	18,638	16,848	(18,638)	16,848	16,848
Overtime earned	1,196	1,041	(1,196)	1,041	1,041
Holiday pay	1,768	1,645	(1,768)	1,645	1,645
<b>Total Compensated Absences - Governmental Activities</b>	<b>\$ 52,170</b>	<b>\$ 19,747</b>	<b>\$ (22,790)</b>	<b>\$ 49,127</b>	<b>\$ 21,395</b>
<b>Business-type Activities:</b>					
Retirement sick pay payout	\$ 7,474	\$ 233	\$ (215)	\$ 7,492	\$ 1,038
Vacation time earned	4,906	4,985	(4,906)	4,985	4,985
Overtime earned	333	133	(333)	133	133
Holiday pay	69	68	(69)	68	69
<b>Total Compensated Absences - Business-type Activities</b>	<b>\$ 12,782</b>	<b>\$ 5,419</b>	<b>\$ (5,523)</b>	<b>\$ 12,678</b>	<b>\$ 6,225</b>

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 \$ 33,662 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 include 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, 2009, 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 \$ 3,530 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

## Note 8- Long-term Liabilities (Continued)

### Changes in Long-term Liabilities (Continued)

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, 2009, the estimated liability for pollution remediation costs totaled \$ 496. 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.

Bond Issue	Governmental Activities General Obligation Debt						
	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/09	Interest to Maturity	
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 56,493	\$ 5,196	\$ 8,729	
Refunding Bonds (Taxable), Series 2001A	06/01/01	12/01/11	6.06%	2,610	500	47	
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	46,467	8,028	410	
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	37,830	16,021	3,204	
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	56,894	7,095	355	
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	36,926	18,250	4,226	
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	93,515	93,515	14,286	
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	23,520	13,877	3,615	
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	25,233	18,628	4,307	

## 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 12/31/09	Interest to Maturity
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	\$ 23,660	\$ 18,811	\$ 5,495
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	59,675	56,617	8,368
General Obligation Corporate Purpose Bonds, Series 2006A	04/01/06	10/01/21	4.14%	30,776	28,170	9,514
General Obligation Corporate Purpose Bonds, Series 2007A	06/01/07	12/01/22	4.12%	32,422	31,129	9,806
General Obligation Corporate Purpose Bonds, Series 2008A	06/01/08	12/01/23	3.93%	30,675	30,155	10,430
2007 State Trust Fund Loan	09/01/07	03/15/17	5.25%	1,000	935	238
2009 Taxable General Obligation, Series 2009A	04/02/09	12/01/28	6.36%	265,000	265,000	192,942
2009 Taxable Pension Notes, Series 2009B	04/02/09	12/01/13	5.52%	135,000	135,000	29,106
General Obligation Corporate Purpose Bonds, Series 2009C	08/01/09	10/01/24	5.04%	24,139	24,139	14,375
General Obligation Promissory Notes, Series 2009D	08/01/09	10/01/13	2.00%	16,789	16,789	1,407
General Obligation Corporate Purpose Bonds, Series 2009E	11/15/09	08/01/24	4.87%	24,051	24,051	12,625
General Obligation Promissory Notes, Series 2009F	11/15/09	08/01/19	2.55%	15,610	15,610	1,971
2009 State Trust Fund Loan	12/08/09	03/15/19	4.50%	2,000	2,000	505
<b>Total Governmental Activities Debt</b>					<b>\$ 829,516</b>	<b>\$ 335,961</b>

The ratio of the aggregate indebtedness of all taxing authorities located within the County to equalized value of the taxable property was approximately 4.83% including 1.21% related to direct County indebtedness at December 31, 2009. 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, 2009 under Wisconsin Statutes, the County could borrow an additional \$ 2,475,261.

At December 31, 2009, the weighted average interest rate of general obligation bonds and notes outstanding was 4.92%.

## 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>
2010	\$ 56,183	\$ 44,465	\$ 100,648
2011	57,289	43,508	100,797
2012	61,467	36,471	97,938
2013	197,843	33,949	231,792
2014	59,491	24,050	83,541
2015-2019	182,734	89,737	272,471
2020-2024	134,214	49,617	183,831
2025-2028	80,295	14,164	94,459
<b>Total Debt Service</b>	<b><u>\$829,516</u></b>	<b><u>\$335,961</u></b>	<b><u>\$ 1,165,477</u></b>

On April 2, 2009, the County issued \$ 265,000 of Taxable General Obligation Pension Promissory Notes, Series 2009A and \$135,000 of Taxable Pension Notes. Total proceeds of \$ 399,000 (par amount of bond issue of \$ 400,000, net discount of \$ 1,253) were contributed to the Milwaukee County Employee Retirement System. The bonds were recorded in Governmental Activities on the Statement of Net Assets.

On August 1, 2009, the County issued \$ 24,775 of Taxable General Obligation Corporate Purpose Bonds, Series 2009C (Build America Bonds – Direct Payment). Total proceeds of \$ 24,692 (par amount of bond issue of \$ 24,775, net discount of \$ 120 plus accrued interest of \$ 37) 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 2009 Adopted Capital Improvement Budget. The bonds of \$ 24,139 and \$ 636 were recorded in Governmental Activities and the Business-type Activities columns on the Statement of Net Assets, respectively.

On August 1, 2009, the County issued \$17,250 of General Obligation Promissory Notes, Series 2009D. Total proceeds of \$ 17,434 (par amount of bond issue of \$ 17,250, plus premium of \$ 173, plus accrued interest of \$ 11) were used to purchase direct obligations of the United States of America or held in cash. Proceeds of \$10,162 were used to refund the General Obligation Corporate Purpose Refunding Bonds, Series 1999A and the General Obligation Museum Refunding Bonds, Series 1999A. Proceeds of \$7,272 will be used to finance capital projects for general County purposes pursuant of the County's

## Note 8- Long-term Liabilities (Continued)

### Governmental Activities (Continued)

2009 Adopted Capital Improvement Budget. The bonds of \$ 16,789 and \$ 461 were recorded in Governmental Activities and the Business-type Activities columns on the Statement of Net Assets, respectively.

On November 15, 2009, the County issued \$ 30,365 of General Obligation Corporate Purpose Bonds, Series 2009E (Build America Bonds – Direct Payment). Total proceeds of \$ 30,171 (par amount of bond issue of \$ 30,365, net discount of \$ 210 plus accrued interest of \$ 16) 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 2009 Adopted Capital Improvement Budget. The bonds of \$ 24,051 and \$ 6,314 were recorded in Governmental Activities and the Business-type Activities columns on the Statement of Net Assets, respectively.

On November 15, 2009, the County issued \$ 15,610 of General Obligation Corporate Purpose Bonds, Series 2009E. Total proceeds of \$ 15,692 (par amount of bond issue of \$ 15,610, plus premium of \$ 78 plus accrued interest of \$ 4) 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 2009 Adopted Capital Improvement Budget. The bonds of \$ 15,610 were recorded in Governmental Activities on the Statement of Net Assets.

On December 8, 2009, the County received loan proceeds of \$2,000 from the State Trust Fund Loan Program. The proceeds will be used to finance capital projects related to special needs housing. The loan was recorded in the Governmental Activities on the Statement of Net Assets.

Major expenditure categories include for all General Obligation Debt issued in 2009 are as follows:

Legislative, Executive and Staff	\$ 4,397
Public Safety	6,397
Public Works and Highways	33,821
Human Services	3,115
Parks, Recreation and Culture	20,827
Other Capital Projects	11,498
Debt Refunding	9,945
Pension Obligation Bonds	400,000
<b>Total</b>	<u>\$ 490,000</u>

## 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 \$ 208,945 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 \$16,600 and \$25,797, respectively, resulting in net revenues plus Coverage Fund assets of 155% of annual debt service for 2009. The total principal and interest remaining to be paid on the bonds is \$ 288,880. The principal and interest payment of \$ 16,600 represents 23% of operating revenues.

