

**NEW ISSUE: FULL BOOK-ENTRY**

See “RATINGS” herein

*Subject to compliance with certain covenants, in the opinion of Quarles & Brady LLP, and Crump Law Firm, LLC, Co-Bond Counsel, under present law, interest on the Bonds (as hereinafter defined) 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 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 Internal Revenue Code of 1986, as amended.*

**OFFICIAL STATEMENT****\$39,240,000****MILWAUKEE COUNTY, WISCONSIN  
GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2014A****Interest Accrual Date:** Date of Delivery**Delivery:** On or about November 6, 2014

The \$39,240,000 General Obligation Corporate Purpose Bonds, Series 2014A (the “Bonds”), are being issued by Milwaukee County, Wisconsin (the “County”) pursuant to Chapter 67 of the *Wisconsin Statutes*. The Bonds are being issued to provide financing for certain capital projects as described in “DESCRIPTION OF BONDS – Authorization and Purpose” herein.

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 (“DTC”). DTC or a successor depository will act as securities depository of the Bonds (the “Depository”). Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Principal, payable on each December 1 as set forth below, and interest on the Bonds, payable semiannually on each June 1 and December 1, commencing on June 1, 2015, 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>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2015	\$ 2,620,000	2.000%	0.200%	602245ZX3	2023	\$ 2,615,000	3.000%	2.420%	602245A77
2016	2,620,000	2.000%	0.430%	602245ZY1	2024	2,615,000	3.000%	2.530%	602245A85
2017	2,620,000	2.000%	0.730%	602245ZZ8	2025	2,615,000	3.000%	2.870%	602245A93
2018	2,615,000	2.000%	1.100%	602245A28	2026	2,615,000	3.000%	2.960%	602245B27
2019	2,615,000	2.000%	1.370%	602245A36	2027	2,615,000	3.125%	3.030%	602245B35
2020	2,615,000	2.000%	1.700%	602245A44	2028	2,615,000	3.250%	3.080%	602245B43
2021	2,615,000	3.000%	2.000%	602245A51	2029	2,615,000	3.250%	3.130%	602245B50
2022	2,615,000	3.000%	2.250%	602245A69					

The County Treasurer will act as Paying Agent and Registrar for the Bonds. The Bonds are subject to optional redemption prior to maturity as described herein. See “DESCRIPTION OF THE BONDS – Optional Redemption” herein.

The date of this Official Statement is October 23, 2014.

*THIS COVER PAGE IS NOT INTENDED TO BE A SUMMARY OF THE TERMS OF, OR THE SECURITY FOR, THE BONDS. INVESTORS ARE ADVISED TO READ THE OFFICIAL STATEMENT IN ITS ENTIRETY TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.*

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## INTRODUCTION TO OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the County's \$39,240,000 General Obligation Corporate Purpose Bonds, Series 2014A (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>	Date of Delivery.				
<b>Delivery:</b>	Delivery of the Bonds is expected on or about November 6, 2014.				
<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 irrevocable tax has been levied upon all taxable property in the County. (See "DESCRIPTION OF THE BONDS – Security Provisions" herein.)				
<b>Purpose and Authority:</b>	Proceeds of the Bonds will be used to provide financing for certain capital projects as described 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 maturing on December 1, 2024 and thereafter are subject to prior redemption at the option of the County on December 1, 2023 and on any date thereafter. (See "DESCRIPTION OF THE BONDS – Optional Redemption" herein.)				
<b>Principal Payments:</b>	Annually, December 1, 2015 through 2029.				
<b>Interest Payments:</b>	On each June 1 and December 1, commencing on June 1, 2015.				
<b>Tax Exemption:</b>	In the opinion of Co-Bond Counsel as more fully described herein, interest on the Bonds is excludible from gross income for federal income tax purposes, and is not an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX EXEMPTION" herein. Interest on the Bonds is not exempt from Wisconsin income or franchise taxes.				
<b>Not Bank Qualified:</b>	The Bonds will not be designated as "qualified tax-exempt obligations."				
<b>Professional Consultants:</b>	<table><tr><td><i>Financial Advisor:</i></td><td>Public Financial Management, Inc. Milwaukee, Wisconsin</td></tr><tr><td><i>Co-Bond Counsel:</i></td><td>Quarles &amp; Brady LLP Milwaukee, Wisconsin and Crump Law Firm, LLC Milwaukee, Wisconsin</td></tr></table>	<i>Financial Advisor:</i>	Public Financial Management, Inc. Milwaukee, Wisconsin	<i>Co-Bond Counsel:</i>	Quarles & Brady LLP Milwaukee, Wisconsin and Crump Law Firm, LLC Milwaukee, Wisconsin
<i>Financial Advisor:</i>	Public Financial Management, Inc. Milwaukee, Wisconsin				
<i>Co-Bond Counsel:</i>	Quarles & Brady LLP Milwaukee, Wisconsin and Crump Law Firm, LLC Milwaukee, Wisconsin				
<b>Paying Agent/Registrar:</b>	Milwaukee County Treasurer's Office.				

- Record Date:** The 15<sup>th</sup> day of the month preceding each payment date.
- Legal Matters:** Legal matters incident to the authorization and issuance of the Bonds are subject to the opinions of Quarles & Brady LLP, Milwaukee, Wisconsin and Crump Law Firm, LLC, Milwaukee, Wisconsin, Co-Bond Counsel, as to validity and federal tax exemption. The opinions 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 headings “DESCRIPTION OF THE BONDS” and “TAX EXEMPTION”.
- Conditions Affecting Issuance of Bonds:** The Bonds are offered subject to receipt of the unqualified approving legal opinions of Quarles & Brady LLP, Milwaukee, Wisconsin and Crump Law Firm, LLC, Milwaukee, Wisconsin, Co-Bond Counsel to the County.
- Book-Entry-Only:** The Bonds will be issued as book-entry-only securities through The Depository Trust Company.
- No Litigation:** There is currently no litigation pending or, to the best of certain County officials’ knowledge, threatened, which questions the validity of the Bonds or of any proceedings of the County taken with respect to the issuance or sale thereof.
- Limitations on Offering or Reoffering Securities:** No dealer, broker, sales representative or other person has been authorized by the County or the Financial Advisor to give any information or to make any representations other than those contained in the Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the County or the Financial Advisor. The Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Questions regarding the Bonds or the Official Statement can be directed to Pamela Bryant, Capital Finance Manager, Milwaukee County Comptroller’s Office, 901 North Ninth Street, Room 301, Milwaukee, Wisconsin 53233, (414/278-4396).

## DESCRIPTION OF THE BONDS

### *Authorizations and Purpose*

The Milwaukee County Board of Supervisors (the "County Board") adopted initial resolutions on March 20, 2014 (the "Initial Resolutions"), authorizing the issuance of general obligation bonds in an amount not to exceed \$42,000,000 for public purposes. The County Board approved the Initial Resolutions by a vote of at least 3/4 of the members-elect of the County Board.

The Initial Resolutions authorized not to exceed \$4,190,000 of bonds to finance the construction, improvement and maintenance of highways and bridges; not to exceed \$6,445,000 of bonds to provide a memorial for soldiers, sailors and marines by financing renovations and improvements at the War Memorial Center; and not to exceed \$31,365,000 of bonds to finance the acquisition, construction, improvement, extension and equipping of general capital projects in the County. The Bonds are being issued in the following amounts for the following purposes: \$3,970,000 to finance the construction, improvement and maintenance of highways and bridges; \$6,360,000 to provide a memorial for soldiers, sailors and marines by financing renovations and improvements at the War Memorial Center; and \$28,910,000 to finance the acquisition, construction, improvement, extension and equipping of general capital projects in the County.

On March 20, 2014, the County Board also adopted a resolution (the "Parameters Resolution") establishing the parameters for the sale of the Bonds and delegating to the Comptroller authorization to approve the sale of the Bonds, subject to the parameters established by the Parameters Resolution. On October 23, 2014 the Comptroller executed an approving certificate confirming that the conditions set forth in the Parameters Resolution are satisfied and approving the sale of the Bonds.

### *Sources and Uses*

The estimated sources and uses of the Bonds are as follows:

<u>Estimated Sources:</u>	
Par Amount	\$ 39,240,000.00
Original Issue Premium	1,106,019.65
Total Sources of Funds	<u>\$ 40,346,019.65</u>
 <u>Estimated Uses:</u>	
Project Fund Deposit	\$ 38,518,764.00
Debt Service Fund Deposit	1,327,873.00
Costs of Issuance	499,382.65
Total Uses of Funds	<u>\$ 40,346,019.65</u>

### *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 sufficient to pay the principal of and interest on the Bonds.

### ***Optional Redemption***

The Bonds maturing on December 1, 2024 and thereafter are subject to prior redemption at the option of the County on December 1, 2023 and any date thereafter at a price of par plus accrued interest.

### ***Notice of Redemption***

At least thirty (30) days and not more than sixty (60) days prior to the date fixed for any such redemption, notice of such redemption shall be given to the Registered Owners of the Bonds or portions thereof being called for redemption by registered or certified mail, overnight express delivery, facsimile transmission, electronic transmission or in any other manner required by the Depository. So long as DTC is the Depository for the Bonds, such notice shall be given only to DTC. The failure to send, mail or receive any notice of redemption shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the prepayment price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, and in an aggregate principal amount equal to the unprepaid portion thereof, will be issued to the Registered Owner upon the surrender of the Bond being redeemed, all as provided for in the Resolution.

### ***Registration, Transfer and Exchange***

The County has initially designated the County's Treasurer to serve as Paying Agent/Registrar for the Bonds. The County may, at any time, at its option replace the County's Treasurer as Paying Agent/Registrar for the Bonds with a bank, trust company or national banking association designated by the County to serve as Paying Agent/Registrar.

The Bonds will be initially registered in the name of Cede & Co., as nominee of DTC. DTC or a successor securities depository will act as the Depository for the Bonds. Individual purchases may be made in book-entry-only form, 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 document 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 the Bonds, in the aggregate principal amount of the Bonds, 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 Ratings Services’ rating of AA+. 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 Bond 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.

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

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.

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, Bond 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, Bond 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.

## **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 of a rating could have an adverse effect on the market price of the Bonds. The County and the Financial Advisor 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 October 23, 2014.

Citigroup Global Markets Inc. has agreed, subject to the conditions of closing set forth in the Official Terms of Offering for the Bonds, to purchase the Bonds at a purchase price of \$40,024,800.00 (consisting of the par amount of the Bonds, plus an original issue premium of \$1,106,019.65, less an underwriter's discount of \$321,219.65), plus accrued interest, if any.

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.

## **FINANCIAL ADVISOR**

The County has retained Public Financial Management, Inc., Milwaukee, Wisconsin as Financial Advisor (the "Financial Advisor") with respect to the issuance of the Bonds. The Financial Advisor have relied upon governmental officials and other sources to provide assistance to the County. The Financial Advisor have reviewed this Official Statement but have not been engaged, nor have they undertaken, to independently verify the accuracy of such information. The Financial Advisor 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 Financial Advisor will not participate in the underwriting of the Bonds. Requests for information concerning the County may be addressed to Public Financial Management, Inc., 115 South 84th Street, Suite 315, Milwaukee, Wisconsin 53214, (414/771-2700).

## LITIGATION

As certified by certain authorized officials of the County, there is no litigation of any nature, either pending or, to the best of such officials' 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 predict exposure to liability 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 Quarles & Brady LLP, Milwaukee, Wisconsin, and Crump Law Firm, 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, except for guidance concerning "DESCRIPTION OF THE BONDS" and "TAX MATTERS", 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.

## TAX EXEMPTION

Quarles & Brady LLP, Milwaukee, Wisconsin, and Crump Law Firm, LLC, Milwaukee, Wisconsin, Co-Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States 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 proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

### CONTINUING DISCLOSURE

In order to assist the Underwriter 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 Resolution 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 Municipal Securities Rulemaking Board through the Electronic Municipal Market Access system (“EMMA”), and to provide notices to EMMA of the occurrence of certain events enumerated in the Rule. 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.

During the past five years, the County has failed to file its annual financial information as required in accordance with the Rule. Specifically, under previously executed continuing disclosure certificates, the County was and is obligated to file annual reports containing financial information and operating data no later than 270 days after the end of each fiscal year, as well as notice of any inability or failure to file such annual reports by the required date. For years ended December 31, 2009, 2010 and 2011, not all of the required information was filed within the 270-day period and no notice of any such failure to file on time was sent to EMMA, as further described below:

1. **For Year Ended December 31, 2009:** The financial information portion of the annual report (the County’s 2009 CAFR) was filed by the County on EMMA on December 4, 2012. The operating data portion of the annual report was filed by the County on EMMA for its GARBs on September 2, 2014 and for its general obligation and pension appropriation debt instruments on September 10, 2014. However, updated operating data with respect to the County’s GARBs was included in the official statement for the County’s 2010A and 2010B GARB issues, which was posted to EMMA on August 8, 2010. Similarly, operating data with respect to the County’s general obligation and pension appropriation debt instruments was included in the official statement for the County’s 2010C and 2010D general obligation issues, which was posted to EMMA on December 20, 2010.
2. **For Year Ended December 31, 2010:** The operating data portion of the annual report was filed by the County on EMMA for its GARBs on November 21, 2011, and for its general obligation and pension appropriation debt instruments on December 12, 2011. The financial information of the annual report (the County’s 2010 CAFR) was filed within the 270-day period by the County on EMMA on August 23, 2011.

One item of operating data (i.e., Five-Year Capital Improvement Program) was inadvertently omitted from the County’s operating data portion of its annual report filings for 2009, 2010 and 2011. The County filed an operating data filing with the required five-year capital improvement programs on January 4, 2013.

As such, for each of these years, the County was late in filing all or a portion of the County’s annual report on EMMA, no notices of failure to file on time were sent to EMMA, and all required information was subsequently filed.

In 2010, both Moody’s and Fitch engaged in a recalibration of certain U.S. municipal (i.e., public finance) ratings. The intent of the recalibrations was to provide a greater degree of comparability across the respective rating agency’s portfolios of credit ratings. Both rating agencies stated that the recalibrations did not reflect an improvement in credit quality or a change in credit condition for the municipal issuers. Because of the global nature

of the 2010 rating recalibrations, the County did not file a material events notice on EMMA at the time of the rating changes.

Prior to 2008, certain general obligation (base CUSIP 602245) and general airport revenue (base CUSIP 602248) issues of the County were issued contemporaneously with a municipal bond insurance policy for the benefit of the owners of the County's obligations. At the time of the issuance of the respective debt issues, the insurance company's rating was higher than the underlying rating of the County's credit. Subsequently, all of the companies that provided insurance policies on the County's obligations received downgrades by the three major rating agencies to the point where none of the insurance companies had a rating higher than that of the County. This created a situation where the County's underlying credit rating was the prevailing credit rating and not that of the insurer with respect to the insured obligations of the County. Because neither the rating agencies nor the bond insurers notified the County of the respective insurer rating downgrades, the County did not file a material events notice on EMMA at the time of the rating changes.

The County filed a notice for the rating recalibrations and insurer downgrades with the MSRB on September 30, 2014. The County filed this notice as a technical clarification and has not made a determination that the rating changes described above were material.

In recognition of the importance of complying with its obligations under the County's continuing disclosure certificates, the County implemented procedures in early 2013 to help ensure future compliance. The County has strengthened its internal controls by placing debt issuance and the associated disclosure requirements under the direct supervision of the Office of the Comptroller of the County.

A failure by the County to comply with the Continuing Disclosure Certificate will not constitute an event of default on the 2014 Bonds or under the respective Bond Resolutions (although owners of the 2014 Bonds will have the right to obtain specific performance under the Continuing Disclosure Certificate). Nevertheless, such a failure must be reported in accordance with the Rule.

#### **CERTIFICATION**

As of the date of the settlement of the Bonds, the Underwriter will be furnished with a certificate signed by the Comptroller 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 an 18-member County Board of Supervisors. The County Executive and the County Board are elected on a nonpartisan basis to four-year terms. Each supervisor is elected from a district with an average population of approximately 52,000. In addition, six constitutional and two statutory officers are elected on a partisan basis to serve four-year terms as shown below.

#### County Officials

*(Year sworn into office follows name)*

<b>County Executive:</b>	<b>Chris Abele (2011)</b>
<i>County Clerk:</i>	<i>Joseph J. Czarnetzki (2009)</i>
<i>Register of Deeds:</i>	<i>John La Fave (2003)</i>
<i>Treasurer:</i>	<i>- vacant -</i>
<i>Clerk of Circuit Court:</i>	<i>John Barrett (1999)</i>
<i>Sheriff:</i>	<i>David A. Clarke, Jr. (2002)</i>
<i>District Attorney:</i>	<i>John T. Chisholm (2007)</i>
<i>County Comptroller:</i>	<i>Scott Manske (2012)</i>

#### Board of Supervisors

*Marina Dimitrijevic - Chairwoman (2004)*  
*Peggy West - 1st Vice Chairperson (2004)*  
*Steve Taylor- 2nd Vice Chairperson (2012)*

<i>Deanna Alexander (2012)</i>	<i>Theodore A. Lipscomb (2008)</i>
<i>Mark A. Borkowski (1992)</i>	<i>Michael Mayo, Sr. (1994)</i>
<i>David Bowen (2012)</i>	<i>Khalif Rainey (2013)</i>
<i>Gerry P. Broderick (2002)</i>	<i>James J. Schmitt (1998)</i>
<i>David Cullen (2012)</i>	<i>- vacant -</i>
<i>Jason Haas (2011)</i>	<i>Anthony Staskunas (2013)</i>
<i>Willie Johnson, Jr. (2000)</i>	<i>John F. Weishan, Jr. (2000)</i>
<i>Patricia Jursik (2007)</i>	

### *Wisconsin 2013 Act 14*

On June 2, 2013, Wisconsin Act 14 ("Act 14") relating to the County became effective. Act 14, among other things, changes the compensation structure of a member (a "Supervisor") of the County Board of Supervisors of the County (the "Board"), changes the length of the term of a Supervisor from four years to two years, affects the right of an annuitant under the Milwaukee County Employee's Retirement System if rehired by the County, limits the authority of the County to enter into certain intergovernment agreements, revises the approval process for public contracts, removes and clarifies some authority of the Board, increases and clarifies the authority of the County Executive of the County, and requires a referendum regarding the compensation of the Supervisors.

Pursuant to Act 14, a local referendum was held in Milwaukee County on April 1, 2014 that placed limitations on the annual salaries of the Milwaukee County Board Chairperson and Milwaukee County Board Supervisors. The referendum was approved by a vote of 47,588 (70.2%) to 20,182 (20.8%).

### *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, Personnel and Audit
- 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 Office of Performance, Strategy and Budget 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 Office of Performance, Strategy and Budget 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, Personnel 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, Personnel 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 2013 and 2014 is presented on page 47 of this Official Statement.

**Accounting Policies and Budgetary Control.** The Comptroller's Office 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. The County's accounting records for 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, 2012. The Certificate of Achievement recognizes 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, with contents conforming to program standards. The 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 34 consecutive years (December 31, 1979 through December 31, 2012).

Budgetary control is maintained by a formal appropriation and encumbrance/expenditure system. Encumbrances are made against appropriations upon the release of a purchase order to a vendor. Expenses are incurred upon the receipt of goods or services, and the matching to invoices and purchase orders. This expenditure matching will reduce open encumbrances, related to the purchase order being paid. The expenditures and remaining open encumbrances will reduce the available appropriation. If new encumbrances or expenses would reduce the net appropriation balance below the authorized limits, than purchases are halted until additional appropriation authority is granted. As authorized by State Statute, open encumbered purchase orders 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, thus allowing departments to complete the purchase transaction, using prior year funded appropriations. Purchases for the new year would be encumbered against new budgeted appropriations. Expenditures are then recorded when the services or materials are received, which will release the encumbrance.

A summary of the operating results for the general fund and all proprietary funds for the years 2009-2013 is presented on pages 45 and 46 of this Official Statement. The excerpts from the County's 2013 financial statements

are included as Appendix A. The County realized a surplus of \$21.6 million for the fiscal year ended on December 31, 2013. Of that amount \$15.6 million was transferred to the debt service reserve. The County applied the remaining \$5.0 million surplus from 2013 to the subsequent budget year (2015), in accordance with State Statute.

**Future Fiscal Outlook.** In 2009, a workgroup 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 2009 deficit of \$145.5 million 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 2014 Adopted Budget and shows significant improvement despite the impact of the recession. A comparison between the two forecasts is shown below.

Forecast Year	2009 Model (Millions)	2013 Model (Millions)
2015	\$ (159.0)	\$ (32.9)
2016	(179.0)	(47.7)
2017	(200.6)	(65.1)
2018	did not project	(76.2)
2019	did not project	(93.8)

A portion of the improvement is due to refined assumptions; however, the County has identified changes in personnel and related salaries, and benefits, and continuing reductions in long-term liabilities due to adopted legislative changes.

The forecast assumes annual property tax increases of 0.7%. The state has adopted a maximum dollar increase, instead of rate cap limit. The State dollar limit allows for increases in levy through a formula that reflects changes in net new construction and terminated tax incremental districts. In addition, the County may increase its tax levy dollar amount by any increase in debt service costs.

The County has taken the following measures to address the structural deficit.

The County has taken actions to reduce its long-term structural deficit through wage and benefit modifications. The actions taken by the County have included the movement to a self-insured health plan, wage freezes, changes to healthcare plan design including implementation of a single PPO plan and increased deductibles and co-payments, changes in coordination with Medicare, reduced pension benefits, and enactment of an employee pension contribution. Changes in these areas have significantly reduced the future costs of these benefits in turn reducing the County’s structural deficit. This reduction is evidenced by the reduction in the forecasted structural deficit for the year 2015. In 2009, the structural deficit for 2015 was estimated to be \$159.0 million. In 2014, the structural deficit for 2015 is projected to be \$32.9 million.

Major changes to healthcare and pension benefits have largely been possible due to 2011 Wisconsin Acts 10 and 32 (Acts 10 and 32). Prior to Acts 10 and 32, the County was required to negotiate any wage or benefit change with represented employees. Due to modifications to collective bargaining in Acts 10 and 32, the County is now only permitted to bargain over base wages (limited to the rate of inflation) with all non-public safety unions. The County is still required to bargain over most wage and benefit issues with the Milwaukee County Firefighters Association and the Milwaukee Deputy Sheriffs’ Association with the exception of healthcare plan design (deductibles, copays, etc.) which is no longer subject to collective bargaining. Acts 10 and 32 also require that employees, except members of public safety unions, contribute one-half of the actuarial determined Annual Required Contribution (“ARC”). Similar employee pension contributions have been negotiated with public safety worker unions.

The County has successfully implemented a new healthcare plan design that shares more costs with its employees and retirees due to Acts 10 and 32. In addition, the County has largely been able to implement all of these changes for its public safety workers, with the exception of the contribution to health plan premiums, which is still

considered a negotiable item for public safety unions. Major changes include a shift from multiple plan designs to a single PPO plan design. Employees and retirees are required to pay annual deductibles, copays and coinsurance. In addition, the County has implemented a Medicare carve-out coverage plan and an Employer Group Waiver Plan (“EGWP”) for prescription drug coverage for retirees and, subject to pending litigation, has eliminated the Medicare Part B premium reimbursement for all employees not yet retired.

The County has also been able to reduce its pension liability, in part due to changes that resulted from Acts 10 and 32. Almost all employees are required to contribute one-half of the ARC to the Employees Retirement System (“ERS”). The member contribution requirement is determined annually by the County's actuary and is collected through an employee payroll deduction. Although this issue remained a negotiable item for public safety unions, as of this date, those public safety unions have agreed in their contracts to contribute one-half of the ARC. Thus, all employees are now making this contribution. Other changes to the pension benefits include an increase in the normal retirement age from age 60 to age 64 for nonrepresented employees hired after January 1, 2010, a reduction in the pension multiplier from 2.0 percent to 1.6 percent for most employees and a modification to the backdrop pension benefit.

As a result of Acts 10 and 32, and the subsequent changes to healthcare and pension provisions for Milwaukee County employees, legal challenges were brought against both the State and the County. The lower courts have both issued opinions as to the legality of Acts 10 and 32, and the parties appealed the decisions to Federal Appeals Court and to State Appeals Court. The Federal Appeals Court and the Wisconsin Supreme Court have ruled in favor of the State in their decisions.

Legal challenges have been brought against the County regarding the healthcare plan design changes imposed on retirees, the elimination of the Medicare Part B premium reimbursement for future retirees, the reduction in the pension multiplier from 2.0 percent to 1.6 percent for most employees and the modification of the backdrop pension benefit. The U.S. Court of Appeals has issued a final ruling in favor of the County with respect to issues regarding healthcare plan design changes imposed on retirees. The Wisconsin Court of Appeals has ruled in favor of the County on the elimination of the reimbursement of Medicare Part B premiums for future retirees, but it is now under review by the Wisconsin Supreme Court. The Wisconsin Court of Appeals has ruled against the County with respect to the change in the pension multiplier for employees in active service at the time of the change. The County has requested review of this decision and review has been accepted by the Wisconsin Supreme Court, but no decision has yet been issued. If the County loses the appeals, there will be a financial impact; however, these impacts have not yet been determined. The case related to the backdrop benefit was just recently filed and no decision has been rendered as it is awaiting the outcome of the pending appeals.

#### *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.

The County has received its third actuarial report of Other Post Employment Benefits (“OPEB”) under Governmental Accounting Standards Board Statement #45 – “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions” (“GASB #45”). 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 the cost of the 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., a non-stock, not-for-profit Wisconsin corporation.

An actuarial valuation report was prepared as of January 1, 2012 for the County. The County's total actuarial accrued liability for OPEB for all funds, excluding the MCTS, is estimated at \$1.13 billion, based on a 6 percent discount rate.

The ARC for the County as of January 1, 2012 was \$87.9 million. Normal cost is \$2.2 million and amortization of the unfunded liability was \$85.7 million. The amortization of the unfunded liability assumes a 30-year amortization using a level dollar amount. The net ARC cost for 2011 and 2012 was \$44.6 million and \$31.8 million, respectively, which excluded the retiree health costs that are separately budgeted by the County. 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. The net OPEB Obligation as of December 31, 2011 and 2012 was \$255.8 million and \$284.7 million, respectively.

While the County has made progress in recent years by securing employee concessions in the area of employee health care and the rollback of the 2001 pension enhancements, employee compensation and fringe benefits continues to be a cost pressure in 2013 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 establish new revenue sources. This will require the County to reevaluate its core functions, and the funding assumptions used to support them.

#### *Milwaukee County Transit System*

The Milwaukee County Transit System ("MCTS") is separately managed by Milwaukee Transport Services, Inc. ("MTS"), with separate union agreements for its employees. MTS has established a post-retirement health and life insurance plan ("OPEB") for all of its employees. Health insurance benefits are available only to employees hired before July 16, 2007, based on the number of years of service. MTS negotiated its current labor contract with its employees effective April 1, 2013 and expiring March 31, 2015.

An actuarial valuation report was prepared as of December 31, 2012, which included expense and ARC development for the years beginning January 1, 2013 and January 1, 2014. The MTS actuarial accrued liability for the OPEB plan at December 31, 2012 is estimated at \$241.1 million, based on a 7.25 percent discount rate.

The ARC for MTS as of January 1, 2013 was \$15.5 million. The ARC includes normal cost of \$4.0 million and amortization of the unfunded liability of \$11.5 million. The amortization of the unfunded liability assumes a 30-year amortization using a level percentage of payroll. MTS has established a trust for the OPEB obligation, which had an actuarial value of assets as of December 31, 2012 of \$47.0 million, and as of December 31, 2013 is projected to be \$54.6 million.

**Auditing.** Pursuant to Wisconsin Statutes and Milwaukee County General Ordinances, the Milwaukee County Comptroller, a publically elected official, is charged with performing all audit functions related to Milwaukee County government. These audit functions are carried-out through the Office of the Comptroller's Audit Services Division. As required by State Statute, the Division conducts audits of accounting and administrative controls, compliance with applicable laws and regulations, and economy, efficiency, and effectiveness of operations and program results, in accordance with Generally Accepted Government Audit Standards.

Additionally, the Audit Services Division contracts with an independent certified public accounting firm to audit the County's comprehensive annual financial report, containing its basic financial statements, as well as its schedule of federal and state awards. These audits 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.

Milwaukee County's basic financial statements for the year ended December 31, 2013, including the report of the independent public accounting firm 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 is limited to an increase of no more than 3 percent over the principal amount of the preceding year's issue. Although this bonding cap policy only applies to corporate purpose bonds that finance the Capital Improvements Program, the Comptroller's Office includes the bond issues that result in a County debt obligation.

In 2014, the County added a new policy for its Debt Service Reserve. The policy states that the County will seek to build and maintain a minimum balance of \$10 in the Debt Service Reserve.

The County Board authorized and borrowed significantly more than what would have been allowed under its 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. As a result, the County issued general obligation debt for four years of capital projects during a two-year period (2009 and 2010) and did not issue general obligation debt for capital projects during the next two-year period (2011 and 2012). This allowed the County to maintain its 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 American Recovery and Reinvestment Act 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.

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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 [1], 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 of Wisconsin 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

[1] Statutorily redesignated in 1993 as technical college districts.

### ***Services Provided by the County***

**Health and Human Services.** This functional area consists of the Department of Health and Human Services, the Department of Aging and the Department of Family Care. In combination, operating revenues support 92.5 percent of expenses in these departments. In April 2014, Wisconsin Act 2013 became effective which removed all mental health jurisdiction from the County Board; and put it under the jurisdiction of the Mental Health Board (MHB). A detailed narrative of the Act 203 is included in the next section.

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 59. Programs serve specific populations such as delinquent youth; persons who are developmentally, physically or mentally ill; and the homeless. Many DHHS services are mandated by State Statute and/or provided through a contract between the state and the County.

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

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 (“DSD”) provides services to adults with special needs between the ages of 18 and 59 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 division also provides services through the Disabilities Resource Center such as information and assistance, service access and prevention, disability benefits counseling and Family Care entitlement benefits through access to publicly funded long-term care. In addition, DSD has also assumed responsibility for the Interim Disability Assistance Program and the General Assistance burials programs that were previously housed in the Economic Support Division prior to the state takeover.

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. The division also administers the Community Development Block Grant program.

The Management Services Division oversees the Energy Assistance Program and 211 Impact, which is a referral service for individuals in need of social services. These programs were previously housed in the Economic Support Division prior to the state takeover.

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 the Aging Resource Center.

Area Agency Services provides a network of support services to the aging population including the Senior Meal Program and 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 Aging 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 Emergency Medical Services (“EMS”) program within the Behavioral Health Division 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 cardiopulmonary 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 Department of Family Care (“DFC”) was originally created in 2000 as the Milwaukee County Department on Aging – Care Management Organization 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 of Family Care 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.