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

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/09	Interest to Maturity
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 1,207	\$ 103	\$ 174
General Obligation Airport Bonds, Series 1999A	05/01/99	10/01/14	4.60%	6,825	2,275	323
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	3,495	1,479	296
General Airport Revenue Bonds, Series 2000A	06/01/00	12/01/25	5.80%	83,565	58,770	29,276
Airport Refunding Bonds, Series 2001A	10/01/01	12/01/11	4.47%	1,450	290	19
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	3,458	597	30
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	4,299	1,950	451
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	6,056	755	38
General Airport Revenue Bonds, Series 2003A	01/01/03	12/01/22	4.88%	7,125	4,875	1,778
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	2,430	1,723	449
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	6,510	6,510	994
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	1,717	1,372	317

## Note 8- Long-term Liabilities (Continued)

### Business-type Activities (Continued)

Business-type Activities General Obligation and Revenue Bond Debt						
Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/09	Interest to Maturity
General Airport Revenue Bonds, Series 2004A	03/31/04	12/01/29	4.47%	\$ 37,360	\$ 32,715	\$ 18,098
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/29	4.24%	950	839	245
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	3,350	3,178	470
General Airport Revenue Bonds, Series 2005A	12/22/05	12/01/30	4.90%	29,010	28,545	20,421
Airport Refunding Bonds, Series 2005B	12/22/05	12/01/14	3.65%	7,755	4,650	573
General Obligation Corporate Purpose Bonds, Series 2006A	04/01/06	10/01/21	4.14%	819	810	284
Airport Refunding Bonds, Series 2006B	10/01/06	12/01/15	4.08%	5,020	2,165	376
General Airport Revenue Bonds, Series 2006A	11/16/06	12/01/31	4.60%	25,665	24,400	16,061
General Obligation Corporate Purpose Bonds, Series 2007A	06/01/07	12/01/22	4.12%	203	201	66
General Airport Revenue Bonds, Series 2007A	11/15/07	12/01/32	4.60%	13,445	12,880	8,591
General Obligation Corporate Purpose Bonds, Series 2008A	06/01/08	12/01/23	3.93%	185	185	68
General Purpose Bonds, Series 2009C	08/01/09	10/01/13	5.04%	636	636	379
General Obligation Promissory Notes, Series 2009D	08/01/09	10/01/24	2.00%	461	461	20
General Obligation Corporate Purpose Bonds, Series 2009E	11/15/09	08/01/24	4.87%	6,314	6,314	3,315
General Airport Revenue Bonds, Series 2009A	12/21/09	12/01/32	4.90%	12,690	12,690	9,442
General Airport Revenue Bonds, Series 2009B	12/21/09	12/01/14	3.20%	2,350	2,350	224
<b>Total Business-Type Debt</b>					<b>\$ 213,718</b>	<b>\$ 112,778</b>

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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>
2010	\$ 11,392	\$ 10,648	\$ 22,040
2011	11,232	10,253	21,485
2012	11,590	9,628	21,218
2013	11,970	9,069	21,039
2014	11,992	8,499	20,491
2015-2019	50,655	34,330	84,985
2020-2024	53,281	20,991	74,272
2025-2029	40,270	8,424	48,694
2030-2032	11,336	936	12,272
<b>Total Debt Service</b>	<b><u>\$213,718</u></b>	<b><u>\$112,778</u></b>	<b><u>\$ 326,496</u></b>

### Business-type Activities- Revenue Bonds

On December 10, 2009, the County issued \$ 12,690 of Airport Revenue Bonds, Series 2009A and \$ 2,350 of Airport Revenue Bonds, Series 2009B. The 2009 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, dated November 15, 2007, Airport Revenue Bonds, Series 2007A (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 2009 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2009 Bonds. The 2009 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Bonds, Series 2009A interest rate is 3.0% for 2015, 3.25% for 2016, 3.50% for 2017, 3.75% for 2018, 4.0% for 2019, 4.25% for 2020 through 2021, 4.375% for 2022, 4.50% for 2023 through 2024, 5.0% for 2029 and 5.125% for 2032. The Airport Revenue Bonds, Series 2009B interest rate is 2.25% for 2010, 2.25% for 2011, 3.50% for 2012, 3.00% for 2013, and 4.00% for 2014.

## Note 8- Long-term Liabilities (Continued)

### Business-type Activities- Revenue Bonds (Continued)

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, 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

## Note 8- Long-term Liabilities (Continued)

### Business-type Activities- Revenue Bonds (Continued)

2005 Bonds. The 2005 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Bonds, Series 2005A interest rate is 4.0% for 2006 through 2014, 5.25% for 2015 through 2026, 4.875% for 2027 through 2029, and 4.7% for 2030. The Series 2005A Bonds are not callable for redemption prior to December 1, 2016.

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

On January 1, 2003, the County issued \$7,125 of Airport Revenue Bonds, Series 2003A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's outstanding revenue bonds. The Series 2003 Bonds are not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2022. The interest rate is 3.0% for 2004 through 2006, 3.25% for 2007 and 2008, 3.75% for 2009, 4.00% for 2010, 4.25% for 2011, 4.50% for 2012, 4.625% for 2013, 5.0% for 2014-2016, 5.25% for 2017-2019, and 5.5% for 2020 through 2022.

On June 22, 2000, the County issued \$83,565 of Airport Revenue Bonds, Series 2000A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's outstanding revenue bonds. The Series 2000 Bonds are not a 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.

## **Note 8- Long-term Liabilities (Continued)**

### **Current Refunding**

On August 1, 2009, the County issued \$17,250 of General Obligation Promissory Notes, Series 2009D. Total proceeds of \$17,434 (par amount of note issue of \$17,250, plus a net premium of \$173, plus accrued interest of \$11) were used to purchase direct obligations of the United States of America or held in cash. Proceeds of \$10,038 will be used to refund a portion of the General Obligation Refunding Bonds, Series 1999A and General Obligation Museum Refunding Bonds, Series 1999A. The refunding bonds of \$ 9,744 and \$ 294 were recorded in Governmental Activities and the Business-type activities columns on the Statement of Net Assets, respectively. As a result, the refunded bonds are considered defeased and the liability have been removed from the accompanying financial statements of the County.

The refunding resulted in a \$ 698 loss to be amortized over the life of the note issue. The current refunding was undertaken to decrease the total debt service over the next 5 years by (\$ 378), and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) of \$ 95.

These notes have semi-annual interest payments on April 1 and October 1 through 2012. The interest rate is 2.0% for 2010 through 2013.

### **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, 2009, \$ 20,348 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 \$ 6,004 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 expired in December of 2009 and was not extended into future periods by the County.

## Note 8- Long-term Liabilities (Continued)

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

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 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, 2009 was \$ 20,950 and \$ 6,200, respectively.

## Note 9- Net Assets

### Governmental Activities

Restricted net assets consist of the following:

#### **Governmental Activities**

Net Assets- Restricted for Debt Service	\$	6,220
Net Assets- Restricted for Aging CMO		10,012
Net Assets- Restricted for Airport PFC		22,179
Net Assets- Restricted for Health & Safety		136
Net Assets- Restricted for Zoo		652
Net Assets- Restricted for Parks		998
Net Assets- Restricted for Persons with Disabilities		123
Net Assets- Restricted for Behavioral Health Division		8,978
Net Assets- Restricted for Fleet and Facilities Divisions		6,499
<b>Total Net Assets - Restricted - Governmental Activities</b>	<b>\$</b>	<b>55,797</b>

### Business-type Activities

Restricted net assets consist of the following:

#### **Business-type Activities**

Net Assets- Restricted for Revenue Bonds	\$	14,253
Net Assets- Restricted for Capital Asset Needs at the Airport		5,113
<b>Total Net Assets - Restricted - Business-type Activities</b>	<b>\$</b>	<b>19,366</b>

## 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	\$	77
Restricted for Programming Events- Marcus Center for the Performing Arts		8
Research Development Fund-Research Park		217
<b>Total</b>	<b>\$</b>	<b>302</b>

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

#### **Temporarily Restricted**

Exhibits and Museum Renovations	\$	390
Educational Lecture Costs		92
Purchase and Maintenance of Collections		470
Restricted for time		395
Held by Friends of the Museum*		-
Capital Campaign		1,832
Endowment Fund		
Purchase and Maintenance of Collections		214
Internship Programs		34
<b>Total Temporarily Restricted Assets</b>	<b>\$</b>	<b>3,427</b>

#### **Permanently Restricted**

Operations	\$	1,325
Special Exhibits		1,237
Starr Adventure and Internship		71
<b>Total Permanently Restricted Assets</b>	<b>\$</b>	<b>2,633</b>

\*Friends of the Museum merged with MPM, Inc during 2009. As a result of the merger, these temporarily restricted net assets were released from restriction and included in MPM, Inc.'s unrestricted net assets for the year ending December 31, 2009.

## 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

## Note 10- Risk Management (Continued)

is limited to \$ 50 and \$ 250 per person respectively. The County purchases commercial insurance to cover a substantial portion of the potential general liability, automobile liability and discrimination claims. The County also purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

All funds of the County except for the Transit System participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a claims reserve. In accordance with Governmental Accounting Standards Board 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, 2009 was \$ 10,894.

The County has recognized \$ 10,894 of claims liabilities in the Risk Management Fund. The Risk Management Fund has \$ 10,894 of cash to pay for this liability. Changes in the balances of claim liabilities during the past two years are as follows:

	Year ended 12/31/2009	Year ended 12/31/2008
Beginning of year Liability	\$ 10,567	\$ 8,989
Current Year Claims and Changes in Estimates	6,759	8,190
Claims Payments	<u>(6,432)</u>	<u>(6,612)</u>
<b>End of Year Liability</b>	<b><u>\$ 10,894</u></b>	<b><u>\$ 10,567</u></b>

The claims liability for the Transit System at December 31, 2009 was \$ 8,590. The Transit System has recognized \$ 8,590 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 12/31/2009	Year ended 12/31/2008
Beginning of year Liability	\$ 8,513	\$ 13,365
Current Year Claims and Changes in Estimates	323	249
Claims Payments	<u>(246)</u>	<u>(5,101)</u>
<b>End of Year Liability</b>	<b><u>\$ 8,590</u></b>	<b><u>\$ 8,513</u></b>

## Note 11- Related Party Transactions

Milwaukee County provides funds required for the operation of the War Memorial Center, Charles Allis/ Villa Terrace Art Museums and Marcus Center for the Performing Arts. To the extent these funds exceed actual disbursements, such excess is required to be returned to Milwaukee County. Milwaukee County and the War Memorial Center agreed that when revenues exceed budget, the War Memorial Center is permitted to create a reserve account whereas up to \$ 25 can be deposited annually. These funds are to be used in future years for the War Memorial Center's operational needs. Total appropriations received by the Memorial for 2009 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 \$ 7 were made to the Memorial during 2009.

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, 2009 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

## **Note 11- Related Party Transactions (Continued)**

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 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, 2009 was \$ 3,503.

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 16 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 May 2010, the County issued \$ 22,725 of Taxable General Obligation Corporate Purpose Bonds, Series 2010A (Build America Bonds – Direct Payment) and \$ 12,325 of General Obligation Promissory Notes, Series 2010A. The bonds are being used to finance capital projects pursuant to the County's 2010 Adopted Capital Improvement Budget.

## **Note 13- Commitments and Contingencies**

### **Claims and Other Legal Proceedings**

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

### **Storm and Sanitary Sewer System**

The County has sanitary sewer and storm sewer systems that it is responsible for on County land. The State Attorney General issued an order that requires monitoring, maintenance, and repair of these systems. The purpose of this order is to ensure that the metropolitan areas sanitary sewer systems receive only sanitary system flow from the County. Storm water shall not be allowed to flow into the metropolitan sanitary system. The order will require future capital and operating commitments. For 2010, the commitment is \$ 200.

### **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, 2009.

## **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 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.

## **Note 14- Other Post-employment Benefits (Continued)**

### ***Countywide Program (excluding Transit System Continued)***

#### **Description and Provisions (Continued)**

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, 2009.

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 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.

**Note 14- Other Post-employment Benefits (Continued)**

***Countywide Program (excluding Transit System Continued)***

**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 2009, 2008, and 2007 OPEB costs:

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Normal Cost	\$ 18,392	\$ 18,392	\$ 13,802
Amortization of Unfunded Actuarial Accrued Liability	112,360	112,349	95,796
Annual Required Contribution (ARC)	130,752	130,741	109,598
Interest on Net OPEB Obligation	6,541	2,971	-
Adjustment to the ARC	(14,811)	(6,728)	-
<b>Annual OPEB Cost</b>	<b>\$ 122,482</b>	<b>\$ 126,984</b>	<b>\$ 109,598</b>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Premiums Paid on Behalf of Retirees	\$ 62,579	\$ 69,178	\$ 61,042
Less: Retiree Contributions	(1,628)	(1,682)	(966)
<b>Net Employer Contribution</b>	<b>\$ 60,951</b>	<b>\$ 67,496</b>	<b>\$ 60,076</b>

<b>Percent of Annual OPEB Cost Contributed by Employer</b>	<b>49.8%</b>	<b>53.2%</b>	<b>54.8%</b>
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**Schedule of Net OPEB Obligation  
For the Year Ending December 31**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net OPEB Obligation - January 1	\$ 109,010	\$ 49,522	\$ -
Annual OPEB Cost	122,482	126,984	109,598
Less: Net Employer Contributions	(60,951)	(67,496)	(60,076)
<b>Net OPEB Obligation - December 31</b>	<b>\$ 170,541</b>	<b>\$ 109,010</b>	<b>\$ 49,522</b>

**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 the ratio of UAAL to covered payroll was 13.0 to 1.

**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	30 Years, Closed
Asset Valuation Method	Not Applicable
<b>Actuarial Assumptions:</b>	
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

## **Note 14- Other Post-employment Benefits (Continued)**

### ***Countywide Program (excluding Transit System Continued)***

#### **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, 2009, the County had 5,793 of retirees enrolled in a health plan. The 2009 expenditures for retiree healthcare costs were \$ 61,742. The County's 2009 expenditures also included reimbursement of Medicare Part B premiums for health plan retirees of \$ 5,914. The total health plan expenditures were offset by \$ 1,459 in retiree contributions for certain retirees who were responsible for the partial or full health benefit premium cost.

As of December 31, 2009, the County had 5,280 retirees enrolled in the group life insurance plan. The 2009 expenditures for the group life insurance plan were \$ 837. The total life insurance expenditures were offset by \$ 170 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 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 2009. 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

## **Note 14- Other Post-employment Benefits (Continued)**

### ***Transit System Program (Continued)***

#### **Description and Provisions- Transit System Program (Continued)**

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 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.

**Note 14- Other Post-employment Benefits (Continued)**

***Transit System Program (Continued)***

**Annual OPEB Cost and Net OPEB Obligation- Transit System Program (Continued)**

The following schedule provides the components of the Transit System's 2009, 2008, and 2007 OPEB costs:

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Normal Cost	\$ 4,942	\$ 4,164	\$ 5,554
Amortization of Unfunded Actuarial Accrued Liability	12,092	10,757	11,635
Annual Required Contribution (ARC)	17,034	14,921	17,189
Interest on Net OPEB Obligation	(194)	(148)	-
Adjustment to the ARC	(12)	364	-
<b>Annual OPEB Cost</b>	<b>\$ 16,828</b>	<b>\$ 15,137</b>	<b>\$ 17,189</b>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Premiums Paid on Behalf of Retirees	\$ 11,844	\$ 12,046	\$ 12,356
Contribution to OPEB Trust	3,500	7,000	8,500
Less: Retiree and Survivor Contribution	(1,530)	(1,559)	(1,399)
Less: Medicare Part D	(407)	(763)	(424)
<b>Net Employer Contribution</b>	<b>\$ 13,407</b>	<b>\$ 16,724</b>	<b>\$ 19,033</b>

**Percent of Annual OPEB Cost Contributed by Employer**      79.7%      110.5%      110.7%

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net OPEB Obligation - January 1	\$ (3,431)	\$ (1,844)	\$ -
Annual OPEB Cost	16,828	15,137	17,189
Less: Net Employer Contributions	(13,407)	(16,724)	(19,033)
<b>Net OPEB Obligation - December 31</b>	<b>\$ (10)</b>	<b>\$ (3,431)</b>	<b>\$ (1,844)</b>

**Funded Status and Funding Progress- Transit System Program**

As of December 31, 2009, the most recent actuarial valuation date, the Transit System's OPEB plan was partially funded. The actuarial accrued liability for

## Note 14- Other Post-employment Benefits (Continued)

### *Transit System Program (Continued)*

#### Funded Status and Funding Progress- Transit System Program (Continued)

benefits were \$ 209,963, and the actuarial value of assets was \$19,088, resulting in an unfunded actuarial accrued liability (UAAL) of \$190,875. The annual payroll of active employees covered by the plan was \$57,356, and the ratio of UAAL to the covered payroll was 3.33 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.

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	December 31, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years, Closed
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

## **Note 14- Other Post-employment Benefits (Continued)**

### ***Transit System Program (Continued)***

#### **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, 2009, the Transit System had 946 retirees and survivors enrolled in the HMO and PPO healthcare plans. The 2009 expenditures for the HMO and PPO healthcare plans were \$ 11,550. The total HMO and PPO expenditures were offset by \$ 1,530 in retiree contributions for certain retirees and survivors who were responsible for the partial or full health benefit premium cost, and \$ 407 in Medicare Part D reimbursements.

As of December 31, 2009, the Transit System had 869 retirees enrolled in the life insurance plan. The 2009 expenditures for the life insurance plan were \$ 294. There were no employee contributions towards the life insurance plan.

## **Note 15- Employee Retirement Systems and Pension Plans**

### ***Countywide Program (excluding Transit System)***

#### **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 the 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,

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

***Countywide Program (excluding Transit System Continued)***

**Plan Description and Provisions (Continued)**

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 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.

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

***Countywide Program (excluding Transit System Continued)***

**Plan Description and Provisions (Continued)**

Each year after retirement, the amount of monthly benefit is increased by an amount equal to 2.0% 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.

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 9<sup>th</sup> 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

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

### ***Countywide Program (excluding Transit System Continued)***

#### **Plan Description and Provisions (Continued)**

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 9<sup>th</sup> 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 required schedules of funding progress present multiyear trend 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 \$ 1,312 in 2009. The County then reimburses the ERS for the expenses, with interest, ratably over a ten-year period.

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

***Countywide Program (excluding Transit System Continued)***

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

**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 dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Collateral received for securities loaned consists primarily of cash. Other forms of collateral are letters of credit and government agency securities. Collateral for domestic issues is set at 102% of the fair value of the securities loaned at the time of the initial transaction. If the value falls to 100% of the fair value of the securities loaned, additional collateral is obtained to reestablish collateral at 102% of the fair value of the securities loaned. Collateral for international securities is maintained at a level of 105% of the fair value of securities loaned at all times. The securities lending program guidelines attempt to preserve capital while earning a moderate rate of return. Earnings from securities lending, after all fees are paid, are split on a percentage basis with the

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

***Countywide Program (excluding Transit System Continued)***

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

custodian. For 2009, the net investment income realized from the security lending was \$ 181.