### ***Wisconsin 2013 Act 203***

On April 10, 2014 Wisconsin Act 203 (“Act 203”) relating to the County became effective. Act 203, among other things, removed all mental health jurisdiction from the County Board; and put it under the jurisdiction of the Mental Health Board (MHB). The MHB is appointed by the Governor with suggestions coming from the County Executive and the County Board. There are also two ex officio members.

The MHB jurisdiction applies to two County operational areas: Behavioral Health Division (BHD) and Community Programs/Services. These BHD operational areas includes: Management and Support Services, Adult Crisis Services, Inpatient Services (Adult & Children), Inpatient (Rehab Central), Inpatient (Hilltop). The Community Program/Services operational area includes: Adult Day Treatment, Alcohol and Other Drug Abuse Treatment, Family Intervention Support Services, Child & Adolescent Treatment Center- Wraparound and Non-Court-Ordered Wraparound, and the Mobile Urgent Treatment. The total 2014 Budgeted tax levy for the two areas is \$57.5 million. The two areas also have a combined 625 full time equivalents.

Beginning with the 2015 Budget, the Milwaukee County mental health budget will be proposed by the MHB and recommended by the County Executive. The proposed levy must be between \$53 and \$65 million unless all three parties agree to an amount outside of this range.

The MHB does not have direct bonding authority. Capital projects could be paid from current operating revenues. The County Board could offer to make its authority available so that MHB projects could be bonded through the County.

The State is to perform an audit by December 1, 2014, that includes recommendations for the State assuming oversight responsibility for emergency detention services and the psychiatric hospital of the Milwaukee County Mental Health Complex, developing a plan for closing the Milwaukee County Mental Health Complex, and developing a plan for State oversight of a regional facility for institutional, inpatient, crisis and behavioral health services, among other things.

By March 1, 2016, the MHB is to report to the State, the County Executive, and the County Board on alternate funding sources for mental health services and programs.

**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 50.2 percent of expenses relating to Parks, Recreation and Culture.

Milwaukee County Parks consist of 15,316 acres, encompassing 154 parks and parkways, and is used for both active and passive recreation. Sport and recreational opportunities are open to County residents and visitors alike.

Active recreational opportunities are offered throughout Milwaukee County. The Oak Leaf Trail, a paved multi-use trail over 117 miles in length, encircles and loops through the county and connects all major parks and parkways of the Park System. Fifteen golf courses take a player from beginner- to professional-level challenges. An indoor ice arena, sports complex, indoor and outdoor aquatic facilities, and athletic fields and facilities—from baseball diamonds to volleyball courts—ensure plenty of opportunities for residents and visitors to become more active. In

winter, frozen lagoons, snow-covered hills, and groomed trails provide recreational outlets. The refrigerated rink in Red Arrow Park, provides winter activity no matter what the weather.

A mix of active and passive recreational opportunities is offered through the two community centers. From indoor basketball and boxing to homework help and movie nights, programming at the community centers focuses on the needs of the community.

More passive activities also draw people to the Parks. Roughly 9,100 acres of parkland are managed as natural areas. These areas provide not only solace in a hectic world, but ample opportunity for wildlife watching, birding, and educational opportunities. Additional public educational opportunities, for area schools as well as individuals, are offered through Boerner Botanical Gardens, the Mitchell Park Horticultural Conservatory, and Wehr Nature Center. Lake Michigan also provides passive recreational opportunities. Fishing and boating include access to the only public marina in the area, and in summer, Bradford Beach brings out the sunbathers.

Special events planners seeking beautiful venues look no further than the Milwaukee County Parks. Large green spaces, ample parking, and the concessions planning of the department, help event planners create successful events such as the Third of July Fireworks or the Komen Race for the Cure.

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 a chairlift, a railroad, a carousel and the Gathering Place. Zoo attendance in 2013 was 1,232,899 visitors.

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. The board of directors of MPM Inc. includes representatives appointed by the County Board and the County Executive.

MPM hosts international exhibitions annually, and had attendance of 479,309 in 2013. 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 resulted in a financial restructuring of the MPM in 2005. At that time, the County guaranteed a \$6 million working capital loan on behalf MPM. In February 2008, the note and line of credit were fully paid off by contributions received by MPM, which effectively eliminated this guarantee. In May 2007, major MPM stakeholders consented to a comprehensive agreement that intended to restore the MPM to long-term financial viability. At that time, 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 MPM. The County’s capital improvement funding obligation was completed in 2012.

In January 2013, MPM briefed County policy makers in regard to potential cash flow issues resultant from the required pension payment due in September of 2013. The pension payment is specific to former County employees (who worked for the Museum when it was a department of the County) that accepted positions with MPM when the County entered into a lease and management agreement for Museum operations in March of 1992. Additionally, policy makers were briefed on discussions occurring between MPM and County staff to address short-term cash flow issues and the long-term sustainability of MPM. In June 2013, the County entered into a long-term agreement with MPM. The County agreed to contribute (contingent upon MPM securing an equal amount of donor commitments) \$3,000,000 to MPM for the defined benefit plans of former County employees. Additionally, the County extended its commitment to operational funding through the calendar year 2022. The extended commitment starts at the current level of \$3,500,000 in 2014 and incrementally decreases to \$3,000,000 in 2022. The County contribution is contingent upon MPM meeting or exceeding certain operational and financial goals. These goals include donor commitments, annual attendance, and fiscal performance goals.

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 and entertainment events. The County's annual operating contribution to the Marcus Center for 2013 is \$1.09 million.

**Transportation.** The Department of Transportation and Public Works administers two County airports; the transit/paratransit system; transportation planning and engineering services; highway maintenance; and fleet management. Operating revenues account for 92.1 percent of the department's expenses.

The Airport Division operates the General Mitchell International Airport ("GMIA") and the Lawrence J. Timmerman Airport. Operating expenses of both airports are 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 business district. Seven airlines provide approximately 125 daily departures from GMIA. Approximately 32 cities are served non-stop, and connections are available to cities throughout the world. A total of 6,525,181 passengers used GMIA in 2013.

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 March 2008, GMIA submitted a FAR Part 150 Noise Study Update to the FAA which the FAA approved in June 2009.

The noise study update included a request for FAA funding to reduce noise impacts to an additional 560 dwellings through continuation of the sound insulation element originally identified in the 1993 GMIA FAR Part 150 Noise (Abatement) Study.

The Lawrence J. Timmerman Airport is located in the northwest quadrant of the County. This 420-acre general aviation facility serves business and privately owned aircraft. For a discussion of debt related to the airports, see "DEBT STRUCTURE – Airport Revenue Debt" and "DEBT STRUCTURE – Other County Obligations."

The Milwaukee County Transit System has an active bus fleet of 391 buses serving 54 routes. Bus fares are collected on approximately 36.5 million passenger trips annually (an amount that does not include passengers entering a bus using a transfer ticket). A bus replacement program has provided 145 new buses since 2012. Budgeted fare revenue and federal and state aid account for approximately 88 percent of operating costs. MCTS also has a paratransit program for persons with disabilities.

The contract with the current transit management services provider is scheduled to conclude at the end of 2014.

The 2014 Budget included language stating unless the County Board approves a contract for outside management and operation of the transit system by April 1, 2014, the policy of Milwaukee County is to bring management and operation of transit in-house.

A contract for transit management services was not approved by the April 1, 2014 deadline. Therefore, the Department of Transportation has entered into a contract with a consulting firm to advise on effectuating a transition of management and operation of the transit system that complies with the stated policy direction included in the 2014 Budget.

Milwaukee County is working in conjunction with the current transit management services provider and the Federal Transit Administration to ensure continued uninterrupted transit management services, which may include an extension with the current contract provider, while the County works toward completion of the policy directive included in the 2014 Budget.

The Highway Maintenance Division maintains 57 centerline miles of freeways, 100 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.

**Courts and Judiciary.** The Courts and Judiciary function includes the Department of Combined Court Related Operations, Department of Pretrial Services, and the Department of Child Support Enforcement. State and other non-tax revenues support approximately 45.6 percent of the County's cost of the Courts and Judiciary function.

The *Department of Combined Court Related Operations* operates the Milwaukee County Circuit Courts, which constitutes the First Judicial Administrative District of the state system. The district 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 which were formerly three separate departments.

The 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 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 First Judicial Administrative District. 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 Pretrial Services, which is managed by the Chief Judge of Milwaukee County Circuit Courts, provides programs designed to reduce pretrial failure to appear and re-arrest rates, enhance public safety, reduce overcrowding at the Criminal Justice Facility ("CJF") and House of Correction ("HOC") and enhance the processing and adjudications of criminal cases.

The Department of Pretrial provides treatment and diversion services for individuals booked into the CJC on a pre-trial basis. This department includes funding for the universal screening program, which screens a majority of the approximately 40,000 individuals booked into the CJC annually, for the purpose of providing information on defendants to judges and attorneys; and to determine suitability for pre-trial services and diversion programs. Funding for services such as Alcohol and Other Drug Abuse ("AODA") screening and treatment, Operating While Intoxicated monitoring, drug screening, job skills, fatherhood, and other programming.

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 125,000 cases annually for establishment and enforcement of child support obligation, maintains Milwaukee County family court orders on Kids Information Data System, the statewide support computer system and represents the department's interests in family court hearings in the County.

The Public Safety function includes the Office of the Sheriff, the House of Correction, the District Attorney and the Medical Examiner. For 2014, budgeted operating revenues support approximately 15.2 percent of the costs of these departments.

The Office of the Sheriff acts as an arm of the criminal justice system, which consists of 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, Police Services Bureau and Detention Services Bureau. The Administration Bureau performs management and support functions for the Sheriff, communications, training and public information. Included in these duties are leadership, personnel management, and preparation of the annual budget, fiscal monitoring, and accounting functions. Also included in this bureau is the Internal Affairs Division, which investigates all incidents involving Sheriff's Office personnel. Included in this Bureau is the Emergency Management Division which 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 Special Weapons and Tactics team, the bomb disposal unit and the dive team. In addition, the Police Services Bureau serves 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 CJF, Court Services, Support Administration, and Central Records. The CJF is a secure detention facility with a total bed space of 960 detainees 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 request transfer of inmates between the CJF and HOC from the Superintendent of the HOC in order to maximize the use of available bed space.

The 2013 budget transferred the management of the HOC from the Office of the Sheriff to the Executive Branch of County government, under an appointed Superintendent. Effective, May 7, 2013 the Superintendent took control of the facility.

The functions of the HOC are defined in Chapters 302, 303, 304 and 973 of the Wisconsin Statutes. This institution: receives and maintains custody of all sentenced inmates in Milwaukee County committed by authorized courts for periods not exceeding one year and from other jurisdictions as authorized by County ordinance; provides programs of work release, rehabilitation, education, work, recreation and training; provides medical, dental and other necessary services in conjunction with the Detention branch of the Sheriff's Department; and releases inmates upon expiration of sentence, upon orders of the courts or other recognized authorities. Section 302.315 of the Wisconsin Statutes permits, but does not require, this institution to receive and maintain custody of pretrial inmates at the request of the Milwaukee County Sheriff. The Department also operates a program of home detention using electronic surveillance equipment and other systems of control. The department also includes the funding for the Day Reporting Center ("DRC") where sentenced inmates can obtain job training and AODA services.

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 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, the County Clerk, the Register of Deeds, and the Office of the Comptroller<sup>1</sup>. As a group, budgeted operating revenues support 70.9 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. The interest and penalties for 2013 was approximately \$4.3 million; the 2014 budget projects a decrease in the number of properties on which taxes are delinquent and a corresponding decrease in interest and penalties compared to the 2013 actual amount.

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.

The County Clerk records the proceedings of the County Board of Supervisors, maintains all legislative files, staffs County Board meetings and committees, updates existing ordinances and publishes new ordinances online. The County Clerks also issues marriage licenses and domestic partnership declarations, registers all lobbyists, and serves as the information clearing house for Milwaukee County.

In April 2014, Wisconsin Act 373 moved the duties of the appointed election commissioner for Milwaukee County under the Milwaukee County Clerk. Formerly a County Board of election commissioners appointed the executive director.

**Administration.** The Administrative function includes the Department of Administrative Services, Human Resources, Corporation Counsel and boards and commissions such as the Personnel Review Board, Civil Service Commission and Ethics Board. As a group, operating revenues support 16.0 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, administration and financial oversight, procurement and employee benefits.

The Department of Labor Relations was administratively transferred into the Department of Human Resources effective July 2013. The Department has general responsibility for the negotiation and administration of all collective bargaining agreements, 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

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<sup>1</sup> A discussion of the functions of the Office of the Comptroller are included in the Financial Management Section of the Official Statement.

Workforce Development. Labor Relations receives its policy direction for collective bargaining from the County Executive.

The County has 4,522 funded full-time equivalent employee positions budgeted in 2014. This count represents the number of actual positions funded in the 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 4,602 employees. The number of individuals actually employed by the County fluctuates on a seasonal basis. When Wisconsin Act 10 was enacted in July 2011, certified non-public safety bargaining units were required to go through a re-certification process. Five (5) County Non-public safety bargaining units have been re-certified. Milwaukee District Council 48, AFSCME, AFL-CIO did not go through the re-certification process, and was de-certified on January 30, 2012. The total membership of AFSCME at the time of decertification was approximately 2,800. The Federation of Nurses and Health Professionals (“FNHP”), Local 5001, AFT, AFL-CIO, had a labor agreement that expired on December 31, 2012. The Wisconsin Employment Relations Commission (“WERC”) advised at the point that the FNHP would remain a certified bargaining unit. As of February 27, 2014, approximately 17 percent of all individuals employed by the County were organized and represented by labor organizations as described below.

<b>Union</b>	<b>Approximate Number of Employees Represented</b>	<b>Contract Expiration Date</b>
Milwaukee Deputy Sheriff's Association	283	12/31/2013
Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO	255	12/31/2014
Milwaukee Building and Construction Trades Council, AFL-CIO	79	12/31/2014
Association of Milwaukee County Attorneys	50	12/31/2014
Technicians, Engineers and Architects of Milwaukee County	37	12/31/2014
Milwaukee County Firefighters Association	17	12/31/2014
Total Represented Employees	721	

**The Employees’ Retirement System of the County of Milwaukee.** The Employees’ Retirement System of the County of Milwaukee (the “ERS”) was established in 1938 and is a single-employer defined benefit pension plan. Employees who were enrolled in the ERS prior to 1971 receive contributions to their member accounts by the County, which is presently less than \$15,000 a year. For all other members, the ERS was substantially noncontributory until 2011. In that year, employees were required under State Statute to begin contributing half of the actuarially determined annual required contribution to the ERS. Public safety employees were specifically exempted from this requirement, but in 2012, the Milwaukee Deputy Sheriffs’ Association agreed to pay one-half of the ARC. The Milwaukee County Firefighters Association will begin making contributions in 2014.

#### *County Contribution*

The ERS financing objective is to fully fund all current costs based on the normal contribution rate determined under the Aggregate Entry Age Normal Cost Method and to liquidate the unfunded accrued liability based on the amortization schedules as required by the retirement code. The outstanding balance of the unfunded actuarial accrued liability (UAAL) and any changes to the UAAL arising from plan changes, assumption changes, and actuarial gains/losses are amortized as a level percentage of payroll over a 30-year period.

The County’s actuary determines the ARC and the County makes contributions to the ERS based upon the actuarially determined ARC, with adjustments made at the discretion of the County Board of Supervisors and the County Executive. The ARC is based on the normal cost (the actuarial liability for benefits earned by active employees for the current year) plus interest plus a thirty year amortization of the unfunded liability. Because the County issued pension obligation notes in 2009, State Statute directs that the County must, at a minimum, contribute the normal cost. The County typically budgets contributions to the ERS to fully fund the ARC. In each actuarial valuation report, the actuary provides a “Projected” ARC for the upcoming budget year. The appropriation is

generally set using this projection. In the subsequent actuarial valuation report, the actuary will provide the “Actual” contribution requirement. Differences between the ARC and the amount actually contributed have varied over the past five years. In 2008, the actual contribution was 65.7 percent of the ARC. In 2009, the County issued pension obligation notes and contributed \$400 million to pay down the unfunded liability. In 2010 and 2011, the County contributed more than was required and in 2012 and 2013, contributed 96.5 percent and 96.3 percent, respectively. The January 1, 2014 Actuarial Valuation Report has a funded ratio of 85.7 percent.

#### *Eligibility for Normal Retirement*

The typical retirement benefit is a monthly pension payment for the life of the participant beginning at normal retirement age. For Deputy Sheriffs’ Union 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 either 60 or 64, depending on the ERS enrollment date, although some labor agreements require a minimum of five years of creditable service at age 60. Certain active participants are also eligible to retire when their age added to their years of service equals 75 (“Rule of 75”). County ordinances and labor agreements require an employee to be a participant 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, 2014 there were 3,911 active participants and 9,351 inactive participants. The inactive participants include 4,411 deferred benefit retirees and 7,940 retired participants or 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 final employment years as defined by ordinance and labor agreements. These multiplier percentages are determined by ordinance, collective bargaining agreement, and the ERS enrollment date. At this time the multiplier percentage can be 1.5%, 1.6%, 2.0% or 2.5%. As of 2012, the majority of employees will have 1.6% as their multiplier for all future years of service, pending the outcome of the litigation referenced above. Members of the Deputy Sheriffs’ Union and non-represented deputy sheriffs have maintained a 2.0% or 2.5% multiplier, depending on their enrollment date. The multiplier percentage for all years of service prior to 2012 is dependent on the employee’s ERS enrollment date, and the pension changes made effective in 2001. Employees who were subject to the 1.5% multiplier for service years prior to 2012 were provided an additional 0.5%, or an effective rate of 2.0%. Employees who were subject to the 2.0% multiplier for service years prior to 2012 were provided a bonus that gave them an effective rate of 2.5%.

Retired employees receive a simple COLA of 2 percent of original benefit increase per year. 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.

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### *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-represented sheriffs 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-represented deputy sheriffs 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-represented deputy sheriffs, a backdrop benefit option was added that provided a lump sum cash payment for the total of monthly benefits, adjusted for cost-of-living 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, members of the Deputy Sheriffs' Union, 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 three bargaining units: the Association of Milwaukee County Attorneys, District No. 10 International Association of Machinists and Aerospace Workers, and Technicians, Engineers and Architects of Milwaukee County. This change was applied to the remaining bargaining units in 2012, except the Deputy Sheriffs' Union and the Firefighters Union.
- In 2010, the multiplier was reduced from 2.0% to 1.6% for all non-represented employees. This multiplier was also included in new labor contracts with the following bargaining units: Association of Milwaukee County Attorneys, District No. 10 International Association of Machinists and Aerospace Workers, and the Technicians, Engineers and Architects of Milwaukee County. It is intended to be applied to all bargaining units except the Deputy Sheriffs's Union and the Firefighters Union. In 2011, the pension multiplier reduction was applied to the largest union, Milwaukee District Council 48 AFSCME, AFL-CIO and affiliated locals ("AFSCME DC-48"), with the reduction being applied to the Milwaukee Building and Construction Trades Council AFL-CIO , and Federation of Nurses and Health Professionals, Local 5101, AFT, AFL-CIO (the "Nurses Union") bargaining units in 2012.
- For 2011, an employee contribution of 4% was included for all non-represented employees. As a result of a change in State Statute, the County implanted a pension contribution equal to half of the annual required contribution, or 4.7% for non-public safety, and 6.59% for public safety. The new 4.7% rate was applied to non-represented employees and the county's largest union, AFSCME DC-48, in August 2011. The remaining represented bargaining units, except the Firefighters Union, saw the contribution increase in January 2012. The Deputy Sheriffs' Union and Nurses Union implemented the change through negotiation.
- For 2013 and 2014, the pension contribution rates were 4.4 and 5.1 percent respectively for non-public safety employees.

Some of the enhancements described above resulted in County employees retiring at an accelerated schedule. The increase in retirements in recent years is a result of continuing changes in active benefits and the discussion of continuing changes in pension benefits. The table below shows annual retirements since 2002.

<u>Year</u>	<u>Number of Retirements</u>
2002	350
2003	290
2004	750
2005	186
2006	219
2007	296
2008	243
2009	318
2010	344
2011	557
2012	166
2013	278

The accelerated retirements which followed the pension changes effective in 2001 have increased backdrop payments. As of August 2014, the County has paid out a total of \$243.6 million in lump-sum payments for the backdrop to 2,090 individuals upon retirement.

In March of 2009 the County issued \$400 million in pension notes (the Series 2009A Notes and the Series 2009B Notes) to fund a portion of the unfunded actuarial accrued liability. 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, 2014 indicates an 85.7 percent funded status. This funded ratio is based on an actuarial value of assets of \$1,772,750,000 and an actuarial accrued liability of \$2,069,546,000.

In addition, the County received a settlement of as a result of a lawsuit with Mercer, Inc. over the pension changes in 2001. Per County Board policy, the net settlement proceeds of \$29 million, which have been reduced by attorney fees and other administrative costs, were 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 2004-2013.

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**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>	
<b>2004</b>	\$40.10	\$33.20	\$34.90	
<b>2005</b>	\$37.80	\$37.60	\$35.40	
<b>2006</b>	\$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.
<b>2007</b>	\$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.
<b>2008</b>	\$49.70	\$53.10	\$39.40	This contribution anticipated the issuance of pension notes 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.
<b>2009</b>	\$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 notes 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
<b>2010</b>	\$32.07	\$30.25	\$33.77	The contribution includes the amortization of the unfunded actuarial accrued liability of \$8,792,478, normal costs of \$20,736,844, over contribution of \$3,439,824 and a contribution for the OBRA retirement plan of \$786,000. Employee contributions were only \$75,584.
<b>2011</b>	\$ 31.60	\$ 30.43	\$ 33.61	The contribution includes the amortization of the unfunded actuarial accrued liability of \$10,141,127, normal costs of \$19,480,089, over contribution of \$1,968,000 and a contribution for the OBRA retirement plan of \$2,022,000. Total employee contributions were \$3,313,000 for 2011.
<b>2012</b>	\$ 28.29	\$ 29.29	\$ 28.29	The contribution includes the amortization of the unfunded actuarial accrued liability of \$13,917,521, normal costs of \$14,488,711, under contribution of (\$988,000) and a contribution for the OBRA retirement plan of \$880,000. Total employee contributions were \$9,000,000 for 2012.
<b>2013</b>	\$30.9	\$28.62	\$30.9	The contribution includes the amortization of the unfunded actuarial accrued liability of \$12,160,251, normal costs of \$16,105,425, over contribution of \$2,275,000 and a contribution for the OBRA retirement plan of \$360,000. Total employee contributions were \$8,725,000 for 2013.

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

## COMMUNITY CHARACTERISTICS

### *Population, Income, and Employment Trends*

The January 1, 2014, preliminary population estimate for the County by the State of Wisconsin Department of Administration is 949,741. The five most recent United States Department of Commerce, Bureau of the Census decennial estimates for the County are presented in table below.

#### Population Statistics

<u>Year</u>	<u>Population</u>
2010	947,735
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

<u>Year</u>	<u>Milwaukee County</u>	<u>State of Wisconsin</u>	<u>United States</u>
2013	Not Available	\$ 43,149	\$ 44,543
2012	\$ 40,628	42,121	43,735
2011	39,390	40,648	42,298
2010	38,437	38,755	40,163
2009	38,422	38,364	39,357

The Department of Workforce Development provides 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 over the past five years.

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

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	
				<u>Milwaukee County</u>	<u>State of Wisconsin</u>
2013	461,269	423,010	38,259	8.3%	6.7%
2012	459,596	420,701	38,895	8.5%	6.9%
2011	462,770	420,882	41,888	9.1%	7.5%
2010	461,545	415,828	45,717	9.9%	8.5%
2009	470,343	425,123	45,220	9.6%	8.7%

Source: Wisconsin Department of Workforce Development

### ***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.

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 the County. Milwaukee is also a major Great Lakes port. Approximately 900,000 tons of salt, 500,000 tons of cement and cement products, 600,000 tons of coal, and 50,000 tons of specialty products come through the port on an annual basis. The port also serves as the third largest exporter of grain in the Great Lakes.

Passenger air service is available through GMIA. Approximately 32 cities are served non-stop or direct, and connections are available to cities throughout the world. A total of 6,525,181 passengers used GMIA in 2013. For more information on GMIA, see "COUNTY GOVERNMENT – Services Provided by the County" herein.

### ***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 University, University of Wisconsin-Milwaukee and Wisconsin Lutheran College.

### ***Business Outlook Survey***

According to the Milwaukee Metropolitan Association of Commerce Business Outlook Survey, Third Quarter, 2014, 68 percent of area businesses surveyed expected sales increases in 2014, 64% forecast profit gains and over half expect job growth in the calendar year.

Quarterly employment expectations reached its highest level of optimism since 2012's third quarter. Forty-nine percent of all businesses surveyed predict third-quarter, 2014 job gains for their local operations (vs. 2013's third quarter). Companies are almost five times more likely to forecast employment gains for 2014's third quarter than declines (10%). Forty-one percent see no change.

The survey contains responses from 111 Milwaukee area firms, employing more than 27,900 people.

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### Larger Area Private-Sector Employers

<b>Company</b>	<b>Business Description</b>	<b>Approximate Employment</b>
Aurora Health Care Inc.	Health Care System	24,462
Wheaton Franciscan Healthcare	Health Care System	10,687
Froedert & Community Health	Health Care System	9,028
Roundy's Supermarkets Inc.	Retail Supermarkets	9,000
The Medical College of Wisconsin	Private Medical School	5,400
Columbia St. Mary's Health System	Health Care System	5,400
Northwestern Mutual	Insurance, Investment Products	5,000
ProHealth Care Inc	Health Care System	4,700
Children's Hospital	Health Care System	4,471
Goodwill Industries	Training Programs, Retail, & Food Service	4,055
US Bank NA	Banking Services	3,639
BMO Harris Bank	Bank Holding Company	3,390
Rockwell Automation Inc	Industrial Automation Products	3,100
Johnson Controls Inc.	Control Systems, Batteries & Auto Interiors	3,094
The Marcus Corp	Theaters and Hotel Properties	3,044
Wisconsin Energy Corp	Electric & Natural Gas Utility	3,029
(FIS) Fidelity National Info. Services	Banking and Payments Technology	2,800
Marquette University	University	2,766
Harley-Davidson Inc	Motorcycles & Accessories	2,736
Potawatomi Bingo Casino	Casino	2,730
Wells Fargo	Banking & Financial Services	2,390
Bon-Ton Department Stores	Department Stores	2,244
Extencicare Health Services	Skilled Nursing Homes	1,680
Rexnord Corp	Power Transmission Equipment	1,600
Briggs & Stratton Corp	Small Gasoline Engines	1,400
Journal Communications Inc	Diversified Media Company	1,363
Cargill Meat Solutions	Meat Processor	1,355
MillerCoors LLC	Beer Brewery	1,350
Chase	Global Financial Services	1,310
Robert W Baird	Asset Management and Capital Markets	1,287
Assurant Health	Health Insurance	1,281
Joy Global Inc.	Manufactures & Distributes Mining Equip	1,233
Caterpillar Inc., (Bucyrus)	Manufactures & Distributes Mining Equip	1,165
Patrick Cudahy Inc.	Manufacturer of Processed Meats	1,150
Brady Corp	Manufacturer of Identification Materials	1,109

Source: The Business Journal of Greater Milwaukee, as of July 11, 2014.