ERS also invested in several commingled funds managed by Mellon Capital Management that participated in securities lending programs. The earnings and losses attributable to the commingled funds' securities lending programs are combined with the commingled funds' performance and are not reported separately in ERS's financial statements.

Securities loaned and the collateral held as of December 31, 2009 were as follows:

Fair Value of Securities Loaned:	\$	54,910
Fair Value of Collateral:	\$	56,750
Percent Collateral to Securities Loaned:		103.35%

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 \$ 56,643 and U.S. Treasury securities of \$ 107, for the year ending December 31, 2009. 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 \$ 107 for the year ended December 31, 2009 is controlled by the custodian and, correspondingly, is not reflected in the financial statements.

**Financial Instruments With Off-Balance Sheet Risks** – A currency forward is a contractual agreement between two parties to pay or receive amounts of foreign currency at a future date in exchange for another currency at an agreed-upon exchange rate. Forward commitments are entered into with the foreign exchange department of a bank located in a major money market. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuations. Recognition of realized gains or losses depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the

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

***Countywide Program (excluding Transit System Continued)***

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

contract, the ERS records the amount receivable or payable at fair value, with the unrealized gain or loss reported as a component of net appreciation of fair value. All contracts are short-term in duration and mature within the 90 days. In 2009, the ERS recorded a loss of \$ 869 related to currency forward contracts.

The ERS invests in financial futures contracts in order to improve the performance of the fund. The ERS purchases contracts that approximate the amount of cash held by U.S. equity investment managers and cash used to pay benefits and expenses. Financial futures contracts are agreements to buy or sell a specified amount at a specified delivery or maturity date for an agreed upon price. The market values of futures contracts vary from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. Financial futures represent an off-balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The cash or securities to meet these obligations are held in the investment portfolio. All contracts are short-term in duration and mature within 90 days. The ERS is subject to credit risk in the event of non-performance by counter parties to financial futures and forward contracts. The ERS generally only enters into transactions with credit worthy institutions. The ERS is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by ERS management and by buying and selling futures or forward contracts. The cash or securities to meet these obligations are held in the investment portfolio.

	<u>December 31, 2009</u>
Cash Held:	
U.S. Equity Managers	\$ 152,803
Cash Used to Pay Benefits and Expenses	<u>35,605</u>
Total Cash Held	<u>188,408</u>
Futures Purchased:	
S&P 500 (U.S. Equity)	163,718
Barclays AGG (Fixed Income)	13,421
MSCI EAFE (International Equity)	<u>7,216</u>
Total Futures Purchased	<u>184,355</u>
Futures Below Cash	\$ (4,053)
Market Value	<u>\$ (102)*</u>

\* Futures contracts are included in domestic common and preferred stocks in the Statement of Plan Net Assets.

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

***Countywide Program (excluding Transit System Continued)***

**2009 Changes in Plan Provisions or Actuarial Assumptions**

- Increased annual compensation limit to \$ 245.
- Increased annual benefit limit to \$ 195.

**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 2009. 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	12/31/09	\$ 30,356	100.0%	\$ -
	12/31/08	48,910	71.4%	38,366
	12/31/07	53,063	92.9%	24,369
OBRA	12/31/09	\$ 661	100.0%	\$ -
	12/31/08	655	79.7%	-
	12/31/07	558	94.8%	-

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

***Countywide Program (excluding Transit System Continued)***

**Contributions Required and Contributions Made (Continued)**

County contributions totaling \$457,789, \$ 34,841, and \$ 49,291 were recorded in 2009, 2008, and 2007 respectively. The 2009 contribution was well above the ARC using the Entry Age Normal method of funding with normal cost computed as a level percentage of pay due to a contribution of \$ 397,797 from pension obligation bonds and a contribution of \$29,000 from the settlement of a lawsuit. The 2008 and 2007 contributions were below the ARC. Not including the contribution of \$ 397,797, the County's contributions to the ERS were 25.3%, 14.9%, and 21.7% of annual covered payroll for 2009, 2008, and 2007, respectively.

OBRA's funding policy provides for an annual County contribution at an actuarially determined rate. Liabilities and contributions are computed using the Unit Credit method of funding. OBRA also used the Unit Credit method to amortize the unfunded liability over a 30-year period. The actuarial accrued liability of OBRA at December 31, 2009 was \$ 5,069, leaving net assets available less than the actuarial accrued liability of (\$ 4,030). The County made contributions to the OBRA system totaling \$ 661, \$522, and \$529 in 2009, 2008, and 2007, respectively.

**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, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability- AAL	(Overfunded) Unfunded AAL- UAAL*	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll**
(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
\$ 1,956,444	\$ 2,097,332	\$ 140,888	93.28%	\$ 237,040	59.44%

The December 31, 2009 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.

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

***Countywide Program (excluding Transit System Continued)***

**Funded Status and Actuarial Information (Continued)**

In May 2009, the County and the Retirement System settled its lawsuit against its former actuary in the amount of \$ 29 million.

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 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, 2010	January 1, 2010
Actuarial Cost Method	Aggregate Entry Age Normal	Unit Credit
Asset Valuation Method	5-year Smoothed Market	Market
<b>Amortization Methods:</b>		
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
<b>Remaining Amortization Periods:</b>		
Contribution Variance	5 Years	5 Years
Administrative Expenses	10 Years	10 Years
All Other Unfunded Liability	30 Years	30 Years
<b>Actuarial Assumptions:</b>		
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 15- Employee Retirement Systems and Pension Plans  
(Continued)**

***Transit System Program***

**Plan Description and Provisions-Transit System Program**

The Transit System's Transport Employees' Pension Plan ("The Plan") is a single employer contributory defined benefit plan sponsored by Milwaukee Transport Services, Inc. The Plan is administered by an administration board, which consists of three members representing Milwaukee Transport Services, Inc. and three members representing the employees. The Plan is not subject to the reporting and disclosure requirements of the Employee Retirement Income Security Act of 1974 as amended (ERISA), as it is a governmental plan exempted under Section 4(b)(1) of Title I of the Act. All regular full-time employees of Milwaukee Transport Services, Inc. are eligible to participate in the Plan.

Participants become fully vested after five (5) years of continuous credited service. Participants are eligible for normal retirement benefits at age 62 with five years of credited service or a combination of age plus credited service total 85 or more. Participants are eligible for reduced retirement benefits at age 57 with five years of credited service. Effective April 1, 1998, participants who have completed twenty-five or more years of credited service are eligible for normal retirement benefits. Participants may elect to receive their pension benefits in the form of a joint and survivor annuity. The Plan also provided for death and disability benefits.

Under the terms of the Plan, a participant, upon normal retirement, is entitled to receive a monthly benefit of 2% (1.77% for participants retiring between April 1, 2001 and March 31, 2002, 1.82% for participants retiring between April 1, 2002 and March 31, 2003 and 1.87% for participants retiring between April 1, 2003 and March 31, 2004 and 2% for participants retiring after April 1, 2004) of his/her average monthly earnings during the three highest earnings years times the number of years of credit service after March 31, 1966, plus \$ 90 times the numbers of years of credited service prior to April 1, 1966. The total number of years of credited service cannot exceed thirty-five (35). A minimum monthly benefit of \$ 250 is provided for all retirees with at least ten (10) years of credited service.

Upon termination of employment before five years of credited service, participants will receive a refund equal to their own employee contributions and interest income at a rate of approximately 2%.

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

***Transit System Program (Continued)***

**Plan Description and Provisions-Transit System Program  
(Continued)**

Information concerning the Plan including vesting, benefits and termination provisions may be obtained from the summary plan booklet distributed by Milwaukee Transport Services, Inc.

The Transit System issues a publicly available report that includes the financial statements and required supplementary information for the Transport Employees' Pension Plan. The financial report may be obtained by writing to the Transport Employees Pension Plan, 1942 North 17<sup>th</sup> Street, Milwaukee, Wisconsin 53205.

**Summary of Significant Accounting Policies- Transit System Program**

**Basis of Accounting-** The financial information of the Plan has been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles within the United States of America.

**GASB Statement No. 50-** The Plan implemented provisions of GASB Statement No. 50- Pension Disclosures, an 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 the valuations on which reported information about Annual Required Contributions ("ARC") and the funded status and progress are based. The schedules of funding progress present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Investments-** Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated value. Because of the inherent uncertainty of valuation, the estimated values for the limited partnerships may differ significantly from the values that would have been used had a ready market for the investments existed. Income and realized gains from investments are reinvested. Investment security transactions are the related gains and losses are recognized as of the trade date. The average cost basis is used in determining the cost of investments sold. Purchases and sales of securities are

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

***Transit System Program (Continued)***

**Summary of Significant Accounting Policies- Transit System Program (Continued)**

recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend is recorded on the ex-dividend date.