### Major Industrial Taxpayers in the County

Name of Company	Type of Business or Services	2013 Full Market Value	% of County's 2013 Full Market Value
General Electric	Manufacturer, medical equipment	\$ 88,079,400	0.15%
Harley-Davidson	Manufacturer, motorcycles	83,018,300	0.15%
Caterpillar	Manufacturer, mining equipment	61,882,700	0.11%
MillerCoors	Manufacturer, beer and aluminum cans	57,375,800	0.10%
Sigma Aldrich Corp.	Manufacturer, specialty chemicals	40,846,000	0.07%
Rockwell Automation	Manufacturer, electrical/electronic products	32,432,400	0.06%
Journal Communications	Publishing, printing and broadcasting	32,302,000	0.06%
Briggs & Stratton Corp.	Manufacturer, small engines	28,666,800	0.05%
Rexnord Industries	Manufacturer, power transmissions	21,912,900	0.04%
Brady Worldwide Inc.	Manufacturer, safety and identification	20,136,400	0.04%
P & H Mining Equipment	Manufacturer, mining equipment	18,078,200	0.03%
Quad/Graphics Inc.	Printing	16,734,800	0.03%
Palermos Properties LLC	Distributor, frozen pizza	16,681,100	0.03%
Bapista's Bakery Inc.	Manufacturer/marketer, consumer foods	16,135,600	0.03%
VTLC Development LLC	Real estate development	15,924,600	0.03%
P.P.G. Industries Inc.	Manufacturer, coatings and resins	14,177,100	0.02%
Patrick Cudahy	Manufacturer, processes meats	13,382,700	0.02%
All Glass Aquarium	Manufacturer, aquariums	12,790,400	0.02%
Dentice, Joseph & Ellen	Real estate development	11,882,400	0.02%
Hondo Incorporated	Manufacturer, beverage containers	10,551,200	0.02%
Bostik Inc.	Manufacturer, adhesives and sealants	10,184,100	0.02%
Badger Meter, Inc.	Manufacturer, using flow measurement	9,265,000	0.02%
Krones Inc	Manufacturer machines for packaging	9,123,700	0.02%
HIS Properties	Real estate development	7,835,100	0.01%
Ingeteam Inc.	Manufacturer electrical equipment, motors	7,766,100	0.01%
		\$ 657,164,800	1.15%
Total 2013 Milwaukee County Equalized Value (TID Included)		\$ 57,127,524,400	

Source: Wisconsin Department of Revenue

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

<b>Name of Company</b>	<b>Type of Business</b>	<b>2013 Full Market Value</b>	<b>% of County's 2013 Full Market Value</b>
Mayfair Mall LLC	Shopping Mall	\$ 376,624,530	0.66%
Bayshore Town Center LLC	Real Estate	319,668,170	0.56%
Northwestern Mutual Life Insurance Co	Insurance	305,534,319	0.53%
US Bank Corp	Banking	262,408,538	0.46%
Bre Southridge Mall LLC	Real Estate	154,151,933	0.27%
Wal-Mart/Sam's Club	Retailer	143,990,983	0.25%
Mandel Group	Real Estate	142,394,023	0.25%
Marcus Corp/Milw City Center/Pfister	Hotels, Theaters	128,948,768	0.23%
Metropolitan Associates	Real Estate	125,725,125	0.22%
Columbia St. Mary's	Health Care	113,595,463	0.20%
Centerpoint Properties	Real Estate	99,961,704	0.17%
NNN 411 East Wisconsin LLC	Real Estate	91,824,037	0.16%
100 E Wisconsin Ave Joint Venture	Real Estate	79,244,110	0.14%
Towne Realty	Real Estate	74,572,405	0.13%
Aurora Health	Health Care	73,635,814	0.13%
Gormon & Co.	Real Estate	71,437,718	0.13%
BMO Harris Bank N.A.	Banking	65,963,498	0.12%
Riverbend Place	Real Estate	60,398,525	0.11%
Flanders Westborough	Real Estate	58,124,926	0.10%
875 East Wisconsin - Vanguard Advisors	Real Estate	55,905,266	0.10%
LSOP LLC	Real Estate	55,785,769	0.10%
Park Lafayette Apts	Real Estate	55,184,377	0.10%
Inland Wester Midtown	Real Estate	52,776,131	0.09%
Hub Milwaukee Center	Real Estate	51,102,109	0.09%
Dayton-Hudson	Retailer	50,799,871	0.09%
		<b>\$ 3,069,758,112</b>	<b>5.37%</b>
Total 2013 Milwaukee County Equalized Value (TID Included)		<b>\$ 57,127,524,400</b>	

Source: Wisconsin Department of Revenue

## Major Construction Projects Planned and in Process in the County

### Construction Projects Located in the City of Milwaukee

Project Name	Municipality	Project Type	Estimated Project Costs
Northwestern Mutual	City of Milwaukee	Commercial	\$ 400,000,000
Potawatomi Hotel	City of Milwaukee	Commercial	40,580,000
Avenir	City of Milwaukee	Multi-Family Residential	11,976,000
Ivy on 14th	City of Milwaukee	Student Housing	8,000,000
The Standard Milwaukee	City of Milwaukee	Mixed Use Residential	7,127,000
Pabst Professional Center	City of Milwaukee	Office-General	6,500,000
Heartland Housing	City of Milwaukee	Multi-Family Residential	5,208,000
MIAD Student Housing	City of Milwaukee	University Housing	5,125,000
<b>TOTAL</b>			<b>\$ 484,516,000</b>

### Construction Projects Located in Other Municipalities

Project Name	Municipality	Project Type	Estimated Project Costs
Drexel Town Square	City of Oak Creek	Commercial	\$ 50,000,000
Mandel- Beaumont Place	Vlg. of Whitefish Bay	Residential	28,000,000
Unknown	Village of Shorewood	Assisted Living Facility	20,000,000
Mayfair Collection	City of Wauwatosa	Commercial	15,500,000
Toldt Development	City of West Allis	Multi-Family Residential	14,000,000
Hampton Inn and Suites	City of West Allis	Hotel	13,000,000
Wheaton-Franciscan- Med Office	City of Franklin	Commercial	10,000,000
Mt. Tosa	City of Wauwatosa	Apartments	8,000,000
Mayfair Parking Deck	City of Wauwatosa	Commercial	7,500,000
Connector	City of Wauwatosa	Retail	7,000,000
Unknown	City of Glendale	Assisted Living Housing	7,000,000
Unknown	City of Glendale	Industrial Warehouse/DC	7,000,000
Sacred Heart a Monastery Lake	City of Franklin	Residential	6,450,000
Hampton Inn & Suites	City of Franklin	Commercial	6,100,000
ABB	City of Wauwatosa	Commercial	6,000,000
Cardinal Capital	City of West Allis	Office	5,000,000
Lakeland College/Larsen	City of Greenfield	University/Commercial	5,000,000
Forest View	City of Franklin	Multi-Family Residential	5,000,000
Unknown	City of Glendale	Medical Office	5,000,000
Unknown	City of Glendale	Senior Housing	5,000,000
UWM Accelerator	City of Wauwatosa	University/Commercial	5,000,000
Meijer	City of Wauwatosa	Commercial	N/A
CVTI/CFAC	City of Wauwatosa	Hospital	N/A
Nordstrom	City of Wauwatosa	Retail	N/A
<b>TOTAL</b>			<b>\$ 235,550,000</b>
<b>GRAND TOTAL</b>			<b>\$ 720,066,000</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 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. and Skyway Airlines, Inc. See “DEBT STRUCTURE - Other County Obligations” herein.

### *General Obligation Debt by Issue*

The County’s outstanding general obligation debt by issue as of the issuance of the Bonds is as follows:

<b>General Obligation Debt by Issue</b>						
Note	Date of Issue	Name of Obligation	Amount Issued	Final Maturity	Interest Rates Outstanding	Principal Outstanding
1	07/01/2003	Ref. Bonds, Series 2003A	\$ 100,025,000	08/01/2017	3.40% - 3.90%	\$ 20,085,000
	11/01/2005	Bonds, Series 2005A	24,610,000	12/01/2014	4.00%	1,700,000
2	11/01/2005	Ref. Bonds, Series 2005A	63,025,000	10/01/2015	5.00% - 5.25%	3,065,000
	04/01/2006	Bonds, Series 2006A	31,595,000	10/01/2021	5.00%	17,705,000
	06/01/2007	Bonds, Series 2007A	32,625,000	12/01/2022	4.00% - 4.25%	25,100,000
	05/01/2008	Bonds, Series 2008A	30,860,000	12/01/2023	3.50% - 4.25%	26,300,000
	04/02/2009	Taxable Pension Notes, Series 2009A	265,000,000	12/01/2028	4.39% - 6.84%	137,218,545
	08/01/2009	Taxable Bonds, Series 2009C (BABs)	24,775,000	10/01/2024	4.20% - 5.40%	24,775,000
3	08/01/2009	Notes, Series 2009D	17,250,000	10/01/2016	2.00% - 2.625%	4,850,000
	11/15/2009	Taxable Bonds, Series 2009E (BABs)	30,365,000	08/01/2024	3.00% - 5.25%	28,510,000
	11/15/2009	Notes, Series 2009F	15,610,000	08/01/2019	2.15% - 3.50%	6,455,000
	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	2.00% - 3.00%	6,580,000
	12/21/2010	Taxable Bonds, Series 2010C (BABs)	38,165,000	10/01/2026	2.10% - 5.50%	35,545,000
	12/21/2010	Notes, Series 2010D	9,770,000	10/01/2020	1.00% - 4.00%	6,745,000
4	03/15/2011	Ref. Bonds, Series 2011A	35,095,000	10/01/2018	5.00%	18,005,000
5	12/20/2012	Ref. Bonds, Series 2012	23,105,000	12/01/2020	4.00%	23,105,000
6	02/12/2013	Taxable Pension Notes, Series 2013	138,730,000	12/01/2030	0.493% - 3.862%	138,730,000
7	06/27/2013	Taxable Ref. Bonds, Series 2013B	99,300,000	12/01/2023	0.577%-3.539%	99,300,000
	08/14/2013	Bonds, Series 2013A	26,935,000	09/01/2023	2.00% - 3.00%	25,095,000
		Subtotal - Existing Debt				<u>\$ 671,593,545</u>
	11/06/2014	Bonds, Series 2014A	39,240,000	12/01/2029	2.00% - 3.25%	<u>39,240,000</u>
		TOTAL				<u>\$ 710,833,545</u>

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

1. 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 the total general obligation debt, and the refunded bonds are excluded.
2. 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 the total general obligation debt, and the refunded bonds are excluded.
3. 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 the total general obligation debt, and the refunded bonds are excluded.
4. On March 30, 2011, the County issued \$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 the total general obligation debt, and the refunded bonds are excluded.
5. On December 20, 2012, the County issued \$23,105,000 General Obligation Refunding Bonds, Series 2012. A portion of the issue was utilized to refund certain maturities totaling \$13,040,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 2004A, and \$11,750,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 2005A. The refunding bonds are included in the total general obligation debt, and the refunded bonds are excluded.
6. On February 12, 2013, the County issued \$138,730,000 Taxable General Obligation Pension Promissory Notes, Series 2013, to provide for the timely payment of principal of and interest on the County's outstanding \$135,000,000 Taxable Pension Notes, Series 2009B on March 15, 2013.
7. On June 27, 2013, the County issued \$99,300,000 Taxable General Obligation Pension Refunding Bonds, Series 2013B to provide for the purchase and retirement of a portion of the 2024 term maturity of the County's Taxable General Obligation Pension Promissory Notes, Series 2009A, dated April 2, 2009. The refunding bonds are included in the total general obligation debt, and the refunded notes are excluded.

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**General Obligation Annual Debt Service Schedule**

Year	Existing Levy Supported General Obligation Debt		Existing Airport Supported General Obligation Debt		The Bonds		TOTAL		Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$74,852,479	\$29,241,433	\$1,103,156	\$71,330	-	-	\$75,955,635	\$29,312,763	\$105,268,398
2015	59,286,828	26,841,306	301,836	33,823	\$2,620,000	\$1,108,472	62,208,664	27,983,602	90,192,266
2016	57,508,371	25,012,412	298,706	22,957	2,620,000	984,094	60,427,077	26,019,462	86,446,539
2017	56,326,369	23,182,994	297,588	11,606	2,620,000	931,694	59,243,957	24,126,294	83,370,251
2018	48,716,001	21,265,826	-	-	2,615,000	879,294	51,331,001	22,145,120	73,476,121
2019	46,736,614	19,539,284	-	-	2,615,000	826,994	49,351,614	20,366,278	69,717,892
2020	45,642,492	17,807,716	-	-	2,615,000	774,694	48,257,492	18,582,410	66,839,902
2021	45,083,327	15,998,047	-	-	2,615,000	722,394	47,698,327	16,720,440	64,418,767
2022	43,929,325	14,125,697	-	-	2,615,000	643,944	46,544,325	14,769,641	61,313,966
2023	42,581,076	12,266,567	-	-	2,615,000	565,494	45,196,076	12,832,061	58,028,137
2024	27,099,377	10,404,658	-	-	2,615,000	487,044	29,714,377	10,891,701	40,606,078
2025	30,825,000	9,037,043	-	-	2,615,000	408,594	33,440,000	9,445,637	42,885,637
2026	30,300,000	7,266,862	-	-	2,615,000	330,144	32,915,000	7,597,006	40,512,006
2027	27,030,000	5,485,033	-	-	2,615,000	251,694	29,645,000	5,736,727	35,381,727
2028	28,580,000	3,864,251	-	-	2,615,000	169,975	31,195,000	4,034,226	35,229,226
2029	30,390,000	2,132,983	-	-	2,615,000	84,988	33,005,000	2,217,970	35,222,970
2030	24,840,000	959,321	-	-	-	-	24,840,000	959,321	25,799,321
2031	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>\$719,727,258</b>	<b>\$244,431,432</b>	<b>\$2,001,287</b>	<b>\$139,716</b>	<b>\$39,240,000</b>	<b>\$9,169,510</b>	<b>\$760,968,545</b>	<b>\$253,740,658</b>	<b>\$1,014,709,203</b>
Payments by 11/6/2014	(49,031,844)	(20,163,953)	(1,103,156)	(71,330)	-	-	(50,135,000)	(20,235,283)	(70,370,283)
<b>Total</b>	<b>\$670,695,414</b>	<b>\$224,267,479</b>	<b>\$898,131</b>	<b>\$68,386</b>	<b>\$39,240,000</b>	<b>\$9,169,510</b>	<b>\$710,833,545</b>	<b>\$233,505,375</b>	<b>\$944,338,920</b>

Approximately 71.8 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 \$2.0 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 (“GMIA”) and Lawrence J. Timmerman Airport (collectively the “Airport System”). The County’s outstanding general airport revenue bonds (“GARBS”) by issue are 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>
03/31/2004	Airport Revenue, Series 2004A *	\$ 37,360,000	12/01/2029	4.50% - 5.00%	\$ 1,220,000
12/22/2005	Airport Revenue, Series 2005A	29,010,000	12/01/2030	4.00% - 5.25%	28,130,000
12/22/2005	Airport Revenue Ref., Series 2005B	7,755,000	12/01/2014	4.00%	1,005,000
11/16/2006	Airport Revenue, Series 2006A	25,665,000	12/01/2031	4.00% - 5.00%	21,545,000
11/16/2006	Airport Revenue Ref., Series 2006B	5,020,000	12/01/2015	5.00%	705,000
11/15/2007	Airport Revenue, Series 2007A	13,445,000	12/01/2032	4.125% - 5.00%	11,505,000
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	4.00%	455,000
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	4.00% - 5.00%	39,530,000
08/14/2013	Airport Revenue, Series 2013A	47,095,000	12/01/2038	5.00% - 5.25%	47,095,000
08/14/2013	Airport Revenue Ref., Series 2013B	3,330,000	12/01/2022	2.25% - 4.00%	3,330,000
	Subtotal - Existing Debt				<u>\$ 198,780,000</u>
11/06/2014	Airport Revenue Ref., Series 2014A	23,655,000	12/01/2029	4.00% - 5.00%	23,655,000
	Total				<u>\$ 222,435,000</u>

\* Principal Outstanding reflects the refunding of the callable maturities by the 2014 GARBs.

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 has been extended through August 15, 2015. Upon the extension of the credit agreements, Midwest began paying down the principal outstanding on the debt. As of March 2014, the principal outstanding on the debt is \$12,585,000. In 2009 Republic Airways Holding, Inc. purchased Midwest Airlines, Inc. A proposal was made to transfer the credit assistance agreement from Midwest Airlines to Frontier Airlines, a subsidiary of Republic Airways. This transfer has not occurred. The County's guarantee is supported by a mortgage on the two hangars, and a trust account with a value as of March 28, 2014 of \$5,727,000. As principal payments are made on the debt, the County is required to return a prorated portion of the funds in the trust account back to the State of Wisconsin and Racine County, which provided the majority of the funds in the trust account. The County had returned \$502,000 of the trust funds as of December 31, 2013.

**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 \$8,860,000 of redevelopment lease revenue bonds to fund infrastructure development costs in TID #2. The 1997 bonds were retired in 2007 with the proceeds of \$6,200,000 redevelopment refunding lease revenue bonds. In 2012, the balance of the 2007 redevelopment refunding lease revenue bonds was retired. In August 2004, the County agreed to guarantee the payment of the principal and interest due on \$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 outstanding amount of the 2004 lease revenue bonds as of December 31, 2013 was \$12,050,000.

***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. The County has no outstanding short-term debt.

***Future Financing***

The County does not plan on issuing additional general obligation debt to finance projects during 2014. The County is considering refunding existing general obligation debt for debt service savings. Additionally, the County is planning on issuing airport revenue refunding bonds to achieve debt service savings on existing airport revenue bonds during 2014.

***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 of the *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:

2014 Equalized Value	\$ 58,253,923,600
Legal Debt Limit (5% of Equalized Value)	2,912,696,180
Existing Debt	671,593,545
Plus: The Bonds	<u>39,240,000</u>
Total Debt (24.4% of Capacity)	\$ 710,833,545
Remaining borrowing capacity (75.6% of Capacity)	<u><u>\$ 2,201,862,635</u></u>

## General Obligation Indirect Debt <sup>2</sup>

Governmental Unit	Outstanding Debt 12/31/2013	Percentage Within County	Amount Allocable To the County
<i>Villages:</i>			
Village of Bayside	\$ 10,573,161	95.90%	\$ 10,139,711
Village of Brown Deer	21,352,758	100.00%	21,352,758
Village of Fox Point	15,724,302	100.00%	15,724,302
Village of Greendale	17,511,822	100.00%	17,511,822
Village of Hales Corners	6,774,519	100.00%	6,774,519
Village of River Hills	7,053,626	100.00%	7,053,626
Village of Shorewood	41,362,500	100.00%	41,362,500
Village of West Milwaukee	10,206,013	100.00%	10,206,013
Village of Whitefish Bay	52,177,386	100.00%	52,177,386
Villages Subtotal	<u>\$ 182,736,087</u>		<u>\$ 182,302,637</u>
<i>Cities:</i>			
City of Cudahy	\$ 33,090,000	100.00%	\$ 33,090,000
City of Franklin	42,445,423	100.00%	42,445,423
City of Glendale	38,070,000	100.00%	38,070,000
City of Greenfield	43,949,707	100.00%	43,949,707
City of Milwaukee	796,577,784	100.00%	796,577,784
City of Oak Creek	68,725,000	100.00%	68,725,000
City of South Milwaukee	22,995,001	100.00%	22,995,001
City of St. Francis	13,745,000	100.00%	13,745,000
City of Wauwatosa	69,715,000	100.00%	69,715,000
City of West Allis	78,309,307	100.00%	78,309,307
Cities Subtotal	<u>\$ 1,207,622,222</u>		<u>\$ 1,207,622,222</u>
<i>School Districts:</i>			
Brown Deer	\$ 28,976,066	100.00%	\$ 28,976,066
Cudahy	17,828,000	100.00%	17,828,000
Fox Point-Bayside Schools	5,840,000	97.86%	5,714,868
Franklin Public Schools	36,275,000	100.00%	36,275,000
Glendale-River Hills	4,605,000	100.00%	4,605,000
Greendale	16,510,000	100.00%	16,510,000
Greenfield	54,508,798	100.00%	54,508,798
Maple Dale-Indian Hill	2,848,531	100.00%	2,848,531
Milwaukee Area Technical College	115,370,000	80.90%	93,338,509
Milwaukee Public	75,436,366	99.99%	75,432,502
Nicolet High School	4,760,000	99.36%	4,729,703
Oak Creek-Franklin	46,520,000	100.00%	46,520,000
Shorewood	21,575,000	100.00%	21,575,000
South Milwaukee	37,193,328	100.00%	37,193,328
St. Francis	13,340,000	100.00%	13,340,000
Wauwatosa	--	100.00%	--
West Allis - West Milwaukee	27,112,747	93.39%	25,319,870
Whitefish Bay	17,060,000	100.00%	17,060,000
Whitnall	335,000	100.00%	335,000
School District Subtotal	<u>\$ 526,093,836</u>		<u>\$ 502,110,173</u>
Metropolitan Sewerage District	\$ 970,256,497	99.93%	\$ 969,578,454
<b>Total Overlapping Debt</b>			<u><b>\$ 2,861,613,487</b></u>

<sup>2</sup> The proportion of indirect debt attributable to the County was determined by calculating the ratio of equalized value of property located within the County to outstanding debt. For the City of Milwaukee, property values located in Waukesha County are included in the allocation of City's outstanding debt. Milwaukee Public Schools does not have the ability to issue general obligation debt; the City of Milwaukee issues general obligation debt on its behalf. The amount shown is broken out for the City of Milwaukee that was issued for school purposes.

**Direct and Indirect Debt <sup>3</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>
2013	\$ 721,728,545	\$ 970,256,497	\$ 1,892,035,032	\$ 3,584,020,074
2012	745,865,000	1,009,013,839	1,833,249,703	3,588,128,542
2011	816,346,000	970,279,000	1,759,392,000	3,546,017,000
2010	880,648,000	983,785,000	1,691,637,000	3,556,070,000
2009	859,194,000	892,068,541	1,526,898,252	3,278,160,793

**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>
2013	950,410	57,127,524,400	721,728,545	1.26%	759	3,584,020,074	6.27%	3,771
2012	948,322	57,782,302,300	745,865,000	1.29%	787	3,588,128,542	6.21%	3,784
2011	948,369	61,099,028,600	816,346,000	1.34%	861	3,546,017,000	5.80%	3,739
2010	947,735	63,403,510,200	880,648,000	1.39%	929	3,556,070,000	5.61%	3,752
2009	931,830	66,836,154,500	859,194,000	1.29%	922	3,278,160,793	4.90%	3,518

<sup>3</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 were included in the Direct County Debt for years 2009, 2010, 2011, and 2012 as these obligations were issued in anticipation of the issuance of general obligation long-term debt, which was subsequently done in 2013.

## 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 taxing district is assessed at the same approximate level. Beginning in 1986, all municipalities have been 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)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Residential	\$40,953	\$39,498	\$36,873	\$35,671	\$36,174
Commercial	18,923	18,266	17,678	18,155	18,648
Manufacturing	1,520	1,504	1,493	1,478	1,460
Other	27	29	33	33	32
Total Real Estate	\$61,423	\$59,297	\$56,077	\$55,337	\$56,314
Personal Property	1,980	1,802	1,705	1,791	1,940
Total Real Estate and Personal Property	\$63,403	\$61,099	\$57,782	\$57,128	\$58,254
Adjustment for TID (Tax Incremental Districts)	<b>(2,673)</b>	<b>(2,547)</b>	<b>(2,252)</b>	<b>(2,519)</b>	<b>(2,600)</b>
Net Real Estate and Personal Property	\$60,730	\$58,552	\$55,530	\$54,609	\$55,654
Population	947,735	948,369	948,322	950,410	949,741
Equalized Value Per Capita (in Dollars)	\$66,900	\$64,425	\$60,931	\$60,108	\$61,337

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

**Property Tax Levies and Collections Last Five Years (In Millions of Dollars)<sup>4,5</sup>**

<b>Levy For Budget Year</b>	<b>Total Property Tax Levy</b>	<b>Uncollected Property Taxes Turned Over to the County</b>	<b>Uncollected Property Taxes as Percentage of Total Levy</b>
2013	\$ 1,072.8	\$ 9.6	0.89%
2012	1,071.8	12.6	1.18%
2011	1,058.8	14.2	1.34%
2010	1,055.7	14.2	1.34%
2009	1,039.0	15.8	1.52%

Total taxes levied include municipal levies, assessments and charges. The individual municipalities collect these taxes until July 31<sup>st</sup> of the budget year.

**Property Tax Levies and Collections Last Five Years – City of Milwaukee (in Thousands of Dollars)<sup>6</sup>**

<b>Budget Year</b>	<b>Taxes Levied for the Fiscal Year (Original Levy)</b>	<b>Purchase and Adjust</b>	<b>Total Adjusted Levy</b>	<b>Collected for Levy Year</b>		<b>Collections</b>		<b>Total Collections to Date</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>
2013	\$304,700	\$33,615	\$338,315	\$292,692	96.06%	\$14,906	--	\$307,598	89.82%
2012	301,051	31,619	332,670	288,749	95.91%	13,596	\$14,856	317,201	95.80%
2011	295,967	32,123	328,090	284,691	96.19%	16,049	20,703	321,443	98.12%
2010	291,943	30,574	322,517	281,196	96.32%	16,482	21,782	319,460	99.29%
2009	276,186	33,524	309,710	265,691	96.20%	18,017	24,665	308,373	99.70%

Source: City of Milwaukee Comprehensive Annual Financial Report, 2013.

The City of Milwaukee and the County have entered into an intergovernmental cooperation agreement, 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 taxes levied by the City of Milwaukee, the Milwaukee Metropolitan Sewerage District, the Milwaukee Area Technical College, the Milwaukee Public Schools, and the State of Wisconsin levied in the City of Milwaukee.

<sup>4</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".

<sup>5</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>6</sup> Purchase and Adjust column is included because the City of Milwaukee purchases delinquent taxes from other units (the County, Milwaukee Metropolitan Sewerage District, Milwaukee Area Technical College, Milwaukee Public Schools, and the State of Wisconsin).

### ***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 for 2014 represents the 2013 property tax levy used to finance the County's 2014 budget. The County Board adopted the 2014 budget on November 12, 2013. The levies summarized below include the state forestry tax and other administrative levies used for regional planning and other non-general County purposes.

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
General County Purposes	\$ 328.6	\$ 334.0	\$ 339.4	\$ 337.1	\$ 333.4
Countywide Emergency Medical Services	-	-	-	3.0	3.0
County Sales Tax Credit	(65.4)	(64.4)	(64.0)	(60.8)	(57.1)
State Forestry Taxes/Other Administrative Levies	12.3	11.6	11.2	10.6	10.5
<b>Total Net County Taxes</b>	<b>275.5</b>	<b>281.2</b>	<b>286.6</b>	<b>289.9</b>	<b>289.8</b>
General County Purposes	5.16	5.50	5.79	6.07	6.11
Countywide Emergency Medical Services	-	-	-	0.05	0.05
County Sales Tax Credit	(1.03)	(1.06)	(1.09)	(1.10)	(1.05)
<b>Net General County Purposes</b>	<b>4.13</b>	<b>4.44</b>	<b>4.70</b>	<b>5.02</b>	<b>5.11</b>
State Forestry Taxes/Other Administrative Levies	0.19	0.18	0.18	0.18	0.19
<b>Total Net County Taxes</b>	<b>4.32</b>	<b>4.62</b>	<b>4.88</b>	<b>5.20</b>	<b>5.30</b>

### ***Levy Limits***

Section 66.0602 of the *Wisconsin Statutes* imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of the percentage change in the political subdivision's January 1<sup>st</sup> equalized value due to new construction less improvements removed or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

- (a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally authorized before July 1, 2005, is less in the current year than in the previous year, the political subdivision is 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 unless the political subdivision does not utilize the "unused levy" provision of the local levy limit statute.
- (b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts.
- (c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Bonds were authorized after July 1, 2005.

### ***Property Tax Collections***

Real estate and personal property taxes become due as of January 31<sup>st</sup> 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<sup>th</sup> and February 15<sup>th</sup>, 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 15<sup>th</sup> 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. A tax lien is the first lien against real estate and remains 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 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 2014 is \$4,157,643.

Shared revenue payments are made by the state with over 95% of the amount being received by November. The 2013 actual amount was approximately \$31.1 million in net state shared revenues. The 2014 budget includes approximately \$31.1 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.

**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.

County ordinances provide that sales tax revenue not budgeted for debt service payments may be used to pre-fund employee benefit costs, to fund anticipated or extraordinary annual increases in such costs or to supplement the Appropriation for Contingencies.

The County budgeted net sales tax collections, including amounts allocated to the capital improvements budget, of approximately \$66.5 million for 2014.

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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, 2009 Through 2013**  
(in Thousands of Dollars)

	2009	2010	2011	2012	2013
<b>Revenues:</b>					
Intergovernmental Revenue	\$ 364,721	\$ 306,875	\$ 279,289	\$ 227,996	\$ 227,681
Sales Taxes	58,838	61,114	63,968	64,295	60,087
Property Taxes	260,724	266,973	273,297	279,179	283,632
Interest on Investment & Rents	10,108	10,276	9,545	8,454	9,916
Charges for Services	333,104	374,063	391,496	398,093	406,364
Fines and Forfeitures	3,245	3,284	2,932	2,621	2,172
Licenses and Permits	453	640	453	577	642
Other	22,525	32,948	41,201	48,746	23,207
Total Revenues	<u>1,053,718</u>	<u>1,056,173</u>	<u>1,062,181</u>	<u>1,029,961</u>	<u>1,013,701</u>
<b>Expenditures:</b>					
Legislative, Executive and Staff	22,191	21,309	21,433	23,382	20,053
Courts and Judiciary	59,984	55,384	52,699	53,383	50,229
General Governmental Services	7,395	6,747	6,746	9,939	11,070
Public Safety	146,994	154,196	159,708	145,119	146,410
Public Works and Highways	40,169	41,256	44,109	45,123	46,841
Human Services	628,202	610,514	590,604	553,475	552,952
Parks, Recreation and Culture	65,823	63,236	64,576	64,477	63,281
Other	--	--	--	--	--
Total Expenditures	<u>970,758</u>	<u>952,642</u>	<u>939,875</u>	<u>894,898</u>	<u>890,836</u>
<b>Excess of Revenues Over Expenditures</b>	<u>82,960</u>	<u>103,531</u>	<u>122,306</u>	<u>135,063</u>	<u>122,865</u>
<b>Other Financing Sources (Uses):</b>					
Capital Lease Issued	--	--	--	--	1,383
Long-Term Debt Issued	1,006	340	--	--	--
Transfers In	--	--	--	9,576	18,470
Operating Transfers to Other Funds	<u>(89,129)</u>	<u>(102,603)</u>	<u>(107,495)</u>	<u>(135,414)</u>	<u>(136,867)</u>
Total Other Financing Uses	<u>(88,123)</u>	<u>(102,263)</u>	<u>(107,495)</u>	<u>(125,838)</u>	<u>(117,014)</u>
<b>Special Items:</b>					
Proceeds from Legal Settlement	29,000	--	--	--	--
Contribution to Employees Retirement System	<u>(29,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Special Items	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,163)	1,268	14,811	9,225	5,851
<b>Fund Balance - January 1:</b>	<u>49,070</u>	<u>43,907</u>	<u>45,175</u>	<u>59,986</u>	<u>69,211</u>
<b>Fund Balance - December 31:</b>	<u>\$ 43,907</u>	<u>\$ 45,175</u>	<u>\$ 59,986</u>	<u>\$ 69,211</u>	<u>\$ 75,062</u>

Source: Derived from Milwaukee County Comprehensive Annual Financial Reports, 2009- 2013

**Milwaukee County**  
**Five-Year Summary of Revenues, Expenses and Changes in Net Position – All Proprietary Funds**  
**For The Years Ended December 31, 2009 Through 2013**  
(in Thousands of Dollars)

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Operating Revenues:</b>					
Charges for Services	\$ 155,443	\$ 163,293	\$ 173,268	\$ 155,033	\$ 155,407
Other	3,464	6,196	4,660	4,156	4,053
Total Operating Revenues	<u>158,907</u>	<u>169,489</u>	<u>177,928</u>	<u>159,189</u>	<u>159,460</u>
<b>Operating Expenses:</b>					
Personnel Services	149,566	151,494	151,281	143,000	139,527
Contractual Services	51,766	53,861	53,726	47,919	47,307
Intra-County Services	13,096	14,270	13,748	11,800	12,523
Commodities	20,499	17,657	21,641	22,425	23,582
Depreciation	30,123	30,857	35,871	34,237	36,260
Maintenance	1,919	2,250	2,418	2,160	603
Insurance	1,441	7,244	7,102	7,542	11,039
Other	6,512	3,039	2,289	3,798	1,834
Client Payments	--	4	--	1,294	1,295
Total Operating Expenses	<u>274,922</u>	<u>280,676</u>	<u>288,076</u>	<u>274,175</u>	<u>273,970</u>
<b>Operating Income (Loss):</b>	<u>(116,015)</u>	<u>(111,187)</u>	<u>(110,148)</u>	<u>(114,986)</u>	<u>(114,510)</u>
<b>Nonoperating Revenues (Expenses):</b>					
Intergovernmental Revenues	90,773	91,246	91,153	93,732	89,733
Other Nonoperating Revenues (Expenses)	(12,231)	162	313	4,817	(2,663)
Net Interest Expense	<u>(9,858)</u>	<u>(11,969)</u>	<u>(12,214)</u>	<u>(10,951)</u>	<u>(11,289)</u>
Total Nonoperating Revenues	<u>68,684</u>	<u>79,439</u>	<u>79,252</u>	<u>87,598</u>	<u>75,781</u>
Income (Loss) Before Contributions and Transfers	(47,331)	(31,748)	(30,896)	(27,388)	(38,729)
Net Capital Contributions	18,565	49,100	53,055	51,494	37,362
Net Operating Transfers From Other Funds	12,649	22,163	19,066	21,432	41,743
Net Operating Transfers Out	<u>--</u>	<u>(6,716)</u>	<u>(3,997)</u>	<u>(13,331)</u>	<u>(9,939)</u>
<b>Change in Net Position:</b>	(16,117)	32,799	37,228	32,207	30,437
<b>Net Position - January 1:</b>	<u>216,161</u>	<u>200,044</u>	<u>232,843</u>	<u>270,071</u>	<u>302,278</u>
<b>Net Position - December 31:</b>	<u>\$ 200,044</u>	<u>\$ 232,843</u>	<u>\$ 270,071</u>	<u>\$ 302,278</u>	<u>\$ 332,715</u>

Source: Derived from Milwaukee County Comprehensive Annual Financial Reports, 2009 - 2013

**Milwaukee County  
2013 and 2014 Adopted Budgets**

	<b>2013 Adopted Budget</b>	<b>2014 Adopted Budget</b>
<b>Expenditures</b>		
Legislative & Executive	\$ 9,444,460	\$ 6,190,006
Administration	71,701,703	73,862,117
Courts & Judiciary	64,151,592	64,467,167
Public Safety	166,219,258	165,527,141
General Government	13,208,783	15,226,322
Transportation and Public Works	236,525,587	228,331,299
Health & Human Services	575,664,436	572,808,151
Parks, Recreation & Culture	74,086,248	75,730,604
Debt Service	67,520,200	63,793,941
County-Wide Non-Departmentals	(45,281,606)	(40,040,011)
Capital Improvements	121,852,389	80,034,220
Trust Funds	1,014,702	1,019,657
<b>Total Expenditures</b>	<b>\$ 1,356,107,751</b>	<b>\$ 1,306,950,612</b>
<b>Revenues</b>		
Operating		
Sales Tax	\$ 60,789,514	\$ 57,055,255
Bond Proceeds	10,000	10,000
Other Direct Revenue	510,743,312	509,274,649
State Shared Revenue	30,990,382	31,080,305
Remaining State Revenue	220,165,717	223,762,319
Total Federal Revenue	68,351,076	62,691,320
Indirect Revenue	60,956,105	59,234,019
Prior Year Surplus (Deficit)	5,538,786	5,000,000
<b>Operating Revenue Subtotal</b>	<b>\$ 957,544,892</b>	<b>\$ 948,107,868</b>
Capital Improvement		
Sales Tax	6,402,766	9,437,025
Bond Proceeds	73,708,361	37,466,557
Other Direct Revenue	9,604,875	8,535,175
Remaining State Revenue	8,849,691	2,927,001
Total Federal Revenue	20,675,970	21,155,792
<b>Capital Improvement Revenue Subtotal</b>	<b>\$ 119,241,663</b>	<b>\$ 79,521,550</b>
<b>Property Tax Levy</b>	<b>\$ 279,321,196</b>	<b>\$ 279,321,196</b>
<b>Total Revenues</b>	<b>\$ 1,356,107,751</b>	<b>\$ 1,306,950,613</b>

## **APPENDIX A**

### **ANNUAL FINANCIAL STATEMENTS**

The County is audited annually by an independent public accounting firm. This appendix presents excerpts from the County's audited Basic Financial Statements for the fiscal year ended December 31, 2013. Copies of the County's Comprehensive Annual Financial Report are available on-line at:

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

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Milwaukee  
Milwaukee, Wisconsin

As of and For the Year Ended  
December 31, 2013

Prepared by:  
Office of the Comptroller  
Central Accounting

# COUNTY OF MILWAUKEE, WISCONSIN

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As of and For the Year Ended December 31, 2013

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# COUNTY OF MILWAUKEE, WISCONSIN

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# COUNTY OF MILWAUKEE, WISCONSIN

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors  
County of Milwaukee  
Milwaukee, Wisconsin

**Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the County of Milwaukee's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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, Inc., the Marcus Center for the Performing Arts, and the Milwaukee County Research Park Corporation, which represent 42 percent, 51 percent and 44 percent, respectively, of the assets, net position and revenues of the discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Milwaukee County War Memorial, Inc., the Marcus Center for the Performing Arts, and the Milwaukee County Research Park Corporation, is based solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the County of Milwaukee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the County of Milwaukee's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Supervisors  
County of Milwaukee

### **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, 2013 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 accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As discussed in Note 1.E, the County of Milwaukee adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 66, *Technical Corrections-2012*, effective January 1, 2013. Our opinions are not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and the schedules of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit for the year ended December 31, 2013 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 and other supplementary information for the year ended December 31, 2013 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2013, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and other supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2013.

To the Board of Supervisors  
County of Milwaukee

***Other Matters (continued)***

*Supplementary Information (continued)*

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the County of Milwaukee as of and for the year ended December 31, 2012 (not presented herein), and have issued our report thereon dated July 29, 2013, which contained unmodified opinions on the respective 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. The combining and individual fund financial statements and schedules and other supplementary information for the year ended December 31, 2012 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2012.

*Baker Tilly Vinchow Krause, LLP*

Milwaukee, Wisconsin  
July 31, 2014

# COUNTY OF MILWAUKEE, WISCONSIN

## **Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)**

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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, 2013. 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 and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$595,086 on a government-wide basis as of December 31, 2013. The unrestricted net position of the County was a negative (\$321,131).
- For the fiscal year, program and general revenues of the County's governmental activities totaled \$1,106,281. Expenses totaled \$1,034,481 including transfers out of \$26,842.
- For 2013, revenues of the County's business-type activities were \$287,388 including transfers in of \$26,842. Expenses totaled \$253,564.

#### **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, 2013, the County's governmental funds reported combined ending fund balances of \$213,235 as compared to \$186,718 for the year ended December 31, 2012.
- The County's enterprise funds had combined net position of \$334,408 as of December 31, 2013, compared to \$300,584 as of December 31, 2012.
- In February 2013, the County issued Taxable General Obligation Pension Promissory Notes in the amount of \$138,730, to extend the financing of \$135,000 of 2009 Taxable pension notes that were to mature on December 1, 2013.
- In June 2013, the County issued \$99,300 in Taxable General Obligation Pension Refunding Bonds for tendering Bonds issued in 2009 that were held by an investor.
- In August 2013, the County issued \$26,935 of General Obligation Corporate Purpose Bonds to finance capital needs pursuant to the County's 2013 Adopted Capital Improvement Budget.
- In August 2013, the County issued \$50,425 of Airport Revenue Bonds to finance general capital improvements at the airport and to refund certain outstanding general airport revenue bonds.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### 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 include the government-wide financial statements, fund financial statements and notes to the financial statements, (3) required supplementary information, and (4) other supplementary information.

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

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

#### Government-wide Financial Statements

The **government-wide financial statements**, which consist of 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 position*, presents information on all of the County's assets and deferred outflow of resources less liabilities, and deferred inflow of resources, resulting in the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The second government-wide statement, *the statement of activities*, presents information showing how the County's net position changed during 2013. All changes in net position 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 paid benefits).

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; General Governmental Services; Public Safety; Public Works and Highways; Health and Human Services; and Parks, Recreation and Culture. The business-type activities of Milwaukee County include the Airports and the Transit System.

# COUNTY OF MILWAUKEE, WISCONSIN

## **Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)**

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### **OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

The government-wide financial statements include the County's governmental and business-type activities (collectively referred to as the "primary government") and also the 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, Inc., the Milwaukee County Research Park Corporation, the Milwaukee County War Memorial, Inc., and the Marcus Center for the Performing Arts are the County's discretely presented component units. Financial information is presented separately on each financial statement for governmental activities, business-type activities, primary government and component units.

The government-wide financial statements can be found on pages 53-56 of this report.

### **Fund Financial Statements**

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

### **Governmental funds**

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

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

The County maintains 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 called non-major governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Supplementary Information section. These non-major governmental funds are all special revenue funds of the County.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

The County adopts an annual appropriated budget for its general fund, debt service fund, and 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 as well as a general fund budgetary comparison by department is also included in the Supplementary Information section.

The governmental fund financial statements can be found on pages 57-61 of this report.

#### Proprietary funds

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

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

The proprietary fund financial statements can be found on pages 62-66 of this report.

#### Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government or are custodial in nature. 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.

# COUNTY OF MILWAUKEE, WISCONSIN

## **Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)**

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### **OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

The fiduciary fund financial statements can be found on pages 67-68 of this report.

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

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

The notes can be found on pages 71-161 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 and Transit System's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees.

The required supplementary information can be found on pages 162-167 of this report.

#### **Supplementary Information**

Individual fund schedules are provided for budgetary comparisons of the major funds. In addition, various individual and combining fund financial statements and schedules are provided for non-major governmental funds, internal service funds and fiduciary funds.

The supplementary information can be found on pages 168-185 of this report.

#### **Other Supplementary Information**

Separate financial statements – Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows – are presented for the Milwaukee County Family Care program.

The other supplementary information can be found on pages 186-189 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Government-wide financial statements are provided as part of the 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.

Net position may serve over time as a useful indicator of a government's financial position. In 2013, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$595,086 at the close of the fiscal year. The County's net position increased by \$105,624 during the fiscal year.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

#### County of Milwaukee, Wisconsin Net Position (In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2013	2012*	2013	2012*	2013	2012*
Current and Other Assets	\$ 680,288	\$ 634,968	\$ 178,427	\$ 135,566	\$ 858,715	\$ 770,534
Long-Term Assets	433,822	426,785	1,955	2,273	435,777	429,058
Capital Assets	650,978	637,213	479,457	452,161	1,130,435	1,089,374
Total Assets	<u>1,765,088</u>	<u>1,698,966</u>	<u>659,839</u>	<u>590,000</u>	<u>2,424,927</u>	<u>2,288,966</u>
Deferred Outflow of Resources	18,087	3,560	130	168	18,217	3,728
Total Assets and Deferred Outflows of Resources	<u>\$ 1,783,175</u>	<u>\$ 1,702,526</u>	<u>\$ 659,969</u>	<u>\$ 590,168</u>	<u>\$ 2,443,144</u>	<u>\$ 2,292,694</u>
Current Liabilities	\$ 257,670	\$ 242,755	\$ 55,398	\$ 58,927	\$ 313,068	\$ 301,682
Long-Term Liabilities	974,252	980,843	270,163	230,657	1,244,415	1,211,500
Total Liabilities	<u>1,231,922</u>	<u>1,223,598</u>	<u>325,561</u>	<u>289,584</u>	<u>1,557,483</u>	<u>1,513,182</u>
Deferred Inflow of Resources	290,575	290,050	-	-	290,575	290,050
Net Position:						
Net Investment in Capital Assets	372,792	322,247	299,463	270,351	672,255	592,598
Restricted	209,509	182,706	34,453	29,357	243,962	212,063
Unrestricted	(321,623)	(316,075)	492	876	(321,131)	(315,199)
Total Net Position	<u>260,678</u>	<u>188,878</u>	<u>334,408</u>	<u>300,584</u>	<u>595,086</u>	<u>489,462</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,783,175</u>	<u>\$ 1,702,526</u>	<u>\$ 659,969</u>	<u>\$ 590,168</u>	<u>\$ 2,443,144</u>	<u>\$ 2,292,694</u>

\*Fiscal Year 2012 amounts restated due to the implementation of GASB statement 65.

The largest portion of the County's net position reflects its investment in capital assets (e.g. land, land improvements, buildings, vehicles, equipment and infrastructure, net of depreciation and amortization), plus any unspent capital bond funds less the outstanding debt that was used to acquire those assets. As of December 31, 2013, the net investment in capital assets was \$672,255, an increase of \$79,657 from the previous year. 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.

Restricted net position as of December 31, 2013 totaled \$243,962. These assets are subject to external restrictions on how they may be used, some of which include grant-related restrictions and debt service restrictions. The airport passenger facility charges ("PFC") revenue is restricted for airport bond repayment and future airport capital needs.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

Unrestricted net position represents the remaining amount of net position that is neither related to capital assets nor is restricted for specific purposes. As of December 31, 2013 the unrestricted net position balance is (\$321,131). Unrestricted net position decreased by \$5,932 in 2013.

#### Statement of Activities

The following table provides the summary of the changes in net position for the primary government for the fiscal years ended December 31, 2013 and 2012:

<b>County of Milwaukee, Wisconsin</b>						
<b>Summary of Changes in Net Position</b>						
(In Thousands)						
	Governmental Activities		Business-type Activities		Primary Government Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 444,537	\$ 424,864	\$ 134,387	\$ 133,827	\$ 578,924	\$ 558,691
Operating Grants and Contributions	191,048	192,099	88,342	92,355	279,390	284,454
Capital Grants and Contributions	3,979	-	37,362	47,487	41,341	47,487
General Revenues:						
Property Taxes	283,631	279,179	-	-	283,631	279,179
Sales Taxes	65,488	64,740	-	-	65,488	64,740
Intergovernmental Revenues not Related to Specific Programs	34,443	44,402	-	-	34,443	44,402
Investment Income	478	6,186	332	219	810	6,405
Gain on Sale of Capital Assets	36,315	-	123	-	36,438	-
Other Revenue	46,362	66,356	-	-	46,362	66,356
<b>Total Revenues</b>	<b>1,106,281</b>	<b>1,077,826</b>	<b>260,546</b>	<b>273,888</b>	<b>1,366,827</b>	<b>1,351,714</b>
<b>Expenses:</b>						
Legislative, Executive, and Staff	49,832	56,232	-	-	49,832	56,232
Courts and Judiciary	50,502	56,516	-	-	50,502	56,516
General Governmental Services	12,165	10,969	-	-	12,165	10,969
Public Safety	147,637	156,162	-	-	147,637	156,162
Public Works and Highways	79,849	90,974	-	-	79,849	90,974
Human Services	556,149	563,378	-	-	556,149	563,378
Parks, Recreation, and Culture	76,960	80,553	-	-	76,960	80,553
Interest	34,545	35,503	-	-	34,545	35,503
Airport	-	-	89,720	87,901	89,720	87,901
Transit	-	-	163,844	169,061	163,844	169,061
<b>Total Expenses</b>	<b>1,007,639</b>	<b>1,050,287</b>	<b>253,564</b>	<b>256,962</b>	<b>1,261,203</b>	<b>1,307,249</b>
<b>Change in Net Position Before Transfers</b>	<b>98,642</b>	<b>27,539</b>	<b>6,982</b>	<b>16,926</b>	<b>105,624</b>	<b>44,465</b>
Transfers	(26,842)	(12,370)	26,842	12,370	-	-
<b>Change in Net Position</b>	<b>71,800</b>	<b>15,169</b>	<b>33,824</b>	<b>29,296</b>	<b>105,624</b>	<b>44,465</b>
<b>Net Position - Beginning of the Year</b>	<b>188,878</b>	<b>173,709</b>	<b>300,584</b>	<b>271,288</b>	<b>489,462</b>	<b>444,997</b>
<b>Net Position - End of the Year</b>	<b>\$ 260,678</b>	<b>\$ 188,878</b>	<b>\$ 334,408</b>	<b>\$ 300,584</b>	<b>\$ 595,086</b>	<b>\$ 489,462</b>

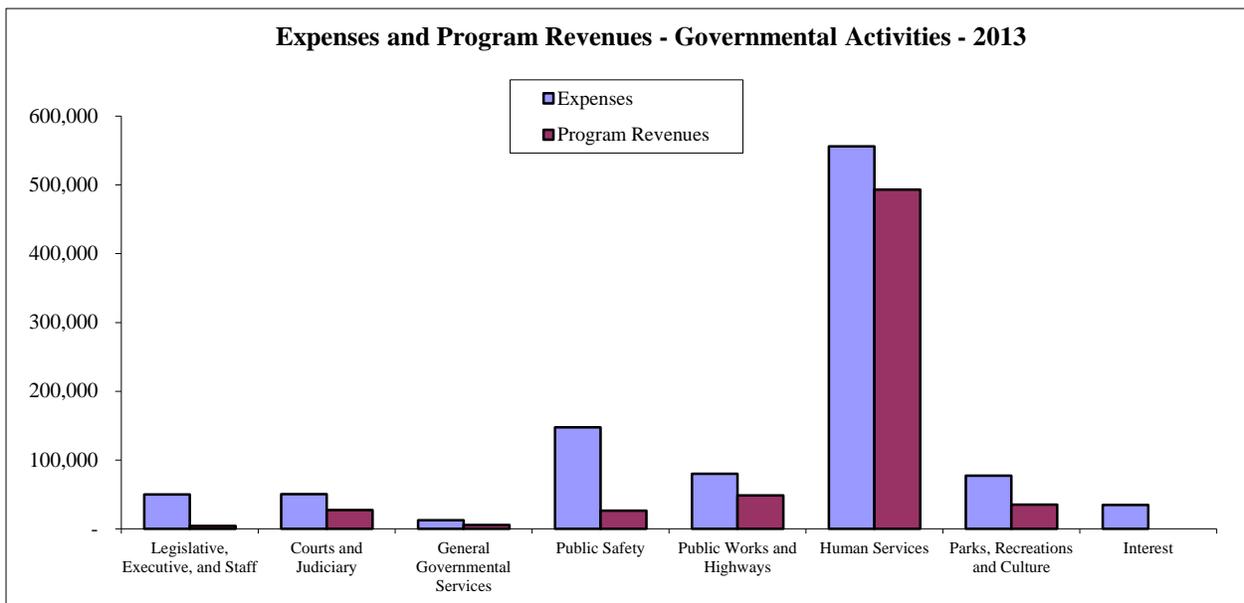
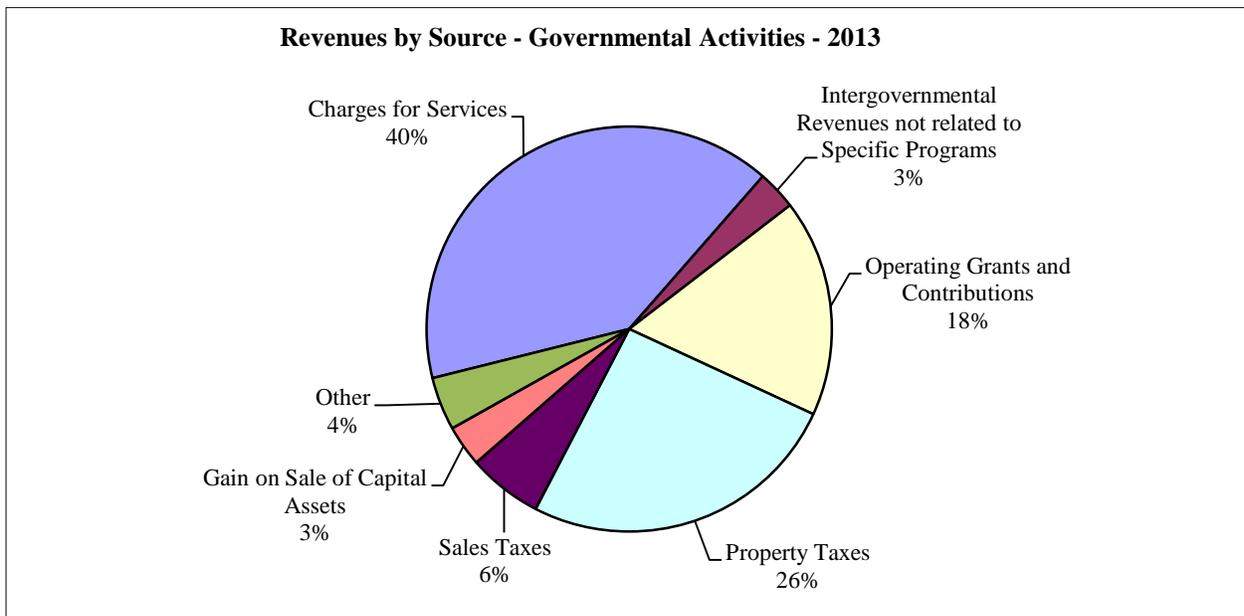
# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

#### Governmental Activities

The Governmental activities of Milwaukee County include Legislative, Executive and Staff, Courts and Judiciary, General Governmental Services, Public Safety, Public Works and Highways, Health and Human Services, and Parks, Recreation and Culture. The first graph indicates the revenue sources; the second graph compares the expenses and program revenues for the fiscal year ended December 31, 2013.



# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

#### 2013 Actual Revenues compared to 2012 Actual Revenues

Actual Revenues for the County's governmental activities were \$1,106,281 for the fiscal year 2013, representing an increase of \$28,455, or 2.6%, from fiscal year 2012. The various sources of revenue for fiscal year 2013 are stated as a percentage of total revenues in the pie graph on the previous page.

Charges for services constitute the largest source of County revenues, amounting to \$444,537, an increase of \$19,673 from 2012. Charges for services represent collections from those who directly benefit from County services. The largest increase is in the area of Human Services.

Operating grants and contributions revenue of \$191,048 decreased by \$1,051 from 2012. Operating grants and contributions generally represent federal and state grants revenue with the majority supporting health and human service programs.

Capital grants and contributions increased from a zero balance in 2012, to \$3,979 in 2013. Both Parks and Highways had projects that were funded with capital grants.

Property tax revenue of \$283,631 increased by \$4,452 from 2012; however, property tax revenue as a percent of total governmental activity revenues decreased by 0.3% from the prior year. Caps on increases in levy rates have limited the increase each year.

Sales tax revenue increased from \$64,740 to \$65,488 in 2013 as a result of a slightly stronger consumer spending than in 2012.

Intergovernmental revenues not related to specific programs decreased by \$9,959 in 2013 to \$34,443.

Investment income decreased by \$5,708, primarily due to weak rates of return on investments. In addition, 2012 numbers included rental income which has been reclassified in 2013 to charges for services.

In 2013, there was a gain on the sale of capital assets of \$36,315 related to the sale of land, including a warehouse and greenhouse, to the State as part of the I94/I45 Zoo Interchange reconstruction project.

Other revenue decreased in 2013 by \$19,994 to \$46,362. The decrease was primarily the result of a change in the way employee pension and healthcare contributions are presented. In 2012, contributions were included in other revenue. In 2013, to more accurately reflect the costs to the individual agencies, \$17,608 in revenue was offset against agency healthcare costs. In addition, a technical change in the way certain Behavioral Health wraparound revenues were recorded resulted in a decrease of \$8,032 in 2013.

#### 2013 Actual Expenses compared to 2012 Actual Expenses

Actual total expenses for all of the County's governmental activities for the fiscal year 2013 were \$1,007,639 representing a decrease of \$42,648 or 4.1% from 2012. Total expenses compared to program revenues by activity are shown in the bar graph.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

The net decrease in total expenses is mainly due to a reduction in program expenses for grant programs, plus instituting additional cost saving measures across departments. Every other major departmental area shows decreased expenses from 2012 to 2013, with the exception of general governmental services, which has increased expenses of \$1,196. In addition, in 2012, Health Care contributions were included in other revenue. In 2013, to more accurately reflect the costs to the individual agencies, \$17,608 in revenue was offset against agency healthcare costs, thus creating reduction in expenses from 2012 reported expenditures.

Current economic conditions have required the County to continue cost savings measures that have been implemented over the last several years. The following are some of the measures continued in 2013 to control costs:

- Elimination of departmental positions due to downsizing and privatization of services
- Changes to departmental policies so as to limit overtime usage and holding positions vacant in order to achieve departmental cost savings
- Elimination of certain wage step increases
- Increase in employee contributions to healthcare plans for certain union members and non-represented positions
- Increase in employee co-pays and deductibles to reduce County health costs for both active and retired employees
- Employee contributions to pension costs for certain union and non-represented positions
- Capping the amount of sick time that can be accrued to 960 hours for certain union and non-represented employees
- Elimination of the payout and/or health care credit at retirement for any sick time accrued after June 24, 2012 for certain union and non-represented employees
- Departmental review of outside services and suppliers to achieve more cost effective pricing
- Upgrading or replacing, when possible, systems that are outdated or not energy efficient

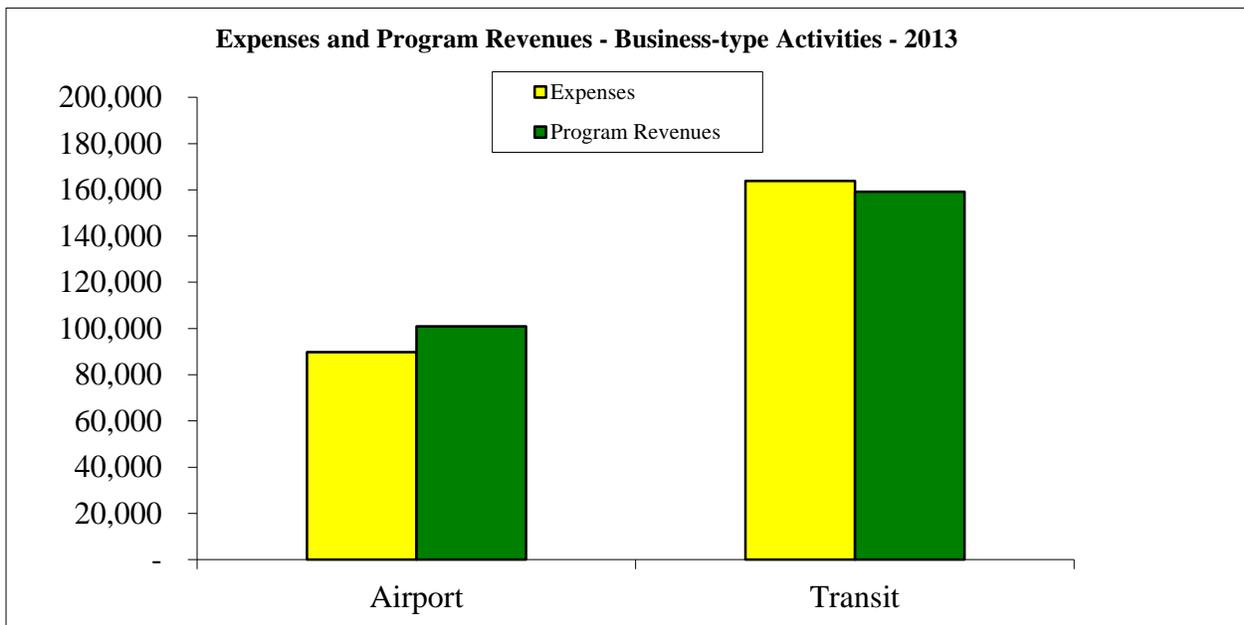
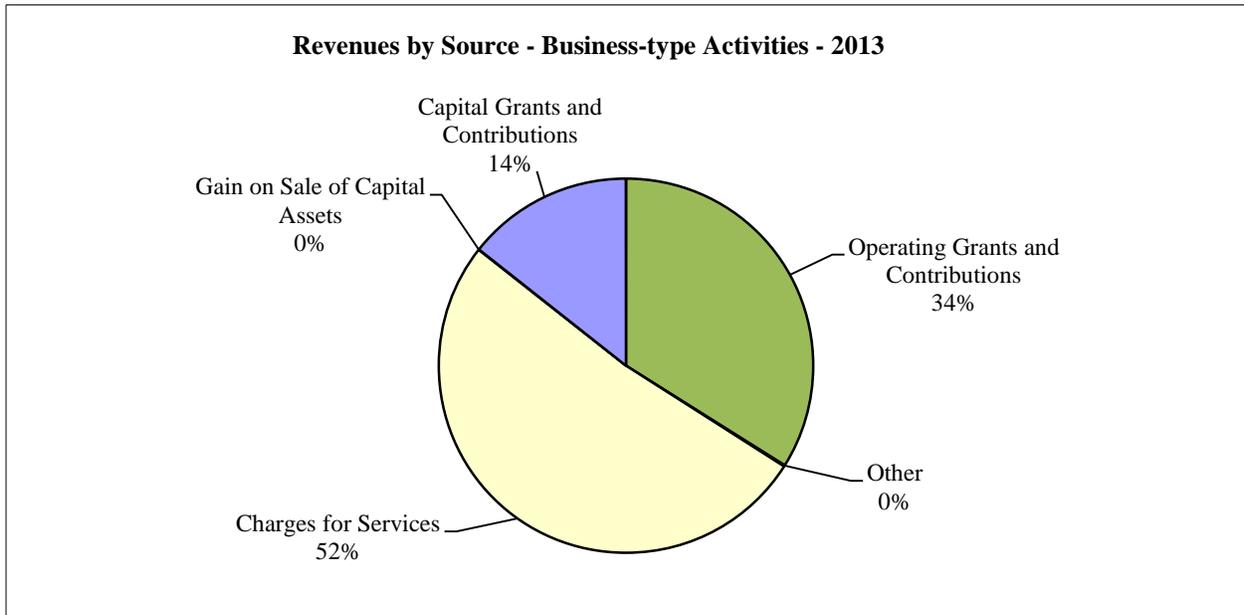
# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

#### Business-type Activities

Business-type activities consist of the Airports and Transit / Para-Transit System. The first graph indicates the revenue source for the fiscal year ended December 31, 2013. The second graph compares the expenses and program revenues for the Airports and Transit System.



# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

In 2013, the Airports' revenue including fees charged to airlines for use of the airport and fees received from ancillary services of the airports exceeded its annual operating costs by \$5,238. Charges for Services revenue from the Airport increased by \$2,214 (or 2.7%) and operating expenses increased by \$1,447 (or 1.8%) over the prior year. New airport concession contracts accounted for some of the additional revenue for the airport in 2013. Total Passengers at General Mitchell International Airport declined 13.3% from 7.5 million passengers in 2012 to 6.5 million passengers in 2013. Operating grants and contributions are negligible for the Airports.

The Transit System requires operating assistance from the State, Federal and County government to balance its revenues and expenses. Total County operating support, reflected as operating transfers, for the Transit System was \$27,883 for fiscal year 2013, which was an increase of \$11,800 (or 73.4%) from the prior year. Total state and federal grants for the Transit System were \$88,107 for 2013, which was a decrease of \$3,669 or 4.0% from 2012. Direct support from users of the Transit System was \$44,884 (27.6% of total operating expenses) for 2013, which was a decrease of \$1,480 from 2012. The operator of the Transit System has also instituted cost savings measures to reduce operating costs. The Transit System has continued its purchase of more fuel-efficient buses to reduce fuel and maintenance costs, limited the number of bus routes, and has required employees to contribute more for health and pension costs.

### 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.

As of December 31, 2013, the County's governmental funds reported combined ending fund balances of \$213,235. The restricted fund balance consists of \$5,000 for 2015 appropriations, \$5,000 for 2014 appropriations, \$34,964 for debt service, \$58,457 for commitments (including construction), \$35,357 for Milwaukee County Family Care, \$14,797 for delinquent property taxes, \$835 for Housing, \$26,352 for the Airport, \$7,016 for Administrative Services, \$950 for the Zoo, \$1,240 for the Parks, \$101 for the Persons with Disabilities Division, \$9,082 for the Behavioral Health Division and \$10,192 for the Fleet and Facilities Divisions. The remainder of the Fund Balance consists of \$1,196 of committed funds for economic development and \$2,696 of non-spendable funds for inventories.

The general fund is the main operating fund of the County and provides a majority of the day to day funding. It is used to account for and report all financial resources, except those resources required to be accounted for and reported in another fund. The general fund increased 8.5% from \$69,211 to \$75,062 in 2013. This change is mainly due to an increase in the Milwaukee County Family Care from \$27,754 in 2012 to \$35,357 in 2013.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (cont.)