**Income Taxes-** The Plan is exempt from Federal income taxes under section 115 of the Internal Revenue Code.

**Contributions Required and Contributions Made-Transit System Program**

Employees covered under the Plan contribute an amount equal to 15% (10% prior to September 1, 2001) of the actuarially determined contribution necessary to fund the Plan. Milwaukee Transport Services, Inc. contributes an amount equal to 85% (90% prior to September 1, 2001) of the actuarially determined contribution necessary to fund the Plan.

In 2009 and 2008, Milwaukee Transport Services, Inc, was required to make monthly pension contributions payments to the Plan equal to 18.28% and 11.99% respectively, of the gross amount of wages or salaries paid to each employee covered under the Plan, and employees were required to contribute 3.22% in 2009 and 2.11% in 2008 of their gross wages or salaries.

Three year Trend Information for the Milwaukee Transport Employees' Pension Plan is as follows:

Fiscal Year	Annual Pension	Percentage of APC	Net Pension
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
12/31/09	\$ 9,190	100.0%	\$ -
12/31/08	7,243	100.0%	-
12/31/07	7,428	100.0%	-

Contributions are designated to fund current service costs as well as to fund, over approximately 30 years, the estimated accrued benefit costs arising from qualifying service that occurred prior to the establishment of the Plan or subsequent Plan amendments. Interest on employee contributions is accumulated at a rate of 2% per year. The Annual Required Contributions for the Transport Employees' Pension Plan were \$ 4,616 and 4,899 for 2009 and 2008 respectively.

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

***Transit System Program (Continued)***

**Funded Status and Actuarial Information-Transit System Program**

Milwaukee Transport Services, Inc. funds the Annual Required Contribution during the fiscal year beginning on the valuation date. The Annual Required Contribution comprises the normal cost plus amortization of the Unfunded Actuarial Accrued Liability on a level dollar basis over an open period of thirty years.

The Transport Employees' Pension Plan engages an independent actuarial firm to perform an annual actuarial valuation. The funded status of the Plan as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability- AAL	(Overfunded) Unfunded	UAAAL as a Percentage of Covered Payroll
(a)	(b)	(a/b)	(b-a) (c)
\$ 318,883	\$ 378,310	84.3%	\$ 59,427 \$ 59,417 100.00%

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 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:

[This section intentionally left blank]

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

***Transit System Program (Continued)***

**Funded Status and Actuarial Information-Transit System Program  
(Continued)**

Valuation Date	January 1, 2010
Actuarial Cost Method	Aggregate Entry Age Normal
Asset Valuation Method	5-year moving average
<b>Amortization Methods:</b>	
Contribution Variance	Level Dollar
Administrative Expenses	Paid by Sponsor
All Other Unfunded Liability	30 years
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	8.00%
Rate of Salary Increases	4.25%
Post-retirement Benefit Increases	2.00%
Mortality-Healthy Pensioners	1983 Group Annuity Mortality Table
Mortality-Disabled Pensioners	1965 Railroad Board Ultimate Mortality
Inflation Rate	2%

**Note 16 – Reclassification of Internal Service Fund Activities**

Effective January 1, 2009 the County began accounting for the activities of its Fleet Maintenance and Facilities Management divisions as part of the General Fund. Prior to January 1, 2009 these activities were accounted for and reported as part of the Public Works Services Internal Service Fund. As a result of this reclassification, the Public Works Services Internal Service Fund reported a non-operating revenue of \$35,151 in 2009 to recognize the liquidation of the long-term liabilities that were transferred to the General Fund. In addition, the Public Works Services Internal Service Fund reported a non-operating expense of \$47,382 in 2009 to recognize the disposal of capital assets that were transferred to the General Fund.

**Note 17- 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 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

## **Note 17- Pending Governmental Accounting Standards (Continued)**

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 statement's 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.

##### **Transit System**

The Transport Employees' Pension Plan sponsored by Milwaukee Transport Services Inc., a nonprofit, non-stock corporation, is a single employer contributory defined benefit pension plan. All regular full-time employees of Milwaukee Transport Services Inc. are eligible to participate in the plan.

#### **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)	Covered Payroll (c)	UAAL as a
				Unfunded AAL-UAAL* (b-a)		Percentage of Covered Payroll** ((b-a)/c)
<u>Retirement System</u>						
1/1/10	\$ 1,956,444	\$ 2,097,332	93.28%	\$ 140,888	\$ 237,040	59.44%
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%)**
<u>OBRA</u>						
1/1/10	\$ 1,039	\$ 5,069	20.50%	\$ 4,030	\$ 6,901	58.40%
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%

\* 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 the \$397,797 in pension 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 adjusts for the effects of inflation and aids the analysis of the Retirement System's progress in accumulating sufficient assets to pay benefits when due. Generally, the 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>Retirement System</u>	<u>Fiscal Year</u>	Annual Pension Costs <u>(APC)</u>	Annual Required Contribution <u>(ARC)</u>	<u>Contribution</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation <u>(Asset)</u>
	2009	\$ 23,803	\$ 30,356	\$ 457,789	1923.24%	\$(395,607)
	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>						
	2009	\$ 655	\$ 661	\$ 661	100.92%	\$ -
	2008	558	558	522	93.55%	-
	2007	477	486	529	110.90%	-
	2006	497	499	462	92.96%	-
	2005	388	386	365	94.07%	-
	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	1299.8%
	1/1/2006	-	1,313,632	0.0%	1,313,632	99,327	1322.5%
<u>Transit System Program</u>							
	12/31/2009	\$ 19,088	\$ 209,963	9.1%	\$ 190,875	\$ 57,356	332.8%
	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>County-Wide Program</u>						
	2009	\$ 122,482	\$ 130,752	\$ 60,951	\$ 170,541	49.8%
	2008	126,984	130,741	67,496	109,010	53.2%
	2007	109,598	109,598	60,076	49,522	54.8%
<u>Transit System Program</u>						
	2009	\$ 16,828	\$ 17,034	\$ 13,407	\$ (10)	79.7%
	2008	15,137	14,921	16,724	(3,431)	110.5%
	2007	17,189	17,189	19,033	(1,844)	110.7%

**County Of Milwaukee**  
**Required Supplementary Information**  
**(Unaudited)**  
**Schedules of Funding Progress – Transit Pension Plan**  
(In Thousands of Dollars)

	Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability-</u>	Funded <u>Ratio</u>	(Overfunded) Underfunded AAL- <u>UAAL</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
Transit Retirement <u>System</u>							
	1/1/10	\$ 318,883	\$ 378,311	84.3%	\$ 59,427	\$ 59,417	100.0%
	1/1/09	321,519	384,833	83.5%	63,314	61,000	103.8%
	1/1/08	351,688	375,684	93.6%	23,995	62,000	38.7%
	1/1/07	327,134	354,337	92.3%	27,203	62,000	43.9%
	1/1/06	308,489	334,648	92.2%	26,159	63,750	41.0%
	1/1/05	293,281	312,184	94.0%	18,802	63,350	30.1%
	1/1/04	254,519	284,683	89.4%	30,164	64,500	47.6%
	1/1/03	242,635	269,635	90.0%	27,000	64,700	41.9%
	1/1/02	239,808	254,129	94.4%	14,321	60,500	22.1%
	1/1/01	228,820	226,884	100.9%	(1,936)	58,250	(3.1%)

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

<u>Transit System</u>	<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>
	2009	\$ 9,190	\$ 9,190	\$ 9,190	100.00%	\$ -
	2008	7,243	7,243	7,243	100.00%	-
	2007	7,429	7,429	7,429	100.00%	-
	2006	7,251	7,251	7,251	100.00%	-
	2005	7,316	7,316	7,316	100.00%	-
	2004	7,391	7,391	7,391	100.00%	-
	2003	6,555	6,555	6,555	100.00%	-
	2002	5,134	5,134	5,134	100.00%	-
	2001	4,899	4,899	4,899	100.00%	-