The debt service fund has a total fund balance of \$34,964 all of which is restricted for the payment of debt service. In 2013, the debt service reserve increased by \$7,901 or 29.2%, primarily as a result of a transfer in of a portion of the County's 2013 net excess of revenues over expenditures.

The capital projects fund balance is \$48,276 all of which is restricted for commitments made on capital projects in progress. The net increase in the capital projects fund during the current year was \$16,539. The increase in the fund balance is associated with the issuance of additional bonds and sale of capital assets that provided funding which remained unspent at the end of 2013.

### Proprietary funds

At the end of 2013, the unrestricted net position of the two major funds, Airports and the Transit System, totaled \$492. The total net position of these same two major funds was \$334,408 at the end of 2013, compared to \$300,584 at the end of 2012. The total net position for the Airports increased by \$11,960 while the total net position for the Transit System increased by \$21,864. Restricted net assets of the Airport are required per debt covenants associated with revenue bonds issued for capital improvements.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Expenditures and other uses exceeded revenues and other sources by \$4,448 in the General Fund for the year ended December 31, 2013. This table is based on a budgetary basis presentation. The budgetary basis of actual revenues and expenditures presented on the prior page differs from the statement of revenues, expenditures, and changes in fund balance due to the inclusion of encumbrances of \$10,265 in expenditures, pension and other expenditures of \$33 and transfers to component units of (\$8,222).

**County of Milwaukee, Wisconsin  
Statement of Revenues, Expenditures and Changes in Net Position - Budgetary Basis  
General Fund  
For the Year Ending December 31, 2013  
(In Thousands)**

	Original Budget	Final Budget	Actual	Variance
<b><u>Revenues and Other Sources</u></b>				
Intergovernmental Revenue	\$ 222,331	\$ 227,061	\$ 227,681	\$ 620
Taxes	343,511	344,512	343,719	(793)
Charges for Services	414,467	411,459	409,178	(2,281)
Other	36,613	39,146	33,123	(6,023)
<b>Total</b>	<b>1,016,922</b>	<b>1,022,178</b>	<b>1,013,701</b>	<b>(8,477)</b>
<b><u>Expenditures and Other Uses</u></b>				
Expenditures	905,982	921,812	892,912	28,900
Transfers	116,479	115,189	125,237	(10,048)
<b>Total</b>	<b>1,022,461</b>	<b>1,037,001</b>	<b>1,018,149</b>	<b>18,852</b>
<b>Change in Fund Balance</b>	<b>\$ (5,539)</b>	<b>\$ (14,823)</b>	<b>\$ (4,448)</b>	<b>\$ 10,375</b>

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

#### 2013 Actual Revenues compared to 2013 Final Budget

- Actual General Fund revenues were \$8,477, or 0.8%, below the final budgeted.
- Property taxes were \$911, or 0.3%, above the final budgeted amount while sales taxes were \$1,704, or 2.8%, below the final budgeted amount.
- Charges for services were \$1,225, or 0.3%, below the final budgeted amount; fines and forfeits were \$1,065, or 32.9%, below the final budgeted amount; and licenses and permits were \$9, or 1.4% above the final budgeted amount.
- Investment income and rents were \$2,071, or 17.3% below the final budget amount.
- Other revenues were \$3,952, or 14.6% below the final budget amount.

#### 2013 Actual Expenditures compared to 2013 Final Budget

Actual General Fund expenditures (before transfers), were \$28,900 or 3.1%, below the final budgeted amount for fiscal year 2013. This is primarily due to:

- Reductions in inmate population, due to the success of court diversion programs that are designed to reduce the number of incarcerated low risk offenders.
- Expenditure surplus due to unfilled positions, fewer payments for unemployment compensation, wages, overtime, fringe benefits, services and commodities.
- Lower than anticipated employee medical costs.
- Department review of outside services and suppliers to achieve more cost effective pricing.

#### Budget Transfers

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:

- carryover of encumbrances from the prior year
- carryover of capital outlay and the associated revenue from the prior year
- fund transfer requests from departments

The carryover of encumbrances from the prior year 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.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

The difference between original budget revenue of \$1,016,922 and final budget revenue of \$1,022,178 is an increase of \$5,256. The difference between original budget expenses of \$905,982 and final budget expenses of \$921,812 is an increase of \$15,830. The major budget transfers of \$1,000 or greater during 2013 are listed below:

- General Government Services

- A net increase of \$2,837 in revenue and expenditures to the County Appropriations for Contingencies account resulting from settlement with the State for County-owned land needed for the Zoo Freeway interchange reconstruction.
- A decrease of \$4,096 in expenditures to the County Appropriations for Contingencies account, which is providing financing for projects related to the July 2013 fire at the County Courthouse. Reimbursement will be made from the anticipated receipt of insurance proceeds.

- Public Safety

An increase of \$2,000 to expenditures for the House of Correction to fund an emergency contract for provision of inmate medical services as mandated by the Court. Funding comes from capital project funds initially intended for development of inmate medical tracking, which was no longer necessary since the contract provides for these services.

- Health and Human Services

- A decrease of \$2,532 to revenue and a decrease of \$5,448 to expenditures to the Department of Family Care. This is a result of an increase in the 2013 capitation rates and updated enrollment projections based on the most recent historical experience for Milwaukee County.
- A decrease of \$5,641 to revenue and expenditures to the Department of Family Care resulting from a decrease in enrollment projections, based on historical experience, for Racine and Kenosha Counties.
- A net increase of \$6,330 in revenue and expenditures to the Department of Health and Human Services-Behavioral Health Division. This is due to increased enrollments and the removal of an enrollment cap for the Wraparound Milwaukee Program, which provides services to children with severe emotional and mental health needs and their families.

- Parks, Recreation & Culture

An increase of \$2,354 to expenditures to the Milwaukee Public Museum as a result of a new Lease and Management Agreement between the Museum and Milwaukee County; funds are derived from the Debt Service Reserve.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

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 to offset any shortfalls between revenues and expenditures. The 2013 actual net contribution made by the General Fund to other funds was \$125,237.

The General Fund collects all property tax, sales tax revenue, and intergovernmental revenues not related to a specific program. 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 and/or revenue bond agreements, and the Department of Family Care.

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 net investment in capital assets for its governmental and business-type activities as of December 31, 2013 was \$1,130,435 (cost of \$2,238,272 less accumulated depreciation of \$1,107,837). The County's total investment in capital assets increased overall by 3.8% - governmental activities increased by 2.2% and business-type activities increased by 6.0%. The investments 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.

Major Adopted Capital Project assets appropriated for 2013 included the following:

- \$46,022 for General Mitchell International Airport (GMIA) baggage claim building renovation and expansion.
- \$14,110 for GMIA Phase II residential sound insulation program.
- \$12,900 for GMIA runway 7R deicing pad and \$1,000 for GMIA airfield pavement rehabilitation.
- \$2,359 for Transportation and Public Works highway construction from N. 107<sup>th</sup> St. and Brown Deer to North County Line.
- \$2,714 for Fleet general equipment and \$1,786 for Fleet parks equipment.
- \$1,000 for steam to natural gas conversion for Fleet, Parks and Children's Court Center.
- \$3,440 for windows migration and \$1,842 for building out ten sites to digital.
- \$2,000 for Behavioral Health/Sheriff Electronic medical records system.
- \$1,125 for Health and Human Services (HHS) EMS Cardiac Monitor/Defibrillator Z Series.
- \$1,219 for HHS County Grounds reservoir rehabilitation.
- \$4,200 for Parks, Recreation and Culture Estabrook Dam Impoundment Sediment Remediation.
- \$2,614 for Marcus Center HVAC upgrade and \$2,000 for War Memorial renovations.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

### CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

County of Milwaukee, Wisconsin  
Capital Assets (Net)  
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 59,311	\$ 59,303	\$ 21,367	\$ 21,367	\$ 80,678	\$ 80,670
Construction in Progress	67,679	45,622	67,919	66,089	135,598	111,711
Land Improvements	96,130	94,867	107,388	86,032	203,518	180,899
Building and Improvements	258,096	263,883	191,079	199,310	449,175	463,193
Infrastructure	104,121	107,302	-	-	104,121	107,302
Machinery, Vehicles & Equipment	65,641	66,236	91,704	79,363	157,345	145,599
<b>Total</b>	<u>\$ 650,978</u>	<u>\$ 637,213</u>	<u>\$ 479,457</u>	<u>\$ 452,161</u>	<u>\$ 1,130,435</u>	<u>\$ 1,089,374</u>

Additional information on the County's capital assets can be found in Note 5 on pages 106-120 of this report.

### Long-Term Debt

As of December 31, 2013, the County had total debt outstanding of \$958,192. Of this amount, \$727,711 comprised of general obligation bonds and \$230,481 of airport revenue bonds.

County of Milwaukee, Wisconsin  
Outstanding Debt  
General Obligation and Revenues Bonds  
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government Total</u>	
	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012*</u>
General Obligation Bonds	\$ 699,153	\$ 723,626	\$ 28,558	\$ 29,381	\$ 727,711	\$ 753,007
Revenue Bonds	-	-	230,481	190,887	230,481	190,887
<b>Totals</b>	<u>\$ 699,153</u>	<u>\$ 723,626</u>	<u>\$ 259,039</u>	<u>\$ 220,268</u>	<u>\$ 958,192</u>	<u>\$ 943,894</u>

\*Fiscal Year 2012 amounts restated due to the implementation of GASB statement 65.

The County's total debt increased by \$14,298 during the year ended December 31, 2013.

# COUNTY OF MILWAUKEE, WISCONSIN

## Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)

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### CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

#### New debt issued by the County during 2013:

- Taxable General Obligation Pension Promissory Notes, Series 2013 were issued by Milwaukee County on February 12, 2013 in the amount of \$138,730. These Notes were issued pursuant to Chapter 67 of the Wisconsin Statutes and were planned to extend the financing of \$135,000 of 2009 Taxable pension notes series 2009B that were to mature on December 1, 2013.
- Taxable General Obligation Pension Refunding Bonds Series 2013B were issued by Milwaukee County on June 27, 2013, in the amount of \$99,300. These Notes were issued pursuant to Chapter 67 of the Wisconsin Statutes. The Notes were issued for tendering \$95,000 of Series 2009A Bonds, dated April 2, 2009, that were held by an investor.
- On August 14, 2013, the County issued \$26,935 of General Obligation Corporate Purpose Bonds, Series 2013A. Total proceeds 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 to the County's 2013 Adopted Capital Improvement Budget.
- On August 14, 2013, the County issued \$47,095 of Airport Revenue Bonds, Series 2013A and \$3,330 of Airport Revenue Refunding Bonds, Series 2013B. These bonds were issued pursuant to the Constitution and laws of the State of Wisconsin and resolutions adopted by the Board of Supervisors of the County. The Series 2013A Bonds were issued to finance general capital improvements and the Series 2013B Bonds were issued to refund certain outstanding general airport revenue bonds of the County, which were issued to finance improvements to the airport system.

Additional information on the County's Long-Term debt can be found in Note 8 on pages 123-132 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Milwaukee County annualized unemployment rate for 2013 was 8.3%, a slight decrease from the 2012 rate of 8.5%. The unemployment rate for the month of April 2014 was 7.0%.
- The median price for homes sold in Milwaukee County in 2013 was \$115 thousand compared to \$100 thousand in 2012, (a 15.0% increase). The annual median price for homes sold in Milwaukee County through April 2014 was \$108 thousand, an increase of 14.1% from 2013. Data as reported by the Wisconsin Realtors Association, Housing Statistics Report.

During the 2013 fiscal year, the County had a net excess of revenues over expenditures of \$5,000 after considering net revenue from operations and changes in reserve balances. This excess is identified on the governmental funds balance sheet as Restricted for 2015 Appropriations and will be added to the revenue of the 2015 budget.

# COUNTY OF MILWAUKEE, WISCONSIN

## **Management's Discussion and Analysis As of and For the Year Ended December 31, 2013 (Unaudited)**

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### **Requests for financial 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. Please address any questions about this report or requests for additional financial information to:

Office of the Comptroller  
Milwaukee County Courthouse  
901 North 9<sup>th</sup> Street, Room 301  
Milwaukee, WI 53233

**COUNTY OF MILWAUKEE, WISCONSIN**

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**BASIC FINANCIAL STATEMENTS**

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Net Position  
As of December 31, 2013  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 211,501	\$ 70,743	\$ 282,244	\$ 10,107
Cash and Investments - Restricted	71,494	79,160	150,654	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	32,002	4,245	36,247	1,590
Property Taxes:				
Current Levy	280,130	-	280,130	-
Delinquent	12,428	-	12,428	-
Accrued Interest and Dividends	9,474	-	9,474	-
Other	14,446	5,862	20,308	194
Due From Other Governments	42,418	13,735	56,153	-
Inventories	2,693	4,165	6,858	76
Prepaid Items	259	456	715	263
Other Assets	-	61	61	-
Insurance Deposits	3,443	-	3,443	-
Total Current Assets	<u>680,288</u>	<u>178,427</u>	<u>858,715</u>	<u>12,230</u>
Noncurrent Assets:				
Receivables:				
Contributions	-	-	-	2,938
Delinquent Property Taxes	8,037	-	8,037	-
Cash and Investments - Restricted	-	-	-	1,035
Net Pension Asset	425,785	-	425,785	-
Other Post Employment Benefit	-	1,955	1,955	-
Other Assets	-	-	-	961
Capital Assets (Net)				
Land	59,311	21,367	80,678	-
Construction in Progress	67,679	67,919	135,598	47
Land Improvements	253,354	187,681	441,035	-
Buildings and Improvements	687,370	323,654	1,011,024	43,680
Infrastructure	192,188	-	192,188	-
Machinery, Vehicles and Equipment	181,523	196,226	377,749	12,708
Less: Accumulated Depreciation	(790,447)	(317,390)	(1,107,837)	(31,801)
Total Capital Assets (Net)	<u>650,978</u>	<u>479,457</u>	<u>1,130,435</u>	<u>24,634</u>
Total Noncurrent Assets	<u>1,084,800</u>	<u>481,412</u>	<u>1,566,212</u>	<u>36,712</u>
Total Assets	<u>1,765,088</u>	<u>659,839</u>	<u>2,424,927</u>	<u>48,942</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Loss on Refunding of Debt	<u>18,087</u>	<u>130</u>	<u>18,217</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>18,087</u>	<u>130</u>	<u>18,217</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,783,175</u>	<u>\$ 659,969</u>	<u>\$ 2,443,144</u>	<u>\$ 48,942</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Net Position  
As of December 31, 2013  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 78,975	\$ 8,422	\$ 87,397	\$ 453
Accrued Liabilities	35,219	4,277	39,496	875
Accrued Interest Payable	4,506	1,207	5,713	18
Accrued Pension Payable	22,553	-	22,553	-
Due to Other Governments	7,310	-	7,310	-
Unearned Revenues	1,285	11,524	12,809	1,957
Bonds and Notes Payable - General Obligation	72,483	3,473	75,956	58
Bonds and Notes Payable - Revenue	-	8,765	8,765	-
Unfunded Claims and Judgments	2,000	-	2,000	-
Pollution Remediation Costs	1,303	-	1,303	-
Landfill Postclosure Costs	110	-	110	-
Compensated Absences Payable	22,343	6,372	28,715	-
Risk Claims	8,300	9,026	17,326	-
Capital Leases	1,230	159	1,389	107
Other Current Liabilities	53	2,173	2,226	1,013
Total Current Liabilities	<u>257,670</u>	<u>55,398</u>	<u>313,068</u>	<u>4,481</u>
Noncurrent Liabilities:				
Bonds and Notes Payable - General Obligation	626,670	25,085	651,755	1,657
Bonds and Notes Payable - Revenue	-	221,716	221,716	-
Unfunded Claims and Judgments	2,000	-	2,000	-
Landfill Postclosure Costs	5,404	-	5,404	-
Pollution Remediation Costs	11,452	-	11,452	-
Compensated Absences Payable	16,837	4,807	21,644	-
Risk Claims	9,648	5,849	15,497	-
Other Post Employment Benefits	297,418	12,620	310,038	-
Capital Leases	4,823	86	4,909	-
Other Noncurrent Liabilities	-	-	-	725
Accrued Pension and Postretirement Benefits	-	-	-	5,815
Total Noncurrent Liabilities	<u>974,252</u>	<u>270,163</u>	<u>1,244,415</u>	<u>8,197</u>
Total Liabilities	<u>1,231,922</u>	<u>325,561</u>	<u>1,557,483</u>	<u>12,678</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Tax Revenue	<u>290,575</u>	<u>-</u>	<u>290,575</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>290,575</u>	<u>-</u>	<u>290,575</u>	<u>-</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Net Position  
As of December 31, 2013  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 372,792	\$ 299,463	\$ 672,255	\$ 22,862
Restricted for:				
2014 Appropriations	5,000	-	5,000	-
2015 Appropriations	5,000	-	5,000	-
Debt Service	34,964	17,680	52,644	-
Commitments	6,455	2,769	9,224	-
Capital Project Commitments	48,276	-	48,276	-
Department of Family Care - State Restricted	12,208	-	12,208	-
Department of Family Care - Excess Reserves	23,149	-	23,149	-
Delinquent Property Tax	14,797	-	14,797	-
Housing	835	-	835	-
Capital Asset Needs	-	14,004	14,004	-
Airport - Passenger Facilities Charges and Debt	26,352	-	26,352	-
Behavioral Health Division	9,082	-	9,082	-
Fleet and Facilities Divisions	10,192	-	10,192	-
Administrative Services	7,016	-	7,016	-
Zoo	950	-	950	-
Parks	1,240	-	1,240	-
Persons with Disabilities	101	-	101	-
Museum	-	-	-	11,092
Other	3,892	-	3,892	380
Unrestricted (Deficit)	(321,623)	492	(321,131)	1,930
Total Net Position	<u>260,678</u>	<u>334,408</u>	<u>595,086</u>	<u>36,264</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,783,175</u>	<u>\$ 659,969</u>	<u>\$ 2,443,144</u>	<u>\$ 48,942</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Activities  
For The Year Ended December 31, 2013  
(In Thousands)

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
Legislative, Executive and Staff	\$ (49,832)	\$ 3,270	\$ 921	\$ -	\$ (45,641)	\$ -	\$ (45,641)	\$ -
Courts and Judiciary	(50,502)	3,923	23,398	-	(23,181)	-	(23,181)	-
General Governmental Services	(12,165)	5,377	70	-	(6,718)	-	(6,718)	-
Public Safety	(147,637)	11,698	14,325	-	(121,614)	-	(121,614)	-
Public Works and Highways	(79,849)	27,931	18,346	2,157	(31,415)	-	(31,415)	-
Human Services	(556,149)	359,331	133,770	-	(63,048)	-	(63,048)	-
Parks, Recreation and Culture	(76,960)	33,007	218	1,822	(41,913)	-	(41,913)	-
Interest and Other Charges	(34,545)	-	-	-	(34,545)	-	(34,545)	-
Total Governmental Activities	<u>(1,007,639)</u>	<u>444,537</u>	<u>191,048</u>	<u>3,979</u>	<u>(368,075)</u>	<u>-</u>	<u>(368,075)</u>	<u>-</u>
Business-type Activities:								
Airport	(89,720)	85,520	235	15,171	-	11,206	11,206	-
Transit	(163,844)	48,867	88,107	22,191	-	(4,679)	(4,679)	-
Total Business-type Activities	<u>(253,564)</u>	<u>134,387</u>	<u>88,342</u>	<u>37,362</u>	<u>-</u>	<u>6,527</u>	<u>6,527</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ (1,261,203)</u>	<u>\$ 578,924</u>	<u>\$ 279,390</u>	<u>\$ 41,341</u>	<u>(368,075)</u>	<u>6,527</u>	<u>(361,548)</u>	<u>-</u>
<b>Component Units:</b>								
Milwaukee Public Museum	\$ (12,693)	\$ 13,311	\$ 6,502	\$ -	-	-	-	7,120
War Memorial	(2,432)	1,380	1,418	-	-	-	-	366
Marcus Center	(10,691)	5,597	1,088	-	-	-	-	(4,006)
Research Park Corporation	(1,539)	79	-	-	-	-	-	(1,460)
Total Component Units	<u>\$ (27,355)</u>	<u>\$ 20,367</u>	<u>\$ 9,008</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,020</u>
General Revenues:								
Property Taxes					283,631	-	283,631	-
Sales Taxes					65,488	-	65,488	-
Intergovernmental Revenues Not Related to Specific Program					34,443	-	34,443	-
Investment Income					478	332	810	5,799
Gain on Sale of Capital Assets					36,315	123	36,438	-
Other Revenue					46,362	-	46,362	2,970
Transfers					(26,842)	26,842	-	-
Total General Revenues and Transfers					<u>439,875</u>	<u>27,297</u>	<u>467,172</u>	<u>8,769</u>
Change in Net Position					71,800	33,824	105,624	10,789
Net Position -- Beginning					188,878	300,584	489,462	25,475
Net Position -- Ending					<u>\$ 260,678</u>	<u>\$ 334,408</u>	<u>\$ 595,086</u>	<u>\$ 36,264</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Balance Sheet  
Governmental Funds  
As of December 31, 2013  
(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	\$ 93,113	\$ 34,899	\$ 28,072	\$ 28,794	\$ 184,878
Cash and Investments -- Restricted	11,458	-	33,684	26,352	71,494
Receivables:					
Accounts (Net of Allowances for Doubtful Accounts)	17,343	73	12,833	-	30,249
Property Taxes:					
Current Levy	280,130	-	-	-	280,130
Delinquent	20,465	-	-	-	20,465
Accrued Interest	9,474	-	-	-	9,474
Other	14,442	-	-	4	14,446
Due From Other Governments	35,636	-	6,773	-	42,409
Inventories	2,693	-	-	-	2,693
Insurance Deposits	3,443	-	-	-	3,443
Total Assets	<u>\$ 488,197</u>	<u>\$ 34,972</u>	<u>\$ 81,362</u>	<u>\$ 55,150</u>	<u>\$ 659,681</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
Liabilities:					
Accounts Payable	\$ 43,477	\$ -	\$ 33,086	\$ 217	\$ 76,780
Accrued Liabilities	39,249	8	-	-	39,257
Accrued Pension Payable	22,553	-	-	-	22,553
Other Liabilities	53	-	-	-	53
Due to Other Governments	7,310	-	-	-	7,310
Unearned Revenues	1,285	-	-	-	1,285
Total Liabilities	<u>113,927</u>	<u>8</u>	<u>33,086</u>	<u>217</u>	<u>147,238</u>
Deferred Inflows of Resources:					
Deferred Tax Revenue	290,575	-	-	-	290,575
Unavailable Revenue	8,633	-	-	-	8,633
Total Deferred Inflows of Resources	<u>299,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,208</u>
Fund Balance:					
Non-Spendable:					
Inventories	2,696	-	-	-	2,696
Restricted:					
2015 Appropriations	5,000	-	-	-	5,000
2014 Appropriations	5,000	-	-	-	5,000
Debt Service	-	34,964	-	-	34,964
Commitments	10,181	-	48,276	-	58,457
Department of Family Care - State Restricted	12,208	-	-	-	12,208
Department of Family Care - Excess Reserves	23,149	-	-	-	23,149
Delinquent Property Tax	14,797	-	-	-	14,797
Housing	835	-	-	-	835
Airport - Passenger Facilities Charges and Debt	-	-	-	26,352	26,352
Administrative Services	-	-	-	7,016	7,016
Zoo	-	-	-	950	950
Parks	-	-	-	1,240	1,240
Persons with Disabilities	-	-	-	101	101
Behavioral Health Division	-	-	-	9,082	9,082
Fleet and Facilities Divisions	-	-	-	10,192	10,192
Committed:					
Economic Development	1,196	-	-	-	1,196
Total Fund Balance	<u>75,062</u>	<u>34,964</u>	<u>48,276</u>	<u>54,933</u>	<u>213,235</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 488,197</u>	<u>\$ 34,972</u>	<u>\$ 81,362</u>	<u>\$ 55,150</u>	<u>\$ 659,681</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
As of December 31, 2013  
(In Thousands)

Total Fund Balances for Governmental Funds as of 12/31/13 \$ 213,235

**Total net position reported for governmental activities in the Statement of Net Position  
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	59,311
Construction in Progress	61,790
Land Improvements	250,206
Buildings and Improvements	680,772
Infrastructure	192,188
Machinery, Vehicles and Equipment	141,995
Less: Accumulated Depreciation	(750,803)

Internal service funds are used by management to charge costs associated with risk management, data processing services and public works services. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

Internal service fund net position is: (1,693)

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	(679,875)
Deferred Loss on Refunding of Debt	18,064
Capital Leases	(6,053)
Unfunded Claims and Judgments	(4,000)
Landfill Postclosure Costs	(5,514)
Pollution Remediation Costs	(12,755)
Compensated Absences Payable	(33,879)
Other Post Employment Benefits	(292,490)
Other	99

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. 8,633

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 425,785

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 Position. (4,338)

Total Net Position of Governmental Activities as of 12/31/13 \$ 260,678

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Funds  
 For The Year Ended December 31, 2013  
 (In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental	\$ 227,681	\$ 1,851	\$ 4,164	\$ -	\$ 233,696
Property Taxes	283,632	-	-	-	283,632
Sales Taxes	60,087	-	5,401	-	65,488
Charges for Services	406,364	-	-	14,259	420,623
Fines and Forfeits	2,172	-	-	-	2,172
Licenses and Permits	642	-	-	-	642
Investment Income and Rents	9,916	-	118	226	10,260
Other	23,207	12,652	5,542	445	41,846
<b>Total Revenues</b>	<b>1,013,701</b>	<b>14,503</b>	<b>15,225</b>	<b>14,930</b>	<b>1,058,359</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Legislative, Executive and Staff	20,053	-	-	-	20,053
Courts and Judiciary	50,229	-	-	-	50,229
General Governmental Services	11,070	-	-	-	11,070
Public Safety	146,410	-	-	-	146,410
Public Works and Highways	46,841	-	-	16,750	63,591
Human Services	552,952	-	-	914	553,866
Parks, Recreation and Culture	63,281	-	-	950	64,231
Capital Outlay	-	-	66,908	-	66,908
<b>Debt Service:</b>					
Principal Retired	-	56,761	-	-	56,761
Interest and Other Charges	-	50,700	-	-	50,700
Principal Retired on Current Refunding	-	227,004	-	-	227,004
<b>Total Expenditures</b>	<b>890,836</b>	<b>334,465</b>	<b>66,908</b>	<b>18,614</b>	<b>1,310,823</b>
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
Expenditures	122,865	(319,962)	(51,683)	(3,684)	(252,464)
<b>Other Financing Sources (Uses):</b>					
General Obligation Bonds Issued	-	238,341	20,907	-	259,248
Premium on Debt Issued	-	839	-	-	839
Proceeds from Sale of Capital Assets	-	-	36,315	-	36,315
Proceeds from Capital Leases	1,383	-	-	-	1,383
Insurance Recoveries	-	-	13,000	-	13,000
Transfers In	18,470	88,683	6,431	10	113,594
Transfers Out	(136,867)	-	(8,431)	(100)	(145,398)
<b>Total Other Financing Sources (Uses)</b>	<b>(117,014)</b>	<b>327,863</b>	<b>68,222</b>	<b>(90)</b>	<b>278,981</b>
<b>Net Change in Fund Balances</b>	<b>5,851</b>	<b>7,901</b>	<b>16,539</b>	<b>(3,774)</b>	<b>26,517</b>
Fund Balances - Beginning	69,211	27,063	31,737	58,707	186,718
Fund Balances - Ending	\$ 75,062	\$ 34,964	\$ 48,276	\$ 54,933	\$ 213,235

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

**COUNTY OF MILWAUKEE, WISCONSIN**

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, 2013  
(In Thousands)

Net Change in Fund Balances for Total Governmental Funds \$ 26,517

**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	66,908
Items reported as capital outlay that were not capitalized	(13,905)
Items reported as capital from operations	3,346
Depreciation reported in the government-wide statements	(45,584)
Net book value of assets retired	(216)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,518

long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(259,248)
Premium on debt issued	(839)
Reassignment of long term debt	6,167
Principal repaid	283,765
Capital lease paid	1,185
Capital lease issued	(1,383)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (3,387)

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	1,048
Amortization of Premiums, Discounts and Deferred Losses on Refunding	1,239
Loss on Current Refunding	15,098
Net Pension Asset	6,198
Landfill Postclosure Costs	(2,466)
Pollution Remediation Costs	5,983
Compensated Absences Payable	1,832
Other Postemployment Benefits	(23,976)

Change in Net Position of Governmental Activities \$ 71,800

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Revenue, Expenditures and Changes in Fund Balances-Budget and Actual  
(Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Intergovernmental	\$ 222,331	\$ 227,061	\$ 227,681	\$ 620
Property Taxes	282,721	282,721	283,632	911
Sales Taxes	60,790	61,791	60,087	(1,704)
Charges for Services	410,597	407,589	406,364	(1,225)
Fines and Forfeits	3,237	3,237	2,172	(1,065)
Licenses and Permits	633	633	642	9
Investment Income and Rents	11,987	11,987	9,916	(2,071)
Other	24,626	27,159	23,207	(3,952)
<b>Total Revenues</b>	<b>1,016,922</b>	<b>1,022,178</b>	<b>1,013,701</b>	<b>(8,477)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative, Executive and Staff	21,056	23,845	22,220	1,625
Courts and Judiciary	52,745	52,520	50,958	1,562
General Governmental Services	11,845	12,193	11,306	887
Public Safety	142,182	147,875	147,372	503
Public Works and Highways	51,193	52,699	47,629	5,070
Human Services	559,336	562,943	557,083	5,860
Parks, Recreation and Culture	56,463	58,404	56,221	2,183
Other	11,162	11,333	123	11,210
<b>Total Expenditures</b>	<b>905,982</b>	<b>921,812</b>	<b>892,912</b>	<b>28,900</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>110,940</b>	<b>100,366</b>	<b>120,789</b>	<b>20,423</b>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds Issued	9	501	-	(501)
Proceeds from Capital Leases	-	2,193	1,383	(810)
Transfers In	26,195	27,497	76,054	48,557
Transfers Out	(136,819)	(134,807)	(194,452)	(59,645)
Transfers To Component Units	(5,864)	(10,573)	(8,222)	2,351
<b>Total Other Financing Sources (Uses)</b>	<b>(116,479)</b>	<b>(115,189)</b>	<b>(125,237)</b>	<b>(10,048)</b>
<b>Net Change in Fund Balance</b>	<b>(5,539)</b>	<b>(14,823)</b>	<b>(4,448)</b>	<b>10,375</b>
Fund Balances -- Beginning	69,211	69,211	69,211	-
<b>Fund Balances -- Ending</b>	<b>\$ 63,672</b>	<b>\$ 54,388</b>	<b>\$ 64,763</b>	<b>\$ 10,375</b>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Balance Sheet  
Proprietary Funds  
As of December 31, 2013  
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Airports	Transit System	Total	Internal Service Funds
<b>Assets</b>				
Current Assets:				
Cash and Investments	\$ 49,088	\$ 21,655	\$ 70,743	\$ 26,623
Cash and Investments -- Restricted	79,160	-	79,160	-
Receivables:				
Accounts	4,245	-	4,245	1,752
Other	79	5,783	5,862	-
Due From Other Governments	9,720	4,015	13,735	8
Inventories	-	4,165	4,165	-
Prepaid Items	-	456	456	163
Other Assets	-	61	61	-
Total Current Assets	<u>142,292</u>	<u>36,135</u>	<u>178,427</u>	<u>28,546</u>
Noncurrent Assets:				
Other Post Employment Benefit	-	1,955	1,955	-
Capital Assets:				
Land	18,594	2,773	21,367	-
Construction in Progress	51,042	16,877	67,919	5,889
Land Improvements	181,077	6,604	187,681	3,148
Building and Improvements	258,831	64,823	323,654	6,598
Machinery, Vehicles and Equipment	21,709	174,517	196,226	39,528
Total Capital Assets	<u>531,253</u>	<u>265,594</u>	<u>796,847</u>	<u>55,163</u>
Less: Accumulated Depreciation	<u>(178,511)</u>	<u>(138,879)</u>	<u>(317,390)</u>	<u>(39,644)</u>
Total Capital Assets (Net)	<u>352,742</u>	<u>126,715</u>	<u>479,457</u>	<u>15,519</u>
Total Noncurrent Assets	<u>352,742</u>	<u>128,670</u>	<u>481,412</u>	<u>15,519</u>
 Total Assets	 <u>495,034</u>	 <u>164,805</u>	 <u>659,839</u>	 <u>44,065</u>
Deferred Outflows of Resources:				
Deferred Loss on Refunding of Debt	3	127	130	23
Total Deferred Outflows of Resources	<u>3</u>	<u>127</u>	<u>130</u>	<u>23</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 495,037</u>	 <u>\$ 164,932</u>	 <u>\$ 659,969</u>	 <u>\$ 44,088</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Balance Sheet  
Proprietary Funds  
As of December 31, 2013  
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Airports	Transit System	Total	Internal Service Funds
<b><u>Liabilities</u></b>				
Current Liabilities:				
Accounts Payable	\$ 3,718	\$ 4,704	\$ 8,422	\$ 2,196
Accrued Liabilities	1,830	2,447	4,277	119
Accrued Interest Payable	879	328	1,207	168
Unearned Revenues	7,228	4,296	11,524	-
Bonds and Notes Payable - General Obligation	134	3,339	3,473	2,540
Bonds and Notes Payable - Revenue	8,765	-	8,765	-
Compensated Absences	1,901	4,471	6,372	635
Risk Claims	-	9,026	9,026	8,300
Capital Leases	159	-	159	-
Other Liabilities	15	2,158	2,173	-
Total Current Liabilities	<u>24,629</u>	<u>30,769</u>	<u>55,398</u>	<u>13,958</u>
Long-Term Liabilities:				
Bonds and Notes Payable - General Obligation	109	24,976	25,085	16,738
Bonds and Notes Payable - Revenue	221,716	-	221,716	-
Compensated Absences	986	3,821	4,807	509
Risk Claims	-	5,849	5,849	9,648
Other Post Employment Benefits	12,620	-	12,620	4,928
Capital Leases	86	-	86	-
Total Long-Term Liabilities	<u>235,517</u>	<u>34,646</u>	<u>270,163</u>	<u>31,823</u>
Total Liabilities	<u>260,146</u>	<u>65,415</u>	<u>325,561</u>	<u>45,781</u>
<b><u>Net Position (Deficit)</u></b>				
Net Investment in Capital Assets	200,936	98,527	299,463	(3,736)
Restricted for:				
Operations and Debt Service	17,680	-	17,680	-
Capital Asset Needs	14,004	-	14,004	-
Commitments	2,270	499	2,769	1,640
Unrestricted	1	491	492	403
Total Net Position (Deficit)	<u>234,891</u>	<u>99,517</u>	<u>334,408</u>	<u>(1,693)</u>
Total Liabilities and Net Position	<u>\$ 495,037</u>	<u>\$ 164,932</u>	<u>\$ 659,969</u>	<u>\$ 44,088</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended December 31, 2013  
 (In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Airports	Transit System	Total	Internal Service Funds
Operating Revenues:				
Rentals and Other Service Fees	\$ 69,108	\$ -	\$ 69,108	\$ 25,007
Admissions and Concessions	16,408	-	16,408	-
Transit Fares	-	44,884	44,884	-
Total Charges for Services	85,516	44,884	130,400	25,007
Other Revenues	4	3,983	3,987	66
Total Operating Revenues	<u>85,520</u>	<u>48,867</u>	<u>134,387</u>	<u>25,073</u>
Operating Expenses:				
Personnel Services	26,225	106,461	132,686	6,841
Contractual Services	17,269	20,410	37,679	9,628
Intra-County Services	10,202	1,476	11,678	845
Commodities	5,157	18,179	23,336	246
Depreciation and Amortization	21,215	13,965	35,180	1,080
Maintenance	197	366	563	40
Other	17	1,817	1,834	-
Insurance and Claims	-	-	-	11,039
Client Payments	-	-	-	1,295
Total Operating Expenses	<u>80,282</u>	<u>162,674</u>	<u>242,956</u>	<u>31,014</u>
Operating Income (Loss)	<u>5,238</u>	<u>(113,807)</u>	<u>(108,569)</u>	<u>(5,941)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	235	88,107	88,342	1,391
Gain on Sale of Capital Assets	-	123	123	-
Investment Income	332	-	332	-
Reassignment of Long-term Liabilities	-	-	-	(3,118)
Interest Expense	(9,438)	(1,170)	(10,608)	(681)
Total Nonoperating Revenues (Expenses)	<u>(8,871)</u>	<u>87,060</u>	<u>78,189</u>	<u>(2,408)</u>
Income (Loss) Before Contributions and Transfers	(3,633)	(26,747)	(30,380)	(8,349)
Capital Contributions	15,171	22,191	37,362	-
Transfers In	3,812	27,883	31,695	10,048
Transfers Out	(3,390)	(1,463)	(4,853)	(5,086)
Change in Net Position	11,960	21,864	33,824	(3,387)
Net Position -- Beginning	222,931	77,653	300,584	1,694
Net Position (Deficit) -- Ending	<u>\$ 234,891</u>	<u>\$ 99,517</u>	<u>\$ 334,408</u>	<u>\$ (1,693)</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2013  
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Airports	Transit System	Total	Internal Service Funds
Cash Flows Provided (Used) by Operating Activities:				
Receipts from Customers Users	\$ 82,946	\$ 46,005	\$ 128,951	\$ 1,694
Receipts from Interfund Services	-	-	-	25,653
Payments to Suppliers	(21,863)	(37,869)	(59,732)	(22,094)
Payments to Employees	(24,677)	(108,844)	(133,521)	(6,858)
Payments for Interfund Services Used	(10,202)	(1,476)	(11,678)	(845)
Net Cash Flows Provided (Used) by Operating Activities	<u>26,204</u>	<u>(102,184)</u>	<u>(75,980)</u>	<u>(2,450)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:				
Intergovernmental Revenues	235	89,931	90,166	1,391
Transfers From Other Funds	3,812	27,883	31,695	10,048
Transfers (To) Other Funds	(3,390)	(1,463)	(4,853)	(5,086)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>657</u>	<u>116,351</u>	<u>117,008</u>	<u>6,353</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:				
Proceeds from Bonds	47,095	-	47,095	5,718
Capital Contributions	15,171	22,191	37,362	-
Premium from Bonds	1,839	-	1,839	-
Discount from Bonds	(205)	-	(205)	-
Reassignment of Long Term Debt	-	2,896	2,896	-
Principal Payment on Bonds	(8,630)	(3,579)	(12,209)	(1,757)
Principal Payment on Refunding Bonds	(3,375)	-	(3,375)	-
Premium on Bonds	-	-	-	160
Interest Paid on Bonds	(9,940)	(1,187)	(11,127)	(666)
Payments on Capital Lease	(230)	-	(230)	-
Sale of Capital Assets	-	123	123	-
Acquisition of Capital Assets	(26,271)	(36,080)	(62,351)	(4,310)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>18,784</u>	<u>(15,636)</u>	<u>3,148</u>	<u>(855)</u>
Cash Flows Provided (Used) by Investing Activities:				
Investment Income	332	-	332	-
Net Cash Flows Provided (Used) by Investing Activities	<u>332</u>	<u>-</u>	<u>332</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	45,977	(1,469)	44,508	3,048
Cash and Cash Equivalents at Beginning of Year	82,271	23,124	105,395	23,575
Cash and Cash Equivalents at End of Year	<u>\$ 128,248</u>	<u>\$ 21,655</u>	<u>\$ 149,903</u>	<u>\$ 26,623</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2013  
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Airports	Transit System	Total	Internal Service Funds
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Assets Financed by Capital Leases	\$ 90	\$ -	\$ 90	\$ -
Reassignment of Long Term Debt	\$ -	\$ -	\$ -	\$ 3,118
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 5,238	\$ (113,807)	\$ (108,569)	\$ (5,941)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	21,215	13,965	35,180	1,080
(Increase) Decrease in Assets:				
Accounts Receivable	2,128	-	2,128	(1,368)
Other Receivables	-	(3,386)	(3,386)	-
Due from Other Governments	384	-	384	1
Inventories	-	711	711	-
Prepaid Items	-	(111)	(111)	388
Other Post Employment Asset	-	318	318	-
Other Assets	-	97	97	-
Increase (Decrease) in Liabilities:				
Accounts Payable	777	1,636	2,413	103
Accrued Liabilities	(250)	139	(111)	119
Unearned Revenues	(5,085)	427	(4,658)	-
Compensated Absences	224	(663)	(439)	51
Risk Claims	-	(2,177)	(2,177)	3,304
Other Post Employment Benefits	1,574	-	1,574	(187)
Other Liabilities	(1)	667	666	-
Total Adjustments	20,966	11,623	32,589	3,491
Net Cash Flows Provided (Used) by Operating Activities	\$ 26,204	\$ (102,184)	\$ (75,980)	\$ (2,450)

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

## COUNTY OF MILWAUKEE, WISCONSIN

Statement of Net Position  
Fiduciary Funds  
As of December 31, 2013  
(In Thousands)

	<u>Pension Trust</u> <u>Fund</u>	<u>Agency Funds</u>
<b><u>Assets</u></b>		
Cash and Investments:		
Domestic Common and Preferred Stocks	\$ 638,670	\$ -
Long / Short Hedge Funds	193,377	-
Fixed Income	368,540	-
International Common and Preferred Stocks	206,675	-
Real Estate Investments Trusts	166,038	-
Infrastructure	134,856	-
Private Equity	48,311	-
Deposits	81,248	15,665
Total Cash and Investments	1,837,715	15,665
Receivables:		
Pension Trust Fund Contribution	22,708	-
Accrued Interest and Dividends	2,063	-
Due from Sale of Investments	18,510	-
Other	602	1,528
Securities Lending	48,678	-
Other Assets	4,981	-
Total Assets	1,935,257	17,193
<b><u>Liabilities</u></b>		
Accounts Payable	4,920	204
Agency Deposits	-	16,989
Securities Lending	48,678	-
Other Liabilities	2,429	-
Total Liabilities	56,027	17,193
<b><u>Net Position</u></b>		
Held in Trust for Pension Benefits	\$ 1,879,230	\$ -

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Changes in Net Position  
Pension Trust Fund  
For the Year Ended December 31, 2013  
(In Thousands)

	<u>Total</u>
Additions:	
Contributions:	
County of Milwaukee	\$ 21,998
Plan Participants	8,955
Total Contributions	<u>30,953</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value	230,756
Interest and Dividends	20,841
Other Income	9,146
Total Investment Income	<u>260,743</u>
Security Lending Income	68
Security Lending Rebates (and Fees)	24
Net Security Lending Activity	<u>92</u>
Investment Expense	<u>(3,494)</u>
Net Investment Income (Loss)	<u>257,341</u>
Total Additions, Net of Losses	<u>288,294</u>
Deductions:	
Benefits Paid to Retirees and Beneficiaries	(172,584)
Administrative Expenses	(4,470)
Withdrawal of Membership Accounts	(445)
Total Deductions	<u>(177,499)</u>
Change In Plan Net Position	110,795
Plan Net Position Held In Trust for Pension Benefits	
Beginning of Year	1,768,435
End of Year	<u>\$ 1,879,230</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Combining Balance Sheet  
Component Units  
As of December 31, 2013  
(In Thousands)

	Milwaukee			Research Park	
	Public Museum	War Memorial	Marcus Center	Corporation	Total
<b><u>Assets</u></b>					
Current Assets:					
Cash and Investments	\$ 2,046	\$ 332	\$ 3,077	\$ 4,652	\$ 10,107
Accounts Receivable	1,302	-	190	98	1,590
Other Receivables	-	-	194	-	194
Inventories	62	-	14	-	76
Prepaid Items	160	-	98	5	263
Total Current Assets	<u>3,570</u>	<u>332</u>	<u>3,573</u>	<u>4,755</u>	<u>12,230</u>
Noncurrent Assets:					
Long-Term Investments	6,545	-	599	-	7,144
Accounts Receivable	2,938	-	-	-	2,938
Cash and Investments -- Restricted	1,000	35	-	-	1,035
Other	-	-	960	1	961
Capital Assets (Net):					
Construction in Progress	47	-	-	-	47
Buildings and Improvements	19,501	-	24,179	-	43,680
Machinery, Vehicles and Equipment	11,210	-	1,498	-	12,708
Less: Accumulated Depreciation	(16,244)	-	(15,557)	-	(31,801)
Total Capital Assets (Net)	<u>14,514</u>	<u>-</u>	<u>10,120</u>	<u>-</u>	<u>24,634</u>
Total Noncurrent Assets	<u>24,997</u>	<u>35</u>	<u>11,679</u>	<u>1</u>	<u>36,712</u>
Total Assets	<u>\$ 28,567</u>	<u>\$ 367</u>	<u>\$ 15,252</u>	<u>\$ 4,756</u>	<u>\$ 48,942</u>
<b><u>Liabilities</u></b>					
Current Liabilities:					
Accounts Payable	\$ 409	\$ -	\$ 30	\$ 14	\$ 453
Accrued Liabilities	483	-	383	9	875
Accrued Interest Payable	18	-	-	-	18
Unearned Revenues	1,100	-	796	61	1,957
Bonds and Notes Payable	-	-	8	50	58
Capital Leases	107	-	-	-	107
Other Current Liabilities	375	-	68	-	443
Accrued Pension and Postretirement Benefits	570	-	-	-	570
Total Current Liabilities	<u>3,062</u>	<u>-</u>	<u>1,285</u>	<u>134</u>	<u>4,481</u>
Noncurrent Liabilities:					
Bonds and Notes Payable	1,627	-	30	-	1,657
Other Noncurrent Liabilities	176	-	549	-	725
Accrued Pension and Postretirement Benefits	5,815	-	-	-	5,815
Total Noncurrent Liabilities	<u>7,618</u>	<u>-</u>	<u>579</u>	<u>-</u>	<u>8,197</u>
Total Liabilities	<u>10,680</u>	<u>-</u>	<u>1,864</u>	<u>134</u>	<u>12,678</u>
<b><u>Net Position</u></b>					
Net Investment in Capital Assets	12,780	-	10,082	-	22,862
Restricted	11,092	35	9	336	11,472
Unrestricted (Deficit)	(5,985)	332	3,297	4,286	1,930
Total Net Position	<u>17,887</u>	<u>367</u>	<u>13,388</u>	<u>4,622</u>	<u>36,264</u>
Total Liabilities and Net Position	<u>\$ 28,567</u>	<u>\$ 367</u>	<u>\$ 15,252</u>	<u>\$ 4,756</u>	<u>\$ 48,942</u>

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Combining Statement of Revenues, Expenses and Changes in Net Position  
Component Units  
For the Year Ended December 31, 2013  
(In Thousands)

	Milwaukee Public Museum	War Memorial	Marcus Center	Research Park Corporation	Total
Revenues:					
County Program Support	\$ 6,502	\$ 1,418	\$ 1,088	\$ -	\$ 9,008
Charges for Services:					
Contributions and Memberships	10,223	-	743	56	11,022
Other	3,088	1,380	4,854	23	9,345
Interest on Investments and Rents	883	-	3,682	1,234	5,799
Other	734	-	801	1,435	2,970
Total Revenues	<u>21,430</u>	<u>2,798</u>	<u>11,168</u>	<u>2,748</u>	<u>38,144</u>
Expenses:					
Parks, Recreation and Culture	12,693	2,432	10,691	1,539	27,355
Total Expenses	<u>12,693</u>	<u>2,432</u>	<u>10,691</u>	<u>1,539</u>	<u>27,355</u>
Changes in Net Position	8,737	366	477	1,209	10,789
Net Position -- Beginning	9,150	1	12,911	3,413	25,475
Net Position -- Ending	<u>\$ 17,887</u>	<u>\$ 367</u>	<u>\$ 13,388</u>	<u>\$ 4,622</u>	<u>\$ 36,264</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

- 1 - Summary of Significant Accounting Policies
- 2 - Stewardship, Compliance and Accountability
- 3 - Deposits and Investments
- 4 - Receivables
- 5 - Capital Assets
- 6 - Interfund Transfers
- 7 - Leases
- 8 - Long-Term Liabilities
- 9 - Net Position
- 10 - Risk Management
- 11 - Related Party Transactions
- 12 - Subsequent Events
- 13 - Commitments and Contingencies
- 14 - Other Post-Employment Benefits
- 15 - Employee Retirement Systems and Pension Plans
- 16 - Pending Governmental Accounting Standards

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### 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 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.

#### A. The Reporting Entity

This report includes all of the funds of the County. The reporting entity for the County consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost 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 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 primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

As required by 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

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

The County has no blended component units to report. The County has four major discretely presented component units, which are described below.

**Marcus Center for the Performing Arts (“Marcus Center”)** is a non-stock, non-profit corporation based in Wisconsin that offers performance facilities, a parking structure and various services to a wide range of performing arts. The Marcus 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, ethnic and cultural festivals and community concerts. The Marcus Center operates as a separate reporting entity and has combined all of its related funds into one set of financial statements. A twenty-five member Board of Directors governs the Marcus Center. Seven members of the Board are appointed by the County Executive and confirmed by the County Board of Supervisors.

The Marcus Center is reported as a discretely presented component unit within the County’s comprehensive annual financial report because the County owns the majority of the economic resources (the building) available to the Marcus Center, provides annual appropriations, and has assisted in the past with the issuance of general obligation corporate purpose bonds to finance certain improvements. As a result, the Marcus Center has the ability to impose specific financial burdens on the County. The Marcus Center has a fiscal year ending December 31<sup>st</sup>.

**Milwaukee County Research Park Corporation (“MCRPC”)** is a non-stock, non-profit quasi-public corporation based in Wisconsin that was formed in 1987 for the sole purpose of developing a park for research and technology businesses on the parts of the Milwaukee County Institution Grounds that are not required for medical or health institution purposes and are leased, conveyed or otherwise transferred to MCRPC; provided, however, that such development shall, in the judgment of MCRPC, advance the economic and social interests of the community. A fifteen member Board of Directors governs MCRPC. Five members of the Board are County Board Supervisors and ten members of the Board, including a representative of the City of Wauwatosa and the County Executive’s personal representative, are appointed by the County Executive and confirmed by the County Board of Supervisors.

MCRPC is presented as a discretely presented component unit of the County because the County appoints all of the members of the governing board and therefore has the ability to impose its will on MCRPC. The economic resources held by MCRPC are contributed to MCRPC through land sales and tenant rent, by agreement of the County, for the direct benefit of the County and its constituents. MCRPC has a fiscal year ending December 31<sup>st</sup>.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

**Milwaukee County War Memorial, Inc. (“Memorial”)** is a non-stock, non-profit corporation based in Wisconsin. The Memorial is operated under the auspices of Milwaukee County. The original purpose of the Memorial is to operate the War Memorial Center Facility/Milwaukee Art Museum, the Marcus Center for the Performing Arts, and the Charles Allis and Villa Terrace Art Museums. In 2006, the Marcus Center for the Performing Arts and in 2012, the Charles Allis and Villa Terrace Art Museums were granted separate Internal Revenue Service Section 501(c)(3) status and began operating as separate entities. In 2013, operation of a portion of the War Memorial Center Facility/Milwaukee Art Museum was ceded to the Milwaukee Art Museum. Beginning September 17, 2013, the sole purpose of the Memorial is to operate the War Memorial Center.

A four member Board of Trustees (“Trustees”) and an eleven member Board of Directors (the “Board”) govern the Memorial. The four Trustees and two members of the Board are appointed by the County Executive and confirmed by the County Board of Supervisors. The War Memorial Center Facility, Milwaukee Art Museum, Inc., Veterans, Marcus Center for the Performing Arts and Charles Allis/Villa Terrace Boards of Directors were advisory boards with the primary function of making recommendations to the Board of Trustees on the operations of their sections of the Memorial, owned by Milwaukee County. In September 2013, the by-laws of the Memorial were amended and these advisory board positions eliminated; County appointments were reduced from eight to two.

The Memorial is reported as a discretely presented component unit within the County’s comprehensive annual financial report because the County appoints the voting majority of the Board of Trustees, owns the majority of the economic resources (the building) available to the Memorial, and provides annual appropriations. As a result, the Memorial has the ability to impose specific financial burdens on the County. The Memorial has a fiscal year ending December 31<sup>st</sup>.

**Milwaukee Public Museum, Inc. (“MPM”)** was organized on January 10, 1992 as a non-stock, non-profit corporation based in Wisconsin. Prior to March 31, 1992, the Milwaukee Public Museum was operated by the County. On March 31, 1992, MPM commenced operations as a corporation, separate and distinct from the County. MPM operates a natural history museum which focuses on exhibits, public programming, and research in the natural sciences, anthropology, and history. A forty-five member Board of Directors governs MPM. Nine members of the Board are appointed by the County Executive and confirmed by the County Board of Supervisors.

MPM is presented as a discretely presented component unit of the County because the County owns the majority of the economic resources (the building and artifacts) available to MPM and provides annual appropriations. As a result, MPM has the ability to impose specific financial burdens on the County. MPM has a fiscal year ending August 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.

Marcus Center for the Performing Arts  
929 North Water Street  
Milwaukee, WI 53202

Milwaukee County Research Park Corp.  
10437 Innovation Drive  
Wauwatosa, WI 53226

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

Milwaukee County War Memorial, Inc.  
750 North Lincoln Memorial Drive  
Milwaukee, WI 53202

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

### Related Organizations

The Milwaukee County Federated Library System (“MCFLS”) is a membership organization – with its membership made up of the fifteen administratively autonomous and fiscally independent public libraries in Milwaukee County. MCFLS assumes a leadership role in facilitating cooperation among its member libraries, improving access to and encouraging sharing of resources, promoting the most effective use of local, county, state and federal funds and assisting member libraries in the utilization of current and evolving technologies to provide the highest possible level of library service to all County residents. The County Executive is responsible for appointing the seven-member board of MCFLS but the County’s accountability for MCFLS does not extend beyond making the appointments. In accordance with State Statute s.43.19 (1) (a) at least one but not more than two County Board Supervisor(s) shall be members of the system board at any one time.

### B. Measurement Focus and Basis of Accounting

#### Government-wide Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

#### **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/deferred outflows of resources, liabilities/deferred inflows of resources, 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 has occurred and grant requirements have been met, regardless of the timing of the revenues. State shared revenues are recognized as revenues in the governmental funds when the County is entitled to these funds. Intergovernmental grants received for proprietary fund operating purposes, or which may be utilized for either operations or capital expenditures at the discretion of the County, are recognized as non-operating revenues in the accounting period in which they are earned. Intergovernmental grants restricted for the acquisition or construction of capital assets in the proprietary funds are recorded as a component of income.

#### **All Financial Statements**

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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

The County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Uncollected property taxes of municipalities within the County, except the City of Milwaukee, are purchased and then collected by the County. There is no recourse to the municipalities for the collection of these taxes. 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.

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

#### **Proprietary Funds**

The County's enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all 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 position.

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.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

#### 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.

#### C. Basis of Presentation

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds 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 presents the following **major governmental funds**:

- **General Fund** is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those resources required to be accounted for in another fund.
- **Debt Service Fund** accounts for and reports the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt.
- **Capital Projects Fund** accounts for and reports the financial resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities and other capital assets.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

The County presents the following **major proprietary funds**:

- **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.
- **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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The specific purpose of each fund is as follows:
  - **Zoo** - used for the purchase of animals and maintenance of the miniature passenger railroad for the Milwaukee County Zoo.
  - **Parks** - used for the repair, restoration and enhancement of the various parks throughout Milwaukee County.
  - **Persons with Disabilities** - used for special projects to help free disabled persons from environmental and attitudinal barriers.
  - **Behavioral Health Division** - used for mental health research, patient activities and special events, funding for youth and young adults with severe mental health needs and compensated absence payouts for Behavioral Health Division retirees.
  - **Airport** - Airport PFC (Passenger Facility Charge) is 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 separate trust is maintained to secure a pledge by the County for repayment of certain debt of local airlines.
  - **Administrative Services** – used by Risk Management for employee health and safety issues. It also includes pension stabilization established with \$6,500 in 2009 with issuance of Pension Obligation funds for County ERS, under state statute.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

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

### D. Assets / Deferred Outflows of Resources, Liabilities / Deferred Inflows of Resources and Net Position 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 Airport's 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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

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). The County has no “Advances to/from other funds”. All other outstanding balances between funds are reported as “due to/from other funds”.

At year-end, 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 accounts. 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 shown as deferred inflows of resources.

Property taxes are levied based on the equalized value, which is computed using the assessment date of January 1, 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 to the City each year.

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

### 3. Inventory, Prepaid Items and Insurance Deposits

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.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

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.

Milwaukee County has a self-funded health insurance plan through a third party manager. A requirement of the self-funded plan is that the County maintains a deposit, as of December 31, 2013 \$2,433, with this third party manager. Milwaukee County provides an option for employees to set up a Flexible Spending account through a third party manager. The contract specifies that the County must maintain a balance based upon the employee's election; as of December 31, 2013 \$244 is on deposit.

#### 4. Restricted Assets

Certain proceeds of the Deposits & Investments area are considered restricted as explained earlier in (Note 1, section D and item 1). At the end of 2013, these restricted assets consisted of Capital Project reserves of \$33,684; Airport reserves and unspent revenue bond proceeds of \$79,160, restricted Airport Passenger Facility Charge revenues of \$26,352; and Family Care reserves of \$11,458. Restricted assets are not available to the County to finance its operations.

**Capital Projects:** Bond proceeds of \$33,684 are held for various capital projects for the Courthouse and other governmental facilities, Parks and other recreational areas, and Highway and related transportation assets and infrastructure. The unspent bond proceeds are considered restricted.

**Airports:** 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. Restricted Assets at the end of 2013 amounted to \$79,160 and consisted of \$21,769 of reserves under Airport Revenue Bond covenant and \$57,391 of 2006, 2009, 2010 and 2013 revenue bond proceeds that were unspent, and for purposes of this report, are considered restricted.

The Airport Revenue Bond Interest and Principal Account are 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.

**Airport Special Revenue Fund:** Restricted Assets for the Airport Special Revenue Fund at the end of 2013 amounted to \$26,352 and consisted of \$20,625 for passenger facility charges allocated and \$5,727 is related to contributed assets discussed below. Passenger facility charges are collected by the Airport and are used for capital projects or repayment of bonds for approved capital projects. The passenger facility charges are accounted for in a separate Special Revenue Fund.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

In addition, the County has restricted \$5,727 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 and the County Board of Supervisors approved extensions of the agreement to August 15, 2015. There are no plans for the transfer of the agreements to the third party. However, the third-party continues to honor the agreement and make principal and interest payments in accordance with underlying agreements. The assets continue to be maintained by the third-party, and the third-party has been attempting to sell or lease the assets to pay down the debt.

**Family Care:** under a contract agreement between the State of Wisconsin Department of Health and Family Services and the County's Department of Family Care, the County is required to restrict cash of \$11,458. Under the contract, this restricted cash is for two reserves: working capital and restricted.

### 5. Capital Assets

#### Government-wide Statements

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, drainage, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$2,500 (two thousand five hundred dollars) and an estimated useful life in excess of one year. The exception to this is for purchases of data processing equipment in which the initial individual cost has to be more than \$1,000 (one thousand dollars). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets received as gifts or donations are recorded at estimated fair market value at the time of receipt.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized at cost when purchased or constructed and updated for the cost of additions and retirements during the year.

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

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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

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, and 3) the collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections. With regard to the collection of zoo animals and in accordance with industry practice, animal collections are recorded at the nominal amount of \$1 (one dollar), as there is no objective basis for establishing value. Additionally, animal collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Acquisitions are recorded as expenditures in the period of acquisition. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the County shares animals with other organizations. Consistent with industry practice, the County does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

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

### **Fund Financial Statements**

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

### **6. Compensated Absences**

County employees are granted sick and annual vacation leave in varying amounts in accordance with administrative policies and union contracts. County employees are requested to use all accumulated vacation time earned each calendar year; however, for the majority of employees, a maximum of 56 vacation hours may be carried over to the next calendar year. In the event of termination or retirement, employees are paid for accumulated vacation, holiday and overtime hours.

Generally, accumulated sick pay is forfeited upon termination other than retirement. In 2012, the County changed the calculation of the sick leave payout at retirement for the majority of employees. Depending on their prior bargaining unit affiliation and sick leave balances, a retiring employee may be entitled to either a full or partial cash payout or partial credit for post-retirement health care costs. Cash payouts to retirees for sick pay benefits were \$1,277 in 2013.

Vacation, sick pay, holiday and overtime amounts earned and vested by active 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 \$22,343 and \$6,372, respectively. The long-term

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

portions of compensated absences, primarily for sick leave payable upon retirement, are classified as compensated absences. For the governmental activities and the business-type activities, the long-term portion is \$16,837 and \$4,807, respectively. \$4,157 paid to employees in the governmental fund types within 60 days of year-end has been recorded as a liability and 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

### 8. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred loss on refunding arises from a refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund statements.

### 9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

#### 10. Equity Classifications

##### Government-wide Statements

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

- **Net Investment in Capital Assets** – 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.
- **Restricted Net Position** – Consists of net position 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.
- **Unrestricted Net Position** - All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, and then unrestricted resources, as they are needed.