## **OTHER SUPPLEMENTARY INFORMATION**

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

## **BUDGETARY COMPARISON**

COUNTY OF MILWAUKEE  
Statement of Revenues, Expenditures and  
Changes in Fund Balances-Budget and Actual  
(Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2009  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Intergovernmental	\$ 345,533	\$ 388,488	\$ 364,721	\$ (23,767)
Property Taxes	260,237	260,286	260,724	438
Sales Taxes	67,436	67,436	58,838	(8,598)
Charges for Services	377,272	340,565	333,104	(7,461)
Fines and Forfeits	3,409	3,408	3,245	(163)
Licenses and Permits	490	489	453	(36)
Investment Income and Rents	12,684	12,609	10,108	(2,501)
Other	52,889	39,181	22,525	(16,656)
Total Revenues	<u>1,119,950</u>	<u>1,112,462</u>	<u>1,053,718</u>	<u>(58,744)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
County Board	6,125	6,013	5,628	385
Department of Audit	2,513	2,482	2,384	98
Veterans Service	331	327	281	46
Community Development Business Partners	901	1,070	1,159	(89)
Procurement	822	749	659	90
Employee Benefits	2,334	2,269	2,160	109
Labor Relations	599	619	537	82
Office for Persons with Disabilities	746	975	855	120
County Executive	1,212	1,160	943	217
Civil Service Commission	62	66	54	12
Personnel Review Board	186	205	202	3
Corporation Counsel	1,878	1,975	1,635	340
Department of Human Resources	4,348	5,289	3,346	1,943
Department of Administrative Services	3,983	5,999	4,804	1,195
Legislative, Executive and Staff	<u>26,040</u>	<u>29,198</u>	<u>24,647</u>	<u>4,551</u>
County-funded State Court Services	44,241	45,705	44,979	726
Child Support Enforcement	17,065	18,016	17,065	951
Courts and Judiciary	<u>61,306</u>	<u>63,721</u>	<u>62,044</u>	<u>1,677</u>
Election Commission	536	619	607	12
County Treasurer	1,719	1,853	1,838	15
County Clerk	708	699	708	(9)
Register of Deeds	4,775	5,430	4,915	515
General Governmental Services	<u>7,738</u>	<u>8,601</u>	<u>8,068</u>	<u>533</u>
Sheriff	84,752	89,632	83,347	6,285
House of Correction	49,824	49,260	48,103	1,157
District Attorney	18,964	18,781	17,440	1,341
Medical Examiner	4,159	4,258	4,280	(22)
Public Safety	<u>157,699</u>	<u>161,931</u>	<u>153,170</u>	<u>8,761</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, 2009  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Highway Maintenance	\$ 14,041	\$ 14,036	\$ 13,142	\$ 894
Fleet Services	9,080	9,031	6,137	2,894
Facilities Services	22,074	21,063	20,447	616
Administration	1,531	1,526	1,023	503
Public Works and Highways	<u>46,726</u>	<u>45,656</u>	<u>40,749</u>	<u>4,907</u>
County Health Related Programs	15,686	17,103	15,038	2,065
Department on Aging	18,965	19,196	16,885	2,311
Department on Aging -- CMO	262,205	222,947	218,744	4,203
DHHS - Behavioral Health Division	158,920	161,687	163,121	(1,434)
Department of Human Services	196,304	245,465	219,456	26,009
Human Services	<u>652,080</u>	<u>666,398</u>	<u>633,244</u>	<u>33,154</u>
Department of Parks	40,021	40,377	38,087	2,290
Zoological Department	23,085	23,353	21,663	1,690
UW Extension Service	486	493	472	21
Other Cultural Organizations	918	1,871	736	1,135
Parks, Recreation and Culture	<u>64,510</u>	<u>66,094</u>	<u>60,958</u>	<u>5,136</u>
Total Expenditures	<u>1,016,099</u>	<u>1,041,599</u>	<u>982,880</u>	<u>58,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>103,851</u>	<u>70,863</u>	<u>70,838</u>	<u>(25)</u>
Other Financing Sources (Uses):				
Application of Fund Balance	7,947	7,947	7,947	-
General Obligation Bonds Issued	176	833	231	(602)
Pension Obligation Bonds Issued	-	775	775	-
Transfers In	-	-	12,560	12,560
Transfers Out	(105,443)	(73,887)	(90,562)	(16,675)
Transfers To Component Units	(6,531)	(6,531)	(6,531)	-
Total Other Financing Sources (Uses)	<u>(103,851)</u>	<u>(70,863)</u>	<u>(75,580)</u>	<u>(4,717)</u>
Special Items:				
Proceeds from Legal Settlement	-	-	29,000	29,000
Payment to Employee Retirement System	-	-	(29,000)	(29,000)
Total Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	(4,742)	(4,742)
Fund Balances -- Beginning	49,070	49,070	49,070	-
Fund Balances -- Ending	<u>\$ 49,070</u>	<u>\$ 49,070</u>	<u>\$ 44,328</u>	<u>\$ (4,742)</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, 2009  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Other	\$ 8,871	\$ 15,398	\$ 2,534	\$ (12,864)
Total Revenues	<u>8,871</u>	<u>15,398</u>	<u>2,534</u>	<u>(12,864)</u>
Expenditures:				
Debt Service:				
Principal Retirement	52,294	52,294	48,164	4,130
Interest and Other Charges	16,344	16,344	32,215	(15,871)
Total Expenditures	<u>68,638</u>	<u>68,638</u>	<u>80,379</u>	<u>(11,741)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,767)</u>	<u>(53,240)</u>	<u>(77,845)</u>	<u>(24,605)</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	-	-	11,160	11,160
Pension Obligation Bonds Issued	-	-	399,225	399,225
Principal Payment - Current Refunding	-	-	(9,214)	(9,214)
Transfers In	59,767	53,240	69,829	16,589
Total Other Financing Sources (Uses)	<u>59,767</u>	<u>53,240</u>	<u>471,000</u>	<u>417,760</u>
Special Item:				
Contribution to Employee Retirement System	-	-	(397,692)	(397,692)
Total Special Item	<u>-</u>	<u>-</u>	<u>(397,692)</u>	<u>(397,692)</u>
Net Change in Fund Balance	-	-	(4,537)	(4,537)
Fund Balances - Beginning	10,757	10,757	10,757	-
Fund Balances - Ending	<u>\$ 10,757</u>	<u>\$ 10,757</u>	<u>\$ 6,220</u>	<u>\$ (4,537)</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, 2009  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Intergovernmental	\$ 14,452	\$ 10,458	\$ 15,819	\$ 5,361
Sales Tax	420	420	420	-
Investment Income and Rents	444	1,027	547	(480)
Other	4,123	21,561	14,909	(6,652)
Total Revenues	<u>19,439</u>	<u>33,466</u>	<u>31,695</u>	<u>(1,771)</u>
<b>Expenditures:</b>				
Capital Outlay	51,908	83,127	80,030	3,097
Total Expenditures	<u>51,908</u>	<u>83,127</u>	<u>80,030</u>	<u>3,097</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,469)</u>	<u>(49,661)</u>	<u>(48,335)</u>	<u>1,326</u>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds Issued	32,469	78,754	78,609	(145)
Premium on Debt Issued	-	-	539	539
Discount on Debt Issued	-	-	(619)	(619)
Transfers In	-	-	453	453
Transfers Out	-	-	(812)	(812)
Total Other Financing Sources (Uses)	<u>32,469</u>	<u>78,754</u>	<u>78,170</u>	<u>(584)</u>
Net Change in Fund Balance	-	29,093	29,835	742
Fund Balances - Beginning	11,595	11,595	11,595	-
Fund Balances - Ending	<u>\$ 11,595</u>	<u>\$ 40,688</u>	<u>\$ 41,430</u>	<u>\$ 742</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, 2009  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 63,349	\$ 66,599	\$ 57,431	\$ (9,168)
Admissions and Concessions	13,618	13,618	13,552	(66)
Total Charges for Services	<u>76,967</u>	<u>80,217</u>	<u>70,983</u>	<u>(9,234)</u>
Other Revenues	15	15	14	(1)
Total Operating Revenues	<u>76,982</u>	<u>80,232</u>	<u>70,997</u>	<u>(9,235)</u>
Operating Expenses:				
Personnel Services	24,824	24,901	19,685	5,216
Contractual Services	18,733	20,769	18,974	1,795
Intra-County Services	9,780	9,519	9,354	165
Commodities	3,699	3,879	4,444	(565)
Depreciation and Amortization	12,064	12,064	15,054	(2,990)
Maintenance	608	1,678	1,245	433
Other	443	686	337	349
Total Operating Expenses	<u>70,151</u>	<u>73,496</u>	<u>69,093</u>	<u>4,403</u>
Operating Income (Loss)	<u>6,831</u>	<u>6,736</u>	<u>1,904</u>	<u>(4,832)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	50	50	179	129
Investment Income	1,450	1,450	945	(505)
Interest Expense	(9,366)	(9,366)	(9,004)	362
Revenue Bonds	-	209	-	(209)
Total Nonoperating Revenues (Expenses)	<u>(7,866)</u>	<u>(7,657)</u>	<u>(7,880)</u>	<u>(223)</u>
Income (Loss) Before Transfers	(1,035)	(921)	(5,976)	(5,055)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	2,896	2,896	23,119	20,223
Transfers In	-	-	1,393	1,393
Transfers Out	<u>(1,861)</u>	<u>(1,975)</u>	<u>(2,876)</u>	<u>(901)</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,660</u>	<u>\$ 15,660</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, 2009  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Operating Revenues:</b>				
Rentals and Other Service Fees	\$ 120	\$ 120	\$ 98	\$ (22)
Transit Fares	56,035	56,035	52,297	(3,738)
Total Charges for Services	56,155	56,155	52,395	(3,760)
Other Revenues	2,970	2,970	3,029	59
Total Operating Revenues	<u>59,125</u>	<u>59,125</u>	<u>55,424</u>	<u>(3,701)</u>
<b>Operating Expenses:</b>				
Personnel Services	112,196	112,196	115,120	(2,924)
Contractual Services	29,688	29,688	30,018	(330)
Intra-County Services	1,635	1,635	1,583	52
Commodities	20,411	20,411	16,132	4,279
Depreciation and Amortization	13,952	13,952	12,505	1,447
Maintenance	297	443	562	(119)
Other	2,444	2,444	1,137	1,307
Total Operating Expenses	<u>180,623</u>	<u>180,769</u>	<u>177,057</u>	<u>3,712</u>
Operating Income (Loss)	<u>(121,498)</u>	<u>(121,644)</u>	<u>(121,633)</u>	<u>11</u>
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental Revenues	90,458	90,458	89,931	(527)
Interest Expense	(988)	(988)	(1,151)	(163)
Total Nonoperating Revenues (Expenses)	<u>89,470</u>	<u>89,470</u>	<u>88,780</u>	<u>(690)</u>
Income (Loss) Before Transfers	(32,028)	(32,174)	(32,853)	(679)
<b>Add Depreciation on Capital Assets</b>				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	11,293	11,293	(5,536)	(16,829)
Transfers In	20,735	20,881	23,004	2,123
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,385)</u>	<u>\$ (15,385)</u>