##### Fund Statements

In the governmental fund financial statements, fund balance is displayed in the following classifications that are based on the spending constraints placed on the resources:

- **Nonspendable Fund Balance** – amounts that are not in a spendable form (such as inventory).
- **Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government).
- **Committed Fund Balance** – amounts constrained to specific purposes as approved or rescinded in a Board Resolution, and in compliance with State Statute.
- **Assigned Fund Balance** – amounts constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the legislative, executive branch or an official of the County to which the governing body has assigned this authority. As adopted May 17, 2012 on Board Resolution 12-418, generally, final intent is authorized through the County resolution approved by the County Board and County Executive. The Comptroller shall ensure that there are adequate funds in the department prior to the encumbering of any funds. The County has restrictions against, and does not presently have, any Assigned Fund Balance.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

- **Unassigned Fund Balance** – amounts included in the residual classification for the General Fund that have not been restricted, committed, or assigned to specific purposes. The County has restrictions against, and does not presently have, any Unassigned Fund Balance.

The County considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

In the enterprise fund and government-wide financial statements, the portion of net position that represents net investment in capital assets is reported separately. Restricted net positions are reported for amounts that are legally restricted by outside parties to be used for a specific purpose.

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 restricted 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.

### 11. 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 Department of Family Care (Family Care), 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 an allowance for amounts due from recipients of housing loans provided to low-income homeowners. The County's Department of Public Works (DPW) provides an allowance for Private Fire Protection charges that are in dispute.

BHD, Family Care, DHHS, and DPW 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 estimate, any difference between the amount accrued and the amount settled is recorded in operations in the year of settlement. As of December 31, 2013, the total allowance for BHD, Family Care, DHHS, and DPW was \$20,542. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at December 31, 2013. All allowances are netted against receivables for financial statement presentation.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

#### 12. Capitalization of Interest

Interest is capitalized on 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 2013, the net amount of capitalized interest was \$1,067.

#### 13. 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 is no liability for rebateable arbitrage as of December 31, 2013.

#### 14. 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. The County has recorded short-term and long-term obligations for Post-Closure costs. These costs are recognized in the governmental activities.

#### 15. Pollution Remediation Costs

The County has been designated as the responsible party to cleanup petroleum contamination located on County property, to inspect manholes in the Parks System to ensure that clear water does not go into the sanitary or stormwater sewers, to repair stream banks after contaminated sediment is removed, and repair and monitor underground storage tanks used by MCTS. The County has recorded short-term and long-term obligations for these pollution remediation costs. These costs are recognized in the governmental activities.

#### 16. 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 position in accordance with GASB Statement 34.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 1 - Summary of Significant Accounting Policies (cont.)

#### 17. Unearned and Unavailable Revenues

Unearned revenues reported in the government-wide and proprietary financial statements represent amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows. In governmental fund financial statements, amounts owed to the County which are not available are recorded as receivables and unavailable revenues.

#### 18. Net 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 net pension obligation (asset) represents the difference between the annual required contribution and interest, net of payments. Additional information is provided in Note 15.

#### 19. Encumbrances

Encumbrance accounting is employed in governmental, proprietary and internal service funds. Encumbrances of Purchase orders, Contracts and other commitments for the expenditure of funds are recorded as restriction of fund balance. As of year-end, encumbrances are not reflected as expenditures but as restriction of fund balance and are liquidated in subsequent years when the services or materials are received. Every appropriation lapses at December 31 to the extent that it has not been expended or encumbered.

The 2013 encumbrance, carryover and commitment balances by fund are:

	<u>Encumbrances</u>	<u>Carryovers</u>	<u>Other</u>	<u>Total Commitments</u>
General Fund	\$ 10,265	\$ (1,489)	\$ 1,405	\$ 10,181
Capital Projects	15,281	32,995	-	48,276
Internal Service Funds	1,640	-	-	1,640
Airports	2,270	-	-	2,270
Transit	499	-	-	499
Totals	<u>\$ 29,955</u>	<u>\$ 31,506</u>	<u>\$ 1,405</u>	<u>\$ 62,866</u>

#### 20. Claims and Judgments

Claims and judgments are recorded as liabilities when the conditions of the Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 1 - Summary of Significant Accounting Policies (cont.)

#### 21. 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 and interest, net of payments.

#### E. Governmental Accounting Standards for 2013

In fiscal year 2013, the County implemented the following GASBs:

- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*** - an amendment of GASB Statements No. 14 and No. 34 was implemented by the County, effective January 1, 2013. This statement amends its accounting and financial reporting standards for including, presenting, and disclosing information about governmental component units, including equity interests. It is designed to result in governmental financial statements that include all appropriate entities that a government is accountable for or financially intertwined with.
- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, was implemented by the County, effective January 1, 2013. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.
- **GASB Statement No. 66, *Technical Corrections-2012***, an amendment of GASB Statements No. 10 and No. 62 was implemented by the County, effective January 1, 2013. This statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

### Note 2 - Stewardship, Compliance, and Accountability

#### Budgetary Information

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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

### Note 2 - Stewardship, Compliance, and Accountability (cont.)

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- restriction for 2013 appropriations and encumbrances. For budget purposes, encumbrances are recorded as expenditures as opposed to a restriction 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. No supplemental appropriations were approved during 2013 for emergencies or utilizing tax anticipation notes.

#### **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 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 consistent with GAAP. Under this method, encumbrances are considered a restriction of fund balance and charged to expenditures in the period in which goods or services are received.

The reconciliation of the General Fund is as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 1,013,701	\$ 890,836	\$ (117,014)
Encumbrances	-	10,265	-
Pension/Other	-	33	(1)
Transfers to Component Units	-	(8,222)	(8,222)
<b>Non-GAAP Budgetary Basis</b>	<b><u>\$ 1,013,701</u></b>	<b><u>\$ 892,912</u></b>	<b><u>\$ (125,237)</u></b>

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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 2 - Stewardship, Compliance, and Accountability (cont.)

#### Deficit Fund Net Position

The Information Management Services Internal Service Fund had a net position ending balance of (\$2,991) as of December 31, 2013. 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

Section 59.605 of the Wisconsin Statutes imposes a limit on the property tax rate that the County can impose upon its citizens. The 2011 levy limit (Wis Stats. 66.0602): 2011 Wisconsin Act 32 changed the local levy limit to the greater of the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent. For the 2014 Budget, the levy limit consists of net new construction which is .0769%. The limit also contains adjustments for levy for debt service payments and terminated tax increment districts.

### 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 and the Pension Trust Fund. The information has been split into two sections: Primary Government (excluding Pension Trust Fund) and Pension Trust Fund.

#### **Statement of Net Position:**

Cash and Investments	\$ 282,244
Cash and Investments - Restricted	150,654
<b>Subtotal</b>	<b>432,898</b>

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

### Note 3 - Deposits and Investments (cont.)

#### Cash Deposits – County/Agency

##### Statement of Fiduciary Net Position:

Cash and Investments	
Pension Trust Fund	\$ 1,837,715
Agency Fund	15,665
<b>Subtotal</b>	<b>1,853,380</b>
<b>Total</b>	<b>\$ 2,286,278</b>
Deposits-County/Agency	\$ 120,641
Investments-County/Agency	327,922
Pension Deposits	81,248
Pension Investments	1,756,467
<b>Total</b>	<b>\$ 2,286,278</b>

The carrying amount of the County's deposits at December 31, 2013 was \$120,641 and the bank balance was \$127,133.

#### Custodial Credit Risk-Deposits – County/Agency

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to cover collateral securities that are in the possession of an outside entity. Deposits in each local and area bank are insured by the FDIC in the amount of \$250 for time and savings accounts (including NOW accounts) and \$250 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250 for the combined amount of all deposit accounts. 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 \$127,133 of deposits with financial institutions, \$37,265 was covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund and \$87,899 was collateralized with government securities held in a separate financial institution in the County's name, and \$1,969 was uninsured, uncollateralized, or exposed to custodial credit risk.

#### Investments – County/Agency

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 are 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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

### Note 3 - Deposits and Investments (cont.)

market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and liquidity needs. The County's investment portfolio will remain sufficiently liquid to enable the County to meet reasonably anticipated day-to-day operating requirements. The County will employ mechanisms to control risk and diversify its investments with respect to specific security types or individual security issuers.

As of December 31, 2013 the County has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury Bonds	\$ 3,929
U.S. Treasury Inflation Protected Bonds	11,178
U.S. Treasury Notes	19,204
U.S. Treasury Bills	200
U.S. Agency Fixed Rate Securities	45,174
U.S. Agency Guaranteed Adjustable Rate Securities	35,090
GNMA Fixed Rate Securities	1,074
FNMA Fixed Rate Securities	8,668
FHLB Fixed Rate Securities	2,951
FHLMC Fixed Rate Securities	3,000
FNMA Variable Rate Securities	139
FHLMC Step Coupon Agency	1,997
FNMA Step Coupon Agency	2,488
GNMA Guaranteed Adjustable Rate Securities	12,832
Small Business Administration Guaranteed Adjustable Rate Securities	13,804
Municipal Fixed Rate Securities	28,816
Treasury Mutual Fund	21,025
Corporate Government Guaranteed Notes	18,034
Corporate Asset Backed Securities	1,808
Corporate Bonds	9,427
Corporate Notes	3,994
Futures Hedge Contract with Commodities Broker	49
Local Government Investment Pool	111
Certificates of Deposit	33,670
Money Market Cash Equivalents	49,260
Total	<u><u>\$ 327,922</u></u>

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, 2013 was \$49. 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 \$249 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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013  
(Amounts expressed in thousands, unless otherwise noted)

### Note 3 - Deposits and Investments (cont.)

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.

#### Custodial Credit Risk-Investments – County/Agency

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 – County/Agency

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. Local Government Investment Pool is not subject to interest rate risk analysis.

For adjustable rate securities, the time to coupon reset is used as the effective maturity period. As of December 31, 2013, the County had the following investments and maturities subject to interest rate risk:

Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury Bonds	\$ 3,929	\$ 3,929	\$ -	\$ -	\$ -
U.S. Treasury Inflation Protected Bonds	11,178	4,380	6,798	-	-
U.S. Treasury Notes	19,204	3,533	14,159	1,512	-
U.S. Treasury Bills	200	200	-	-	-
U.S. Agency Fixed Rate Securities	45,174	4,600	40,574	-	-
U.S. Agency Guaranteed Adjustable Rate Securities	35,090	1,500	21,608	11,982	-
GNMA Fixed Rate Securities	1,074	-	1,074	-	-
FNMA Fixed Rate Securities	8,668	4,008	4,168	492	-
FHLB Fixed Rate Securities	2,951	-	2,951	-	-
FHLMC Fixed Rate Securities	3,000	1,500	1,500	-	-
FNMA Variable Rate Securities	139	-	-	139	-
FHLMC Step Coupon Agency	1,997	-	1,997	-	-
FNMA Step Coupon Agency	2,488	-	2,488	-	-
GNMA Guaranteed Adjustable Rate Securities	12,832	-	-	12,832	-
Small Business Administration Guaranteed Adjustable Rate Securities	13,804	-	4,594	9,210	-

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 3 - Deposits and Investments (cont.)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Municipal Fixed Rate Securities	\$ 28,816	\$ 20,519	\$ 8,297	\$ -	\$ -
Treasury Mutual Fund	21,025	21,025	-	-	-
Corporate Government Guaranteed Notes	18,034	524	17,510	-	-
Corporate Asset Backed Securities	1,808	565	1,243	-	-
Corporate Bonds	9,427	666	8,761	-	-
Corporate Notes	3,994	-	3,994	-	-
Futures Hedge Contract with Commodities Broker	49	49	-	-	-
Certificates of Deposit	33,670	27,366	6,304	-	-
Money Market Cash Equivalents	49,260	49,260	-	-	-
<b>Total</b>	<b>\$ 327,811</b>	<b>\$ 143,624</b>	<b>\$ 148,020</b>	<b>\$ 36,167</b>	<b>\$ -</b>

### Credit Risk - Investments – County/Agency

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's</u>	<u>Moody's Investor Service</u>
U.S. Agency Fixed Rate Securities	\$ 14,742	AA+	AAA
U.S. Agency Fixed Rate Securities	26,506	AA+	Aaa
U.S. Agency Fixed Rate Securities	3,926	AA+	NR
U.S. Agency Guaranteed Adjustable Rate Securities	16,006	AA+	Aaa
U.S. Agency Guaranteed Adjustable Rate Securities	1,118	AA+	WR
U.S. Agency Guaranteed Adjustable Rate Securities	17,968	NR	NR
U.S. Treasury Bills	200	AAA	Aaa
U.S. Treasury Bonds	3,929	AA+	Aaa
U.S. Treasury Bonds - Inflation Protected	11,179	AA+	Aaa
U.S. Treasury Notes	19,204	AA+	Aaa
FNMA Fixed Rate Securities	1,648	AA+	AAA
FNMA Fixed Rate Securities	7,020	AA+	Aaa
FHLB Fixed Rate Securities	2,951	AA+	Aaa
FHLMC Fixed Rate Securities	3,000	AA+	Aaa
GNMA Fixed Rate Securities	1,074	AA+	AAA
GNMA Guaranteed Adjustable Rate Securities	12,832	AA+	Aaa
FNMA Variable Rate Securities	139	AA+	AAA
FHLMC Step Coupon Agency	1,997	AA+	AAA
FNMA Step Coupon Agency	2,488	AA+	AAA
Small Business Admin Guaranteed Adj Rate Securities	13,804	AA+	Aaa

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 3 - Deposits and Investments (cont.)**

Investment Type	Fair Value	Standard & Poor's	Moody's Investor Service
Municipal Fixed Rate Securities	\$ 1,185	A	WR
Municipal Fixed Rate Securities	264	A	A1
Municipal Fixed Rate Securities	205	A	A3
Municipal Fixed Rate Securities	251	A	Aaa
Municipal Fixed Rate Securities	562	A	Baa1
Municipal Fixed Rate Securities	102	A-	A3
Municipal Fixed Rate Securities	160	A+	A2
Municipal Fixed Rate Securities	125	A+	A3
Municipal Fixed Rate Securities	455	A+	Aa3
Municipal Fixed Rate Securities	100	AA	A2
Municipal Fixed Rate Securities	154	AA	Aa1
Municipal Fixed Rate Securities	2,047	AA	Aa2
Municipal Fixed Rate Securities	794	AA	Aa3
Municipal Fixed Rate Securities	939	AA	NR
Municipal Fixed Rate Securities	130	AA-	A1
Municipal Fixed Rate Securities	791	AA-	A2
Municipal Fixed Rate Securities	1,032	AA-	Aa2
Municipal Fixed Rate Securities	1,166	AA-	Aa3
Municipal Fixed Rate Securities	103	AA-	WR
Municipal Fixed Rate Securities	276	AA-	NR
Municipal Fixed Rate Securities	1,529	AA+	NR
Municipal Fixed Rate Securities	304	AA+	WR
Municipal Fixed Rate Securities	1,180	AA+	Aa1
Municipal Fixed Rate Securities	688	AA+	Aa2
Municipal Fixed Rate Securities	155	AA+	Aa3
Municipal Fixed Rate Securities	101	AA+	A1
Municipal Fixed Rate Securities	205	AA+	A2
Municipal Fixed Rate Securities	381	AA+	Aaa
Municipal Fixed Rate Securities	143	AA+	#Aaa
Municipal Fixed Rate Securities	176	AAA	NR
Municipal Fixed Rate Securities	536	AAA	Aaa1
Municipal Fixed Rate Securities	554	AAA	Aaa
Municipal Fixed Rate Securities	188	AAA	Baa1
Municipal Fixed Rate Securities	104	BBB	Baa2
Municipal Fixed Rate Securities	287	BBB-	Baa3
Municipal Fixed Rate Securities	357	NR	A1
Municipal Fixed Rate Securities	160	NR	A2
Municipal Fixed Rate Securities	232	NR	Aa1
Municipal Fixed Rate Securities	1,810	NR	Aa2
Municipal Fixed Rate Securities	431	NR	Aa3
Municipal Fixed Rate Securities	578	NR	AA2

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

### Note 3 - Deposits and Investments (cont.)

Investment Type	Fair Value	Standard & Poor's	Moody's Investor Service
Municipal Fixed Rate Securities	\$ 845	NR	Aaa
Municipal Fixed Rate Securities	256	NR	#Aaa
Municipal Fixed Rate Securities	3,896	NR	NR
Municipal Fixed Rate Securities	1,179	NR	WR
Municipal Fixed Rate Securities	409	NR	Baa1
Municipal Fixed Rate Securities	154	NR	Baa3
Municipal Fixed Rate Securities	1,136	NR	MIG1
Treasury Mutual Fund	21,025	AAA	Aaa
Corporate Government Guaranteed Notes	7,604	AA+	Aaa
Corporate Government Guaranteed Notes	10,429	AA+	NR
Corporate Asset Backed Securities	565	AAA	Aaa
Corporate Asset Backed Securities	599	AA+	Aaa
Corporate Asset Backed Securities	644	NR	Aaa
Corporate Bonds	650	A	A3
Corporate Bonds	613	A-	A1
Corporate Bonds	1,257	A+	A1
Corporate Bonds	520	A+	Aa2
Corporate Bonds	464	AA	Aa1
Corporate Bonds	502	AA	Aa2
Corporate Bonds	1,195	AA-	Aa2
Corporate Bonds	571	AA-	Aa3
Corporate Bonds	2,779	AA+	A1
Corporate Bonds	278	AAA	Aaa
Corporate Bonds	597	NR	Aaa
Corporate Notes	1,318	A	A3
Corporate Notes	1,336	A+	A1
Corporate Notes	1,340	AA+	A1
Futures Hedge Contract with Commodities Broker	49	N/A	N/A
Local Government Investment Pool	111	NR	NR
Certificates of Deposit	30,637	NR	NR
Certificates of Deposit	3,034	NR	A1
Money Market/Cash Equivalents	24,078	A-1	P-1
Money Market/Cash Equivalents	4,280	AAA	Aaa
Money Market/Cash Equivalents	20,901	NR	NR
Total	<u>\$ 327,922</u>		

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 3 - Deposits and Investments (cont.)

#### Concentration of Credit Risk – Investments – County/Agency

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 bought 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. Direct Investment in public depository institutions and securities will be further limited to a maximum investment, per institution at any one time of \$250,000 unless an acceptable form of collateral, surety or other guarantee exists assuring the principal repayment to Milwaukee County. Certificate of Deposit Account Registry Service (CDARS) will have a maximum limit of \$50,000. 0% - 60%
- U. S. Treasury, GNMA, Federal Home Loan Mortgage and any other agency/instrumentality securities that are explicitly guaranteed by the federal government. 0% - 100%
- Agency Instrumentalities: Securities issued by the Federal National Mortgage Association, Fannie Mae, and Federal Home Loan Mortgage Corp. – Freddie Mac. 0% - 30% per agency and 0% - 60% total
- Other agency/instrumentality securities (includes securities issued by the Federal Home Loan Bank, Federal Farm Credit Banks, Small Business Administration and others. 0% - 15% per agency and 0% - 30% total
- 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%
- All other security types, when and if authorized in the future by amendment to Wisconsin statute. 0% to 25%

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### **Note 3 - Deposits and Investments (cont.)**

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, 2013, 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, 2013 was \$81,248 and the bank balance was \$83,681. The carrying amount consists of \$1,606 of cash held in deposit at banks and \$79,642 of cash equivalents held by investment managers.

#### **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. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) were insured for a total of \$250 beginning January 1, 2013. The State Deposit Guarantee Fund insures deposits up to a total of \$400 per entity, not per banking institution. As of December 31, 2013, 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**

As provided by state legislative act and County Ordinance, the ERS Board has exclusive control and management responsibility of the Retirement System's funds and full power to invest the funds. In exercising its fiduciary responsibility, the ERS 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.

The ERS Board has adopted a Statement of Investment Policy to formally document investment objectives and responsibilities. This policy establishes guidelines for permissible investments of the Retirement System. The Retirement System's investments are subject to various risks. Among them are credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

### Note 3 - Deposits and Investments (cont.)

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, real estate, long/short hedge and infrastructure are valued at estimated fair value, as provided by the Retirement System's 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, 2013 the Pension Trust Fund had the following investments:

<u>Investment Type:</u>	<u>Fair Value</u>
Domestic Common and Preferred Stocks	\$ 638,670
Long / Short Hedge Funds	193,377
Fixed Income	368,540
International Common and Preferred Stocks	206,675
Real Estate and REIT'S	166,038
Infrastructure	134,856
Private Equity	48,311
<b>Total</b>	<b><u><u>\$1,756,467</u></u></b>

#### Custodial Credit Risk – Investments – Pension Trust Fund

Custodial credit risk is the risk that, in the event a financial institution or counterparty fails, the Retirement System will not be able to recover the value of its deposits, investments or securities. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Retirement System's name and are held by the counterparty. No formal policy exists on custodial risk. However, substantially all assets of the Retirement System are held in its name. The Retirement System did not own any repurchase agreements as of December 31, 2013. As of December 31, 2013, all deposits with banks are fully insured by the Federal Depository Insurance Corporation or the State Deposit Guarantee Fund.

#### Interest Rate Risk – Investments – Pension Trust Fund

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market 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 effect the embedded options on cash flows. The Retirement System does not have a formal investment 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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 3 - Deposits and Investments (cont.)

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, 2013, the Retirement System had the following Option-Adjusted Durations for the fixed income investments:

Fixed Income Sector	Fair Value	Option Adjusted Duration (In Years)	Fixed Income Sector	Fair Value	Option Adjusted Duration (In Years)
ABS-Car Loan	\$ 6,266	0.79	Mining	\$ 938	4.30
ABS-Equipment	286	0.09	News / Media	2,681	6.34
ABS-Home Equity	953	(0.01)	Non-US Government Bonds	420	10.44
Aerospace & Defense	234	5.89	Oil & Gas	4,542	6.31
Automobiles & Components	360	8.16	Other Corporate Bonds	192	5.51
Banking & Finance	20,485	4.00	Principal Only US Agencies	926	4.77
Canadian Government Bonds	240	3.62	Private Placements-ABS	550	0.61
Capital Goods	70	6.66	Private Placements-MBS	2,538	2.19
Chemicals	1,368	7.33	Pvt Placements-More than 1 Yr.	8,491	4.74
CMBS - Conduit	11,625	1.87	Pvt Placements-Interest Only	246	3.13
CMO-U.S. Agencies	10,483	3.87	Retail	982	9.70
Commercial Services & Supp.	118	7.27	Supranational Issues	193	1.94
FHLMC Multiclass	26,942	1.96	Taxable Municipals	797	14.80
FHLMC Pools	10,654	3.07	Technology	2,300	5.39
FNMA Pools	34,996	4.10	Transportation	1,559	6.82
FNMA REMIC	30,872	1.57	U.S. Agencies	8,748	5.01
Food Beverage & Tobacco	1,041	5.01	U.S. Governments	41,903	7.16
Food Products	619	7.94	U.S. Governments Interest Only	26,791	5.87
GNMA Multi Family Pools	1,238	2.52	Utility-Electric	4,472	6.94
GNMA Single Family Pools	613	1.21	Utility-Gas	751	6.63
Health Care	1,029	8.92	Utility-Telephone	3,789	7.83
Household Products	98	3.51	Whole Loan-CMO	11,695	0.11
Industrial	494	4.99	Whole Loan - Re-securitization	463	0.02
Insurance	1,259	5.90	Yankee Bonds	1,756	6.92
MBS PO - Principal Only (US Agencies)	220	17.24	Other*	78,215	
Materials	39	2.54	<b>Subtotal</b>	<b>\$ 205,938</b>	
<b>Subtotal</b>	<b>\$ 162,602</b>		<b>Total</b>	<b>\$ 368,540</b>	

\* For 2013, this represents \$74,104 units of participation, \$2,541 in FHLMC Multiclass, \$358 in Private Placements, \$80 in Transportation, \$405 in Utility-Electric, and \$727 in Whole Loans.

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 3 - Deposits and Investments (cont.)**

**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 Investors Services (“Moody’s”), Standard and Poor (“S & P”) and Fitch Ratings (“Fitch’s”). With the exception of the Mellon Capital Management Aggregate Bond portfolio, bonds purchased and owned in each portfolio must have a minimum quality rating of Baa3 (Moody’s) or BBB- (S & P or Fitch’s). The average quality of each portfolio must be an A or better. The fixed income securities for the Mellon Capital Management 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. The credit quality rating of investments in fixed income securities by Moody’s as of December 31, 2013, and the \$17,000 not rated by Moody’s as of December 31, 2013, \$14,100 is rated by Standard & Poor’s as investment grade (“BBB-” or higher). Moody’s quality rating of “BAA3” or above is considered investment grade. As of December 31, 2013, \$2,600 was not rated by Standard & Poor’s or Moody’s.

The credit quality ratings of investments in fixed income securities by Moody’s, a nationally recognized statistical rating agency, as of December 31, 2013 are as follows:

<u>Moody's Quality Ratings</u>	<u>Fair Value</u>	<u>Moody's Quality Ratings</u>	<u>Fair Value</u>
AAA	\$ 130,668	BA1	\$ 1,408
AA1	824	BA2	1,746
AA2	4,326	BA3	437
AA3	4,216	B1	1,020
A1	7,886	B3	440
A2	8,346	CAA1	83
A3	10,086	CAA2	201
BAA1	11,354	CA3	168
BAA2	13,533	CA	474
BAA3	5,144	NR	14,634
Subtotal	<u>\$ 196,383</u>	Subtotal	<u>\$ 20,611</u>
<b>Total Credit Risk Fixed Income Securities</b>		<b>216,994</b>	
		U.S. Government and Agencies	77,442
		Units of Participation (Not Rated)	74,104
		<b>Total Investment in Fixed Income</b>	<b><u><u>\$ 368,540</u></u></b>

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 3 - Deposits and Investments (cont.)

#### Concentration of Credit Risk – Pension Trust Fund

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 bought 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.

#### Foreign Currency Risk Investment – Pension Trust Fund

Foreign currency is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2013 the Retirement System directly owned less than \$2, in investments denominated in foreign currencies.

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

### Note 4 - Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>Receivables:</b>					
Accounts	\$ 36,929	\$ 73	\$ 12,833	\$ -	\$ 49,835
Taxes:					
Current Levy	280,130	-	-	-	280,130
Delinquent	20,465	-	-	-	20,465
Interest	9,474	-	-	-	9,474
Other	14,442	-	-	4	14,446
Due from Other Governments	35,636	-	6,773	-	42,409
Gross Receivables	397,076	73	19,606	4	416,759
Less: Allowance for Uncollectibles	(19,586)	-	-	-	(19,586)
<b>Net Total Receivables</b>	<b>\$ 377,490</b>	<b>\$ 73</b>	<b>\$ 19,606</b>	<b>\$ 4</b>	<b>\$ 397,173</b>

\$8,037 of the \$20,465 delinquent taxes receivable is not expected to be collected within one year.

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 4 - Receivables (cont.)**

Receivables as of year-end for the Proprietary Funds are as follows:

	<b>Business-type Activities</b>		<b>Governmental Activities</b>
	<b>Airport</b>	<b>Transit System</b>	<b>Internal Service Funds</b>
<b>Receivables:</b>			
Accounts	\$ 4,245	\$ -	\$ 2,708
Other	79	5,783	-
Due from Other Governments	9,720	4,015	8
Gross Receivables	14,044	9,798	2,716
Less: Allowance for Uncollectibles	-	-	(956)
<b>Net Total Receivables</b>	<b>\$ 14,044</b>	<b>\$ 9,798</b>	<b>\$ 1,760</b>

All amounts are expected to be collected within one year.

Governmental funds report unavailable or unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unearned Revenue	Unavailable Revenue
Property Taxes Receivable for Subsequent Year	\$ 279,321	\$ -
Delinquent Tax Receivables	10,746	-
Federal and State Receivables	-	2,615
Housing Loan Receivables	-	6,018
Other Receivables	1,793	-
Unearned/Unavailable Revenues for Governmental Funds	\$ 291,860	\$ 8,633
Unearned Revenues included in Liabilities	\$ 1,285	
Unearned Revenues included in Deferred Inflows	290,575	
Total Unearned Revenues for Governmental Funds	\$ 291,860	

Enterprise funds also defer revenue recognition in connection with resources received, but not yet earned. At the end of the current fiscal year, the Airport (Lease Revenue) and Transit System (Prepayments for Services) has \$7,228 and \$4,296 in unearned revenues, respectively.

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 5 - Capital Assets**

**Primary Government**

The following is a summary of changes in capital assets for governmental activities for the year ended December 31, 2013.

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital Assets, not being depreciated</b>				
Land	\$ 59,303	\$ 8	\$ -	\$ 59,311
Construction in progress	45,622	48,562	(26,505)	67,679
<b>Total Capital Assets, not being depreciated</b>	<b>104,925</b>	<b>48,570</b>	<b>(26,505)</b>	<b>126,990</b>
<b>Capital Assets, being depreciated</b>				
Land Improvements	244,430	8,971	(47)	253,354
Buildings	620,156	10,789	(442)	630,503
Fixed Equipment Buildings	55,295	1,723	(151)	56,867
Infrastructure	191,957	6,429	(6,198)	192,188
Machinery and Equipment	98,126	5,500	(4,336)	99,290
Vehicles and Related Equipment	73,258	4,360	(1,790)	75,828
Furniture and Fixtures	5,605	822	(22)	6,405
<b>Total Capital Assets, being depreciated</b>	<b>1,288,827</b>	<b>38,594</b>	<b>(12,986)</b>	<b>1,314,435</b>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(149,563)	(7,702)	41	(157,224)
Buildings	(376,108)	(15,620)	445	(391,283)
Fixed Equipment Buildings	(35,460)	(2,680)	149	(37,991)
Infrastructure	(84,655)	(9,609)	6,197	(88,067)
Machinery and Equipment	(78,590)	(4,695)	4,152	(79,133)
Vehicles and related Equipment	(30,677)	(5,933)	1,719	(34,891)
Furniture and Fixtures	(1,486)	(424)	52	(1,858)
<b>Total Accumulated Depreciation</b>	<b>(756,539)</b>	<b>(46,663)</b>	<b>12,755</b>	<b>(790,447)</b>
<b>Net Capital Assets being depreciated</b>	<b>532,288</b>	<b>(8,069)</b>	<b>(231)</b>	<b>523,988</b>
<b>Governmental Activities Capital Assets- Net</b>	<b>\$ 637,213</b>	<b>\$ 40,501</b>	<b>\$ (26,736)</b>	<b>\$ 650,978</b>

Governmental activities capital assets, net of accumulated depreciation, as of December 31, 2013 are comprised of the following:

General Capital Assets, Net	\$ 635,459
Internal Service Fund Capital Assets, Net	15,519
Total Capital Assets, Net	<u>\$ 650,978</u>

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 5 - Capital Assets (cont.)

Depreciation was charged to governmental functions as follows:

Legislative, Executive and Staff	\$ 2,853
Courts and Judiciary	205
General Governmental Services	1,293
Public Safety	6,286
Public Works and Highways	18,010
Human Services	3,659
Parks, Recreation and Culture	14,357
<b>Total</b>	<b><u>\$ 46,663</u></b>

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2013.

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital Assets, not being depreciated</b>				
Land	\$ 21,367	\$ -	\$ -	\$ 21,367
Construction in progress	66,089	41,292	(39,462)	67,919
<b>Total Capital Assets, not being depreciated</b>	<b>87,456</b>	<b>41,292</b>	<b>(39,462)</b>	<b>89,286</b>
<b>Capital Assets, being depreciated</b>				
Land Improvements	202,574	28,519	(43,412)	187,681
Buildings	188,585	3,931	(62,442)	130,074
Fixed Equipment Buildings	192,453	1,127	-	193,580
Machinery and Equipment	19,909	4,443	(1,546)	22,806
Vehicles and related Equipment	144,742	23,843	(2,081)	166,504
Furniture and Fixtures	5,571	1,425	(80)	6,916
<b>Total Capital Assets, being depreciated</b>	<b>753,834</b>	<b>63,288</b>	<b>(109,561)</b>	<b>707,561</b>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(116,542)	(7,650)	43,899	(80,293)
Buildings	(121,785)	(4,621)	62,442	(63,964)
Fixed Equipment Buildings	(59,943)	(8,668)	-	(68,611)
Machinery and Equipment	(14,015)	(2,170)	932	(15,253)
Vehicles and Related Equipment *	(74,022)	(11,531)	(427)	(85,980)
Furniture and Fixtures	(2,822)	(540)	73	(3,289)
<b>Total Accumulated Depreciation</b>	<b>(389,129)</b>	<b>(35,180)</b>	<b>106,919</b>	<b>(317,390)</b>
<b>Net Capital Assets, being depreciated</b>	<b>364,705</b>	<b>28,108</b>	<b>(2,642)</b>	<b>390,171</b>
<b>Business-type Activities Capital Assets- Net</b>	<b>\$ 452,161</b>	<b>\$ 69,400</b>	<b>\$ (42,104)</b>	<b>\$ 479,457</b>

\* Negative decrease is due to a reversal of a 2012 disposal.

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 5 - Capital Assets (cont.)**

Depreciation was charged to business-type activities as follows:

Airports	\$ 21,215
Transit System	13,965
Total	\$ 35,180

**Discretely Presented Component Units**

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

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

Construction in progress	\$ 47
Building additions and improvements	19,501
Furniture, equipment and exhibits improvements	11,210
Less: Accumulated depreciation	(16,244)
Capital Assets, Net	\$14,514

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

Building Improvements	\$24,179
Machinery, Vehicles and Equipment	1,498
Less: Accumulated Depreciation	(15,557)
Capital Assets, Net	\$10,120

**Construction Commitments**

Following is a list of **capital projects approved** by the Milwaukee County Board of Supervisors per the 2013 Adopted Capital Improvements Budget. These reflect projects for both governmental and proprietary funds.

Project Number	Project Description	2013 Appropriations	2013 Expenditures & Encumbrances
<b>Airports (WA)</b>			
WA042	GMIA Baggage Claim Remodeling	\$ 46,022	*** \$ 36,766
WA044	GMIA - In-Line Baggage (formerly Enhanced Security Post)	-	* 12,812
WA048	D Concourse Improvements	-	* (1,682)
WA061	E Concourse Stem Remodeling	-	* 11
WA064	GMIA - Phase II Mitigation Program	14,110	*** 24,069
WA072	LJT R/W & TW Rehabilitation	-	* 283

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
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 (Amounts expressed in thousands, unless otherwise noted)

**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013 Appropriations</b>		<b>2013 Expenditures &amp; Encumbrances</b>
WA094	Runway Safety Area - NEPA Compliance	\$ -	*	\$ 3,183
WA095	GMIA - Terminal Cable Tray System	-	*	4
WA096	GMIA - Parking Structure Relighting	-	*	1,106
WA108	GMIA-HVAC Equipment Replacement	-	*	171
WA112	GMIA Taxiway R & R3 Reconstruction	400	**	-
WA122	GMIA - Airfield Pavement Rehabilitation	1,000	***	853
WA123	GMIA Runway Safety Improvements	400	**	975
WA124	GMIA Concourse E Ground Power and Preconditioned Air Units Security and Wildlife Deterrent Perimeter Fencing	-	*	231
WA125	Fencing	271	***	262
WA130	GMIA - Part 150 Study - Noise Barrier Study	-	*	349
WA133	GMIA - Concourse D Hammerhead Restroom Remodeling	-	*	12
WA135	Runway 1L-19R & 7R-25L Intersect Repavement Study	-	*	261
WA139	GMIA - Redundant Main Electric Service Feed	-	*	7,218
WA141	GMIA - Administration Building Buildout	-	*	2,362
WA142	GMIA - LJT Runway 15L - 33R Extension	-	*	12
WA143	GMIA - Cargo Ramp 3D Access Control Security	-	*	19
WA148	GMIA - Fleet Maintenance Expansion	-	*	569
WA149	GMIA - Snow Equipment Storage Building	-	*	1
WA153	GMIA - Purchase of Non-County Owned Jet Bridges	-	*	1,926
WA158	GMIA - Deicer Pads	12,900	**	1,327
WA161	GMIA Terminal Roadway Signage	-	*	2,852
WA162	GMIA Cessna Serv Apron Reconst	-	*	1
WA163	GMIA Perimeter Road Bridge over Howard Avenue	-	***	5,584
WA166	GMIA Perimeter Road Ext-128th ARW to	-	*	17
WA167	GMIA Terminal Escalator Replacement	650	***	1,150
WA169	LJT Runway and Taxiway Lighting Replacement	250	***	172
WA172	GMIA Terminal Sanitary Sewer Utility Upgrade	300	**	2
WA173	GMIA Fuel Farm Electrical Service Upgrade	950	***	757
WA175	C Concourse Checkpoint Expansion	-	*	37
WA176	Airport Master Plan - AGIS/eALP	500	**	229
WA177	GMIA Parking Structure Repairs	959	**	9
WA178	GMIA Parking Structure Ramp Infill	-	**	920
WA182	GMIA Snow Melter	-	**	1,136

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
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**Note 5 - Capital Assets (cont.)**

<u>Project Number</u>	<u>Project Description</u>	<u>2013 Appropriations</u>		<u>2013 Expenditures &amp; Encumbrances</u>
WA184	Vehicles - Squitters	\$ -	**	\$ 534
<b>Courthouse Complex (WC)</b>				
WC013	Criminal Justice Center Deputy Workstations	385	***	805
WC014	Courthouse HVAC System	-		2
WC023	CH Complex Automation & Access Control Upgrade	-	***	1,111
WC025	Courthouse Restroom Renovation	-	*	9
WC027	Courthouse Ligh Court Window Replacement	-	*	114
WC050	Courthouse Courtroom Public Address System	387	**	128
WC070	Domestic Violence Area Reconstruction	230	***	807
WC071	District Attorney Security Card System	-	*	44
WC075	Courthouse Masonry Improvements	-	*	29
WC078	Milwaukee Justice Center Area Build Out	423	**	383
WC081	Safety Building Cooling Tower Replacement	151	**	26
WC086	City Campus Cooling Tower	152	**	24
WC087	New Huber Facility	155	**	2
WC100	Courthouse Major Maintenance	-	**	151
WC103	CJF Cooling Tower	-	**	20
<b>Behavioral Health (WE)</b>				
WE027	BHD Parking Lots	-	**	369
WE028	Replace Nurse Call System	-	**	10
WE048	EMS - Zoll Cardiac Monitor/Defibrillator Z Series	1,125	**	1,125
<b>County Grounds (WG)</b>				
WG012	1000 MG Waterspheroid (190' TCI) Tank	-	*	138
WG014	Grounds South Reservoir Rehabilitation	1,219	**	-
WG026	Child Court Parking Lot/Access	-	**	6
<b>Highways (WH)</b>				
WH001	Signal Installation	645	***	4
WH002	Inter-jurisdictional Traffic System CMAQ	-	***	774
WH010	College Avenue South 51st to South 27th St.	1,006	***	1,326
WH020	College Avenue - 13th to 20th	120	***	229
WH021	Mill Road - North 84th to North 56th	-	**	74
WH022	N. 107th St. Brown Deer to NCL	2,359	***	4,139
WH023	West Mill Road - 84th St. to 91st, 51st to 43rd	-	*	8
WH030	Milwaukee River Parkway Bridge	-	*	184
WH080	KK River Parkway Bridge	-	***	214

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
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**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013 Appropriations</b>		<b>2013 Expenditures &amp; Encumbrances</b>
WH082	Reconstruct CTH ZZ College Howell	\$ -	***	\$ 215
WH083	W. Silver Spring-N124th to N69th	-	***	(55)
WH086	W. Good Hope Rd. Little Menomonee	-	*	3
WH087	Ryan Rd Culvert East of S. 112th	40	**	30
WH089	13th St. and Puetz Intersection	-	*	41
WH201	Reconstruct N. Port Washington and Bergen Construction	-	***	29
WH222	National Highway System-Rawson Avenue	-	***	1
WH237	East Layton Pavement Grinding	-	**	26
<b>House of Correction (WJ)</b>				
WJ021	ACC HVAC System - Planning	-	*	3
WJ042	Shower Ventilation	-	*	1
WJ051	HOC Security Camera System	-	*	1,061
<b>Museum (WM)</b>				
WM003	Electrical Distribution Replacement	-	*	17
WM005	Museum Air Handling and Piping Replacement	-	*	60
WM009	Museum Roof Replacement - East Wing	-	*	25
WM018	MPM Rectify Steam/Condensate Piping AHU 5&6	40	**	39
<b>Other Agencies (WO)</b>				
WO038	Marcus Center HVAC Upgrade	2,614	***	2,619
WO048	Wil-O-Way Grant HVAC Rehab	88	**	84
WO057	Wil-O-Way Storage Room	-	*	39
WO060	Asphalt and Pavement Improvement Program Wil-O-Way Recreation Center Entrance	196	***	758
WO064	Addition	-	*	100
WO065	Wil-O-Way Recreation Center Renovation	-	*	116
WO071	Wil-O-Way Grant Recreation Center 2nd ADA Exit	19	**	16
WO073	Underwood Creek Parkway Trail- W of Swan Blvd. Legislative Workflow and Public Access Program	77	**	1
WO098	Fleet Generator/Transfer Switch Replacement	-	*	32
WO106	Fleet Equipment	5,200	***	4,651
WO112	Façade Improvements and Inspections	274	***	2,596
WO114	Cnty Grounds Conversion from Chilled Water to Chillers	1,000	**	1,486

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013</b>		<b>2013</b>
		<b>Appropriations</b>		<b>Expenditures &amp; Encumbrances</b>
WO118	Historical Society Exterior Renovation	\$ -	*	\$ 136
WO128	Wil-O-Ways Grant Lighting	62	**	54
	Wil-O-Ways Underwood Wading Pool			
WO129	Improvements	-	*	79
WO130	Wil-O-Ways Underwood Lighting	33	**	27
WO131	Wil-O-Ways Underwood Single Stall Restroom	81	**	69
	Wil-O-Ways Underwood Recreation Center			
WO132	HVAC	47	**	39
WO133	Medical Examiner Cryostat Machine	51	**	30
WO136	Trimbourn Farm Stone Barn Roof Replacement	58	**	-
WO141	Fleet Mgmt O'Donnell Panels Relocation	-	***	1,076
	Fleet and Vel Phillips Heating Systems			
WO143	Replacement	-	*	1,275
WO150	Courthouse Fire Project	-	**	13,218
WO205	Fiscal Monitoring System	961	***	948
WO215	Storage Expansion	400	***	52
WO218	Technical Infrastructure Replacement	500	***	393
WO219	Narrowbanding	-	*	372
WO221	Clean Agent Fire Suppression System in MER	1,076	***	126
WO223	Research Park Entrance Signage/Landscaping	-	**	673
WO224	Zoo Interchange Utilities Relocation	-	**	2,626
WO229	Warehouse Replacement	-	**	7,298
WO230	Fleet Highways Building Modification	-	**	498
WO433	Glass Partition Barrier Extension	143	**	7
WO444	MCSO - Electronic Medical Records System	2,000	***	-
WO509	Villa Terrace - Security System	-	*	23
WO511	Charles Allis - Security System	-	*	6
WO514	War Memorial Window Replacement & Repair	-	*	1
WO517	War Memorial Renovations	2,000	**	120
WO602	Main Frame Apps Migration	250	**	-
WO606	BHD Wireless Infrastructure	-	*	861
WO614	Build Out Ten Sites to Digital	1,842	***	2,044
WO620	Greenfield Public Safety Communications	-	*	7
WO621	Windows Migration	3,440	**	-
WO626	Computer Replacement	-	**	328
	Medical Examiner Case Mgmt Syst			
WO627	Replacement Project	-	**	396
WO870	Special Assessments	250	***	124
WO888	Todd Wehr Elevator Modernization	565	**	435
WO895	Countywide Revolving Engineering Account	-	*	(15)
WO949	Inventory & Assess County Bldgs.	-	*	657

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
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**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013</b>		<b>2013</b>
		<b>Appropriations</b>		<b>Expenditures &amp; Encumbrances</b>
	<b>Parks (WP)</b>			
WP057	Dog Park Phase III	\$	-	*
				\$ 48
WP063	Estabrook Dam		-	*
				47
WP069	Countywide Play Area Redevelopment		-	*
	Lindbergh Park Wading Pool Roof			90
WP070	Replacement		-	*
				915
WP090	Pool Improvements		-	*
				392
WP105	Lincoln Family Aquatic Center Phase 2		-	*
				7
WP129	Athletic Courts	80	***	
				982
WP131	Oak Leaf Trail		-	*
				823
WP132	Mitchell Park Domes Reflections Pool		-	*
				7
WP143	Mitchell Park Greenhouse		-	***
				11,708
WP153	Riverside Park - Various Access Improvements		-	*
				3
WP167	Restroom Renovation	400	***	
				109
	Bike Trail Rehabilitation and Walkway			
WP170	Replacement		-	*
				67
WP171	Pool Liners - McCarty Park		-	*
				23
WP172	Roof Replacement Program		-	*
				146
WP187	O'Donnell Park Parking Structure Repairs		-	*
				72
WP190	South Shore Beach Relocation		-	*
				13
WP191	Moody Pool Renovation		-	*
				260
WP192	FEMA Erosion Repair		-	*
				87
WP197	Humboldt Park Band Shell Roof		-	*
				11
WP200	Jackson Boat House Roof Replacement		-	*
				5
WP202	MLK Community Center HVAC Replacement		-	*
				146
WP221	Lincoln Golf Course Irrigation/Pumphouse		-	**
				80
WP227	Grant Park - Pedestrian Bridges		-	***
				337
WP228	Boat Launch Piers Replacement		-	*
				12
WP229	Dineen Parking Lot and Walkway Replacement		-	*
				5
WP230	Oakwood Golf Course Clubhouse Roof		-	*
				1
WP232	Oak Leaf Trail Rehabilitation at Meaux Park		-	*
				120
WP247	Greenfield Park Shelter #3 RR Replacement	50	**	
				-
WP247	Greenfield Park Shelter RR #5 Replacement	50	**	
				-
	Sports Complex Security and Fire Sys			
WP248	Replacement	50	**	
				36
WP251	Parks Maintenance Shop Roof		-	*
				25
	Root River Parkway Lighting System			
WP252	Replacement		-	*
				133
WP254	Whitnall Park Golf Course Pedestrian Bridges	173	**	
				-
WP257	KK Sports Complex #1 Fencing	10	**	
				8

**COUNTY OF MILWAUKEE, WISCONSIN**

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**As of and For the Year Ended December 31, 2013**  
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**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013 Appropriations</b>		<b>2013 Expenditures &amp; Encumbrances</b>	
WP260	Holler Park Pool - Conversion to Sand Filtration	\$	120	**	\$ 1
WP264	Estabrook Dam Impoundment Sediment Remediation		4,200	**	-
WP267	Oak Leaf Parkway - Oak Leaf Trail Program		274	**	13
WP269	Wehr Nature Improvements		104	**	15
WP270	Oak Creek Parkway Lighting System		398	**	489
WP271	Johnson Park Pavilion		-	*	15
WP272	Noyes Pool Roof Replacement		130	**	6
WP273	Grobschmidt Park Pool Rehabilitation		162	**	8
WP274	Hales Corners Pool Main Drain Replacement		20	**	18
WP275	Menomonee River Parkway Wetlands		-	*	12
WP276	McKinley Marina BMPs and Lake Michigan Water Quality Improvs		-	*	91
WP279	Humboldt Park Walkways		-	*	68
WP280	Menomonee River Parkway Reconstruction		100	**	114
WP281	Scout Lake Pavilion Roof Replacement		-	*	27
WP284	Clarke Square Playground		-	**	153
WP287	Greenfield Golf Course Irrigation		-	**	82
WP395	Furnace Replacement		-	**	256
<b>Human Services (WS)</b>					
WS032	Variable Air Volume Boxes - Upgrade/Replace		-	***	1,508
WS034	Washington Park Senior Center Roof Replacement		-	*	181
WS035	Coggs - Roof Replacement		-	*	117
WS038	Coggs Canopy Renovation		96	**	4
WS040	McGovern Main Kitchen Replacement		36	**	30
<b>Transit (WT)</b>					
WT026	Bus Replacement Program		-	***	36,452
WT027	Fare Box Renovation		-	*	6,818
WT031	Roof Top Air Conditioning - Transit Admin		-	*	3
WT040	New Annunciators		-	*	2,073
WT049	Replace Bus Vacuum System at Kinnickinnic Garage		750	**	629
WT052	Replace Fire Alarm System at Fond Du Lac Garage		250	**	254
WT053	Replace Bus Vacuum System at Fiebrantz Garage		250	**	204
WT054	Replace Bus Wash System at Kinnickinnic Garage		750	**	649

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
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**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013 Appropriations</b>		<b>2013 Expenditures &amp; Encumbrances</b>
WT056	Replace HVAC System at Kinnickinnic Garage	\$ 530	**	\$ 659
WT057	Replace FDL Bus Wash System	-	**	977
WT066	Replace Bus Wash System at Fiebrantz Garage	415	**	325
WT067	Replace Roof Flashings at MCTS Fleet Maintenance	120	**	5
WT069	Replace Underground Storage Tanks at MCTS Fleet	275	**	122
WT070	Bus Shields	745	**	-
WT071	Bus Protector Shields	-	*	600
WT303	HVAC Control System	-	*	1
<b>Environmental (WV)</b>				
WV009	Countywide Sanitary Sewer Replacement	150	***	237
WV012	Pond and Lagoon Demonstration Project	-	*	6
WV013	McKinley Beach SW Outfall Pretreatment	-	*	15
WV014	Dretzka Park Groundwater and Soil Remediation	-	*	22
WV016	NR216 Stormwater TSS Controls	-	*	96
WV018	Underground Storage Tanks Upgrades	-	***	322
WV020	Root River Asbestos Dump Removal	77	**	72
WV022	Franklin Landfill Infrastructure	70	**	61
WV025	Rawson Avenue Pump Station	-	**	2,413
WV029	Grant Park Lift Station	-	**	9
<b>Zoo (WZ)</b>				
WZ008	Point of Sale Replacement	-	*	93
WZ014	ARC HVAC Replacement	-	*	36
WZ014	Seal Pool Filter Room Rehabilitation	-	*	40
WZ038	Peck Center HVAC Replacement	-	*	15
WZ040	Polar Bear & Seal Exhibit Shade Structure	-	*	152
WZ041	Aviary Fire and Smoke Detection Devices	-	*	52
WZ041	Primate House Fire and Smoke Detection	-	*	56
WZ042	Devices	-	*	18
WZ045	AHC Electrical Serv Extension	-	*	18
WZ057	Aviary Roof Replacement	77	**	12
WZ058	Winter Quarters Barn Renovation - Camel	-	*	151
WZ059	Pachyderm West Serv Area Roof Replacement	-	*	63
WZ063	Winter Quarters Main Roof Replacement	-	***	926
WZ067	Zoo Sea Lion Show Pool Coating	-	*	130
WZ067	Zoo South end Service/Train Garage	-	*	130
WZ073	Improvement	-	*	406
WZ078	Elephant Shade Structure	153	***	104

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
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**Note 5 - Capital Assets (cont.)**

<u>Project Number</u>	<u>Project Description</u>	<u>2013 Appropriations</u>		<u>2013 Expenditures &amp; Encumbrances</u>
WZ083	Zoo Pavement Replacement and Lighting	\$	- *	\$ 1,104
WZ089	Zoo South End Hay Barn Roof Replacement		- *	155
WZ093	Zoo Storm Drain and Manhole Rehabilitation		- *	22
WZ099	Zoo Aquatic Reptile Center Chimney Bases		- *	23
WZ100	Zoo Elephant Service Area Utility		- *	71
WZ101	Zoo Apes Building Boiler Replacement		- **	256
WZ103	Zoo Train Garage Overhead Crane		83 **	76
WZ104	Zoo Giraffe Building Upper Roof Replacement		85 **	85
WZ107	Zoo Bear Service Area Improvements		- ***	347
WZ108	Peck Boardwalk		43 **	24
WZ110	Penguin Chiller Replacement		- *	65
WZ114	Zoo Life Support Emergency Generator		- **	53
WZ115	Great Apes Mechanical Room Roof Replacement		- **	53
WZ600	Zoo Master Plan		200 ***	282
	Totals	\$	121,852	\$ 244,589

\* Project has funding appropriation carryovers from 2012.

\*\* Project has additional funding appropriations in 2013.

\*\*\* Project has both funding carryovers from 2012 and additional funding in 2013.

Following is a list of **capital projects transfers** made in 2013. These reflect projects for both governmental funds and proprietary funds.

<u>Project Number</u>	<u>Project Description</u>	<u>2013 Transfers</u>		<u>2013 Expenditures &amp; Encumbrances</u>
<b>Airports (WA)</b>				
WA123	GMIA Runway Safety Improvement	\$	743 **	\$ 400
WA163	Perimeter Rd Bridge-Howard Ave		2,200 ***	-
WA178	GMIA Parking Gar Rental Car Area		1,030 **	-
WA182	GMIA Snow Melter		1,290 **	-
WA184	GMIA Squitter Transponders		563 **	-
<b>Courthouse Complex (WC)</b>				
WC023	CH Complex Automation & Access		150 ***	-
WC070	Domestic Violence Area Reconst		200 ***	230
WC098	Victim Witness Secure Entrance		35 **	-
WC100	Courthouse Major Maintenance		200 **	-
WC103	CJF Cooling Tower		440 **	-

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
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**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013 Transfers</b>		<b>2013 Expenditures &amp; Encumbrances</b>
	<b>Behavioral Health (WE)</b>			
WE027	BHD Parking Lots	\$ 418	**	\$ -
WE028	Nurse Call Sys- Unit 53B	124	**	-
WE033	Behavioral Health Facility Ren	(10,752)	*	1,125
	<b>County Grounds (WG)</b>			
WG012	1000 MG Waterspheroid (190` Tc	(210)	*	-
WG026	Child Court Parking Lot /Access	2,630	**	-
WG027	CATC Parking Lot Replacement	723	**	-
	<b>Highways (WH)</b>			
WH001	Countdown Signal Heads (49)	232	***	645
WH002	Inter-Jurisdictional Traffic S	547	***	-
WH010	County Highway Action Program (Chap)	128	***	1,006
WH020	Major Rehabilitation	(168)	*	120
WH021	Mill Road - N. 84Th To N. 56Th	74	**	-
WH022	N. 107Th St. Brown Deer To Ncl	3	***	2,359
WH023	West Mill Road 84Th To 91St	(461)	*	-
WH030	Bridge Rehabilitation Program	(46)	*	-
WH080	Bridge Rehabilitation Program	43	***	-
WH082	Reconstruct Cth ZZ College, W Rawson and E College	1,240	***	-
WH083	W. Silver Spring Drive Over Li	18	***	-
WH084	S. 76Th St. W. Parkview Dr. To	(2)	*	-
WH086	W. Good Hope Rd	(351)	*	-
WH087	Ryan Rd. Culvert East Of S.112	1	**	40
WH089	13th St. & Puetz Intersection	(38)	*	-
WH201	Layton 108th-84th Reconstruct N. Port Washington	165	***	-
WH222	NHS E College/S Howell To Penn	131	***	-
WH237	E Layton Ave. Pavement Grinding	330	**	-
	<b>House of Correction (WJ)</b>			
WJ021	ACC HVAC System	(16)	*	-
WJ056	CCFS Video Visitation System	(10)	*	-
	<b>Other Agencies (WO)</b>			
WO060	Asphalt And Pavement Improvement Program	213	***	196
WO062	Additional Capacity - Public S	(62)	*	-
WO112	Fleet General Equipment constru	(1,290)	***	5,200
WO115	Conversion To Indepnt Chiller	500	**	1,000

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
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**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013 Transfers</b>		<b>2013 Expenditures &amp; Encumbrances</b>
WO141	Zoo Interchange	\$ 2,461	***	\$ -
WO143	Fleet/Vel Philips Ind Heating	(50)	*	-
WO150	Courthouse Fire Project	17,069	**	-
WO151	Courthouse Fire Bond Reimburse	2,000	**	-
WO215	Data Center Equip And Construc	(860)	***	400
WO223	Research Park Entrance Relocat	862	**	-
WO224	Zoo Inter Utilities Relocation	2,754	**	-
WO229	Warehouse Facility Replacement	8,910	**	-
WO230	Fleet/Highways Bldg. Modificat	6,600	**	-
WO235	Cse Security System Upgrades	7	**	-
WO237	Milwaukee County Public Art	50	**	-
WO423	Security Cameras In Cjfbasic P	(44)	*	-
WO444	Miso - Elec Medical Rec System	(2,033)	***	2,000
WO509	Villa Terrace - Security Syst.	(42)	*	-
WO511	Charles Allis - Security Syst.	(46)	*	-
WO606	Bud Wireless Infrastructure	(15)	*	-
WO618	Franklin Public Safety Communi	(19)	*	-
WO619	Disaster Recovery Site	(6)	*	-
WO620	Greenfield Public Safety Com.	(3)	*	-
WO621	Windows Migration	(3,440)	**	3,440
WO626	Computer Replacements	1,939	**	-
WO627	Medical Examiner Case Mgmt Syst	500	**	-
WO870	County Special Assessments	(216)	***	250
<b>Parks (WP)</b>				
WP063	Estabrook Dam Rehabilitation	40	*	-
WP105	Lincoln Aquatic Center Phase 2	(38)	*	-
WP131	Leon Terrace - Bridge	(7)	*	-
WP143	Mitchell Park Greenhouse	100	***	-
WP147	Sherman Park Boys And Girls Cl	(7)	*	-
WP167	Parks Restroom Improvements	(99)	***	400
WP172	Washington Park Boathouse Roof	(6)	*	-
WP173	Hoyt Park Pool Improvements	(23)	*	-
WP181	Lake Park South Lions Bridge Repl	(16)	*	-
WP221	Lincoln Golf Course Irrigation	940	**	-
WP227	Grant Park Pedestrian Bridges	30	***	-
WP247	Greenfield Park Shelter #3 And #5	(100)	**	50
WP254	Whitnall Gc Pedestrian Bridges	(173)	**	173
WP270	Oak Creek Parkway Lighting Sys	110	**	398
WP284	Clarke Square Playground	250	**	-

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 5 - Capital Assets (cont.)**

<b>Project Number</b>	<b>Project Description</b>	<b>2013 Transfers</b>		<b>2013 Expenditures &amp; Encumbrances</b>
WP287	Greenfield Gc Irrigation	\$ 650	**	\$ -
WP394	Bay View Dog Park	50	**	-
WP395	Parks Furnace Replacement Program	273	**	-
<b>Human Services (WS)</b>				
WS032	Variable Air Volume Boxes - Up	60	***	-
<b>Transit (WT)</b>				
WT026	New Flyer Buses	14,100	***	-
WT056	Replace HVAC Sys At KK Garage	200	**	530
WT057	Replace FDL Bus Wash System	1,127	**	-
<b>Environmental (WV)</b>				
WV012	Pond And Lagoon Demonstration	(6)	*	-
WV014	Dretzka Pk Grndwater And Soil	(14)	*	-
WV016	NR216 Stormwater TSS Controls	(18)	*	-
WV018	Underground Storage Tanks	347	***	-
WV025	Rawson Avenue Pump Station	2,658	**	-
WV029	Grant Park Lift Station	190	**	-
<b>Zoo (WZ)</b>				
WZ014	Zoo Infrastructure Improvements	(17)	*	-
WZ041	Aviary Fire & Smoke Detection	(50)	*	-
WZ042	Primate House Fire & Smoke Detect	(30)	*	-
WZ063	Winter Quarters Main Roof Repl	370	***	-
WZ078	Elephant Yard Shading Struct.	(50)	***	153
WZ101	Apes Bldg. Boiler Replacement	290	**	-
WZ107	Bear Service Area Improvements	330	***	-
WZ114	Zoo Life Support Emergency Gen	60	**	-
WZ115	Great Apes Mech Room Roof Repl	60	**	-
	<b>Totals</b>	<b>\$ 58,919</b>		<b>\$ 20,115</b>

\* Project has funding appropriation carryovers from 2012.

\*\* Project has additional funding appropriations in 2013.

\*\*\* Project has both funding carryovers from 2012 and additional funding in 2013.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

### Note 5 - Capital Assets (cont.)

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.

#### **2013 Funding Total**

Encumbrances and Carryovers from 2012	\$ 205,133
2013 Appropriations	121,852
2013 Transfers	58,918
Total	<u>\$ 385,903</u>

#### **2013 Appropriations - Funding Source**

Reimbursement Revenue	\$ 29,525
Sales Tax Revenue	6,403
Private Contributions	100
Property Tax Levy	2,611
PFC Revenue / Airport Reserve	9,505
Bonds	73,708
Total	<u>\$ 121,852</u>

#### **2013 Transfers - Funding Source**

Reimbursement Revenue	\$ 18,405
Sales Tax Revenue	(1,001)
Miscellaneous Revenue / Sale of Asset	36,925
PFC Revenue / Airport Reserve	2,452
Other	3,541
Bonds	(1,404)
Total	<u>\$ 58,918</u>

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
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**Note 6 - Interfund Transfers**

The composition of interfund transfers as of December 31, 2013 is as follows:

	<b>Transfers From</b>						<b>Total</b>	
	Major Funds		Nonmajor Fund			Enterprise Funds		Internal Service Fund
	General Fund	Capital Projects Fund	Parks	Airports	Transit	Information Management Services		
	Fund	Fund						
General Fund	\$ -	\$ 8,431	\$ 100	\$ 3,390	\$ 1,463	\$ 5,086	\$ <b>18,470</b>	
Capital Projects Fund	6,431	-	-	-	-	-	<b>6,431</b>	
Debt