## COMBINING STATEMENTS

### Other Governmental Funds

#### **Special Revenue Funds**

The Special Revenue Funds are used to account for endowments, bequests and restricted donations, where the principal may be expended in the course of their designated operations. The specific purpose of each Special Revenue Fund is as follows:

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

**Parks** - Enhancement of the Todd Wehr Nature Center and restoration of the Trimborn Farm as a historic park.

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

**Behavioral Health Division** - Mental health research, patient activities and special events, and compensated absence payouts for BHD retirees.

**Public Works**- Compensated absence payouts for retirees from the Fleet and Facilities divisions.

**Airport PFC (Passenger Facility Charge)** –Federal Aviation Administration (FAA) approved capital projects at the Airport.

**Health and Safety** – Countywide safety training and new employee screenings.

COUNTY OF MILWAUKEE  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2009  
 (In Thousands)

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Health and Safety	Public Works	
<b>ASSETS</b>								
Cash and Investments	\$ 773	\$ 998	\$ 123	\$ 8,978	\$ -	\$ 136	\$ 6,499	\$ 17,507
Cash and Investments -- Restricted	-	-	-	-	22,179	-	-	22,179
Total Assets	<u>\$ 773</u>	<u>\$ 998</u>	<u>\$ 123</u>	<u>\$ 8,978</u>	<u>\$ 22,179</u>	<u>\$ 136</u>	<u>\$ 6,499</u>	<u>\$ 39,686</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ 121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121
Total Liabilities	<u>121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121</u>
Fund Balances:								
Reserved	652	998	123	8,978	22,179	136	6,499	39,565
Total Fund Balances	<u>652</u>	<u>998</u>	<u>123</u>	<u>8,978</u>	<u>22,179</u>	<u>136</u>	<u>6,499</u>	<u>39,565</u>
Total Liabilities and Fund Balances	<u>\$ 773</u>	<u>\$ 998</u>	<u>\$ 123</u>	<u>\$ 8,978</u>	<u>\$ 22,179</u>	<u>\$ 136</u>	<u>\$ 6,499</u>	<u>\$ 39,686</u>

COUNTY OF MILWAUKEE  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2009  
(In Thousands)

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Health and Safety	Public Works	
Revenues:								
Charges for Services	\$ 641	\$ 45	\$ -	\$ -	\$ 10,801	\$ -	\$ -	\$ 11,487
Investment Income and Rents	13	2	1	-	678	-	-	694
Other	59	116	-	-	-	-	-	175
Total Revenues	<u>713</u>	<u>163</u>	<u>1</u>	<u>-</u>	<u>11,479</u>	<u>-</u>	<u>-</u>	<u>12,356</u>
Expenditures:								
Current:								
Public Works and Highways	-	-	-	-	23,382	-	511	23,893
Human Services	-	-	6	366	-	-	-	372
Parks, Recreation and Culture	746	237	-	-	-	-	-	983
Total Expenditures	<u>746</u>	<u>237</u>	<u>6</u>	<u>366</u>	<u>23,382</u>	<u>-</u>	<u>511</u>	<u>25,248</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33)</u>	<u>(74)</u>	<u>(5)</u>	<u>(366)</u>	<u>(11,903)</u>	<u>-</u>	<u>(511)</u>	<u>(12,892)</u>
Other Financing Sources (Uses)								
Transfers In	-	-	-	-	-	-	7,010	7,010
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,010</u>	<u>7,010</u>
Net Changes in Fund Balance	(33)	(74)	(5)	(366)	(11,903)	-	6,499	(5,882)
Fund Balances -- Beginning	685	1,072	128	9,344	34,082	136	-	45,447
Fund Balances -- Ending	<u>\$ 652</u>	<u>\$ 998</u>	<u>\$ 123</u>	<u>\$ 8,978</u>	<u>\$ 22,179</u>	<u>\$ 136</u>	<u>\$ 6,499</u>	<u>\$ 39,565</u>

## COMBINING STATEMENTS

### Internal Service Funds

#### **Internal Service Funds**

The Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the County, or to other governmental entities, on a cost-reimbursement basis. The specific purpose of each Internal Service Fund is listed below.

**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.

**Water Utility** – maintains the water distribution system that is located on the Milwaukee County Grounds.

**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, 2009  
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
<b>Assets</b>				
Current Assets:				
Cash and Investments	\$ 5,152	\$ 4,074	\$ 11,320	\$ 20,546
Accounts Receivable (Net of Allowances for Uncollectible Accounts)	64	18	-	82
Due From Other Governments	-	293	-	293
Prepaid Items	61	-	-	61
Total Current Assets	<u>5,277</u>	<u>4,385</u>	<u>11,320</u>	<u>20,982</u>
Capital Assets:				
Construction in Progress	998	1,073	-	2,071
Land Improvements	-	3,254	-	3,254
Building and Improvements	1,151	1,837	-	2,988
Furniture, Machinery and Equipment	34,243	1,103	7	35,353
Total Capital Assets	<u>36,392</u>	<u>7,267</u>	<u>7</u>	<u>43,666</u>
Less Accumulated Depreciation	<u>(28,745)</u>	<u>(4,735)</u>	<u>(6)</u>	<u>(33,486)</u>
Net Capital Assets	<u>7,647</u>	<u>2,532</u>	<u>1</u>	<u>10,180</u>
Total Assets	<u>\$ 12,924</u>	<u>\$ 6,917</u>	<u>\$ 11,321</u>	<u>\$ 31,162</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 443	\$ 73	\$ 13	\$ 529
Accrued Interest	131	7	-	138
Unearned Revenues	-	1	-	1
Bonds and Notes Payable - General Obligation	1,735	47	-	1,782
Compensated Absences	779	543	48	1,370
Capital Leases	-	5	-	5
Risk Claims	-	-	7,125	7,125
Total Current Liabilities	<u>3,088</u>	<u>676</u>	<u>7,186</u>	<u>10,950</u>
Long-Term Liabilities:				
Bonds and Notes Payable - General Obligation	11,223	1,684	-	12,907
Compensated Absences	952	814	48	1,814
Capital Leases	-	39	-	39
Risk Claims	-	-	3,769	3,769
Other Post Employment Benefits	2,412	2,130	309	4,851
Total Long-Term Liabilities	<u>14,587</u>	<u>4,667</u>	<u>4,126</u>	<u>23,380</u>
Total Liabilities	<u>17,675</u>	<u>5,343</u>	<u>11,312</u>	<u>34,330</u>
<b>Net Assets (Liabilities)</b>				
Unrestricted	560	817	8	1,385
Invested in Capital Assets, Net of Related Debt	(5,311)	757	1	(4,553)
Total Net Assets (Liabilities)	<u>(4,751)</u>	<u>1,574</u>	<u>9</u>	<u>(3,168)</u>
Total Liabilities and Net Assets	<u>\$ 12,924</u>	<u>\$ 6,917</u>	<u>\$ 11,321</u>	<u>\$ 31,162</u>

COUNTY OF MILWAUKEE  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For The Year Ended December 31, 2009  
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Operating Revenues:				
Charges for Services	\$ 15,979	\$ 8,907	\$ 7,179	\$ 32,065
Other	177	107	137	421
Total Operating Revenues	<u>16,156</u>	<u>9,014</u>	<u>7,316</u>	<u>32,486</u>
Operating Expenses:				
Personnel Services	8,259	5,884	618	14,761
Contractual Services	4,123	1,225	50	5,398
Intra-County Services	363	1,661	135	2,159
Commodities	233	59	2	294
Depreciation and Amortization	2,459	104	1	2,564
Maintenance	20	856	-	876
Insurance and Claims	-	-	6,490	6,490
Other	-	22	-	22
Total Operating Expenses	<u>15,457</u>	<u>9,811</u>	<u>7,296</u>	<u>32,564</u>
Operating Income (Loss)	<u>699</u>	<u>(797)</u>	<u>20</u>	<u>(78)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	220	443	-	663
Reassignment of Long-term Liabilities to General Fund	-	35,151	-	35,151
Reassignment of Capital Assets to General Fund	-	(47,382)	-	(47,382)
Interest Expense	(563)	(85)	-	(648)
Total Nonoperating Revenues (Expenses)	<u>(343)</u>	<u>(11,873)</u>	<u>-</u>	<u>(12,216)</u>
Income (Loss) Before Contributions and Transfers	356	(12,670)	20	(12,294)
Capital Contributions (Returned)	(532)	1,514	-	982
Transfers Out	(2,092)	(6,758)	(22)	(8,872)
Change in Net Assets	(2,268)	(17,914)	(2)	(20,184)
Net Assets (Liabilities) -- Beginning	(2,483)	19,488	11	17,016
Net Assets (Liabilities) -- Ending	<u>\$ (4,751)</u>	<u>\$ 1,574</u>	<u>\$ 9</u>	<u>\$ (3,168)</u>

COUNTY OF MILWAUKEE  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2009  
(In Thousands)

	Information Management <u>Services</u>	Public Works <u>Services</u>	Risk Management	<u>Total</u>
<b>Cash Flows Provided (Used) by Operating Activities:</b>				
Receipts from Customers and Users	\$ 248	\$ 3,702	\$ 637	\$ 4,587
Receipts from Interfund Services	15,979	5,323	6,679	27,981
Payments to Suppliers	(4,273)	(2,130)	(6,534)	(12,937)
Payments to Employees	(7,392)	(5,227)	(496)	(13,115)
Payments for Interfund Services Used	(463)	(1,661)	192	(1,932)
Net Cash Flows Provided (Used) by Operating Activities	<u>4,099</u>	<u>7</u>	<u>478</u>	<u>4,584</u>
<b>Cash Flows Provided (Used) by Noncapital Financing Activities:</b>				
Intergovernmental Revenues	220	439	-	659
Transfers (To) Other Funds	<u>(2,092)</u>	<u>(6,758)</u>	<u>(22)</u>	<u>(8,872)</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(1,872)</u>	<u>(6,319)</u>	<u>(22)</u>	<u>(8,213)</u>
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities:</b>				
Proceeds from Long-Term Debt	1,796	438	-	2,234
Principal Payment on Long-Term Debt	(1,825)	-	-	(1,825)
Interest Paid on Long-Term Debt	(551)	(85)	-	(636)
Payments on Capital Lease	-	(5)	-	(5)
Acquisition of Capital Assets	<u>(1,536)</u>	<u>(952)</u>	<u>-</u>	<u>(2,488)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(2,116)</u>	<u>(604)</u>	<u>-</u>	<u>(2,720)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	111	(6,916)	456	(6,349)
Cash and Cash Equivalents at Beginning of Year	5,041	10,990	10,864	26,895
Cash and Cash Equivalents at End of Year	<u>\$ 5,152</u>	<u>\$ 4,074</u>	<u>\$ 11,320</u>	<u>\$ 20,546</u>

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

Operating Income (Loss):	\$ 699	\$ (797)	\$ 20	\$ (78)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	2,459	104	1	2,564
(Increase) Decrease in Assets:				
Accounts Receivable	1	11	-	12
Prepaid Items	70	-	2	72
Increase (Decrease) in Liabilities:				
Accounts Payable	3	32	6	41
Accrued Liabilities	11	7	-	18
Risk Claims	-	-	327	327
Other Post Retirement Benefits	819	712	110	1,641
Compensated Absences	37	(62)	12	(13)
Total Adjustments	<u>3,400</u>	<u>804</u>	<u>458</u>	<u>4,662</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 4,099</u>	<u>\$ 7</u>	<u>\$ 478</u>	<u>\$ 4,584</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, 2009  
(In Thousands)

	<u>January 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2009</u>
<b><u>CIVIL COURT ORDERED AGENCY FUND FOR FAMILY SUPPORT/PAYMENTS</u></b>				
Cash and Investments	\$ 11,648	\$ 50,312	\$ 51,420	\$ 10,540
<b>Total Assets</b>	<u>\$ 11,648</u>	<u>\$ 50,312</u>	<u>\$ 51,420</u>	<u>\$ 10,540</u>
Agency Deposits	\$ 11,648	\$ 46,804	\$ 47,912	\$ 10,540
<b>Total Liabilities</b>	<u>\$ 11,648</u>	<u>\$ 46,804</u>	<u>\$ 47,912</u>	<u>\$ 10,540</u>
 <b><u>OTHER AGENCY FUNDS</u></b>				
Cash and Investments	\$ 10,315	\$ 89,625	\$ 90,771	\$ 9,169
Other Receivables	-	28,992	28,992	-
<b>Total Assets</b>	<u>\$ 10,315</u>	<u>\$ 118,617</u>	<u>\$ 119,763</u>	<u>\$ 9,169</u>
Accounts Payable	\$ 125	\$ 8,347	\$ 8,296	\$ 176
Agency Deposits	10,190	45,016	46,213	8,993
<b>Total Liabilities</b>	<u>\$ 10,315</u>	<u>\$ 53,363</u>	<u>\$ 54,509</u>	<u>\$ 9,169</u>
 <b><u>SUMMARY</u></b>				
Cash and Investments	\$ 21,963	\$ 139,937	\$ 142,191	\$ 19,709
Other Receivables	-	28,992	28,992	-
<b>Total Assets</b>	<u>\$ 21,963</u>	<u>\$ 168,929</u>	<u>\$ 171,183</u>	<u>\$ 19,709</u>
Accounts Payable	\$ 125	\$ 8,347	\$ 8,296	\$ 176
Agency Deposits	21,838	91,820	94,125	19,533
<b>Total Liabilities</b>	<u>\$ 21,963</u>	<u>\$ 100,167</u>	<u>\$ 102,421</u>	<u>\$ 19,709</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  
\$35,095,000 General Obligation Refunding Bonds, Series 2011A

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The General Obligation Refunding Bonds, Series 2011A (the "*Bonds*") of Milwaukee County, Wisconsin (the "*County*") are in fully registered form; are dated the date hereof; are issued in the aggregate principal amount of \$35,095,000; 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 October 1, 2011, as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2012	\$ 4,640,000	5.00%
2013	6,225,000	5.00
2014	6,225,000	5.00
2015	6,225,000	5.00
2016	6,235,000	5.00
2017	3,935,000	5.00
2018	1,610,000	5.00

The Bonds are not subject to redemption prior to maturity.

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

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

## 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 General Obligation Refunding Bonds, Series 2011A, dated the date hereof, in the aggregate principal amount of \$35,095,000 (the “*Bonds*”). The Bonds are being issued pursuant to an Initial Resolution adopted by the Governing Body (as hereinafter defined) of the Issuer on December 16, 2010, and an Authorizing Resolution adopted by the Governing Body of the Issuer on March 17, 2011 (collectively, the “*Resolutions*”) and delivered to Citigroup Global Markets 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 Bonds in order to assist the Participating Underwriters, within the meaning of the Rule (as defined herein), in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to owners of the Bonds shall include beneficial owners of the Bonds. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

*Section 2. Definitions.* In addition to the defined terms set forth in the Resolutions, 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.

“*Final Official Statement*” means the final official statement dated March 17, 2011, delivered in connection with the Bonds, which is available from the Municipal Securities Rulemaking Board (MSRB).

“*Fiscal Year*” means the fiscal year of the Issuer.

“*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 Bonds.

“*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.

“*MSRB*” means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds (including the Purchaser) required to comply with the Rule in connection with the primary offering of the Bonds.

“*Reportable Event*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*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, 2010, 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.

(c) MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

*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 Last Five Years  
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 to 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. Each filing made pursuant to this Disclosure Certificate shall contain the CUSIP numbers of the Bonds.

*Section 5. Reportable 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 Bonds:

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 the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax-exempt status of the Bonds;
7. Modification to rights of holders of the Bonds;
8. Securities calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever a Material Event occurs, the Issuer shall promptly file (not in excess of ten (10) days after the occurrence of the Reportable Event) a notice of such occurrence with EMMA. Notwithstanding the foregoing, notice of Reportable 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 Bonds pursuant to the Resolutions.

(c) 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. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

*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 Bonds.

*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 Resolutions 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 Resolutions 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 Bonds. The provisions of this Disclosure Certificate may be amended without the consent of the owners of the Bonds, 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 the occurrence of a Material Event.

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

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Bonds 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 Bonds or under the 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 Bonds, 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 30th day of March, 2011.

\_\_\_\_\_  
Chairperson of the County Board

\_\_\_\_\_  
County Clerk

Approved as to Form:

\_\_\_\_\_  
Corporation Counsel

Reviewed By: \_\_\_\_\_

Jason Gates  
Risk Manager

Date: \_\_\_\_\_, 2011

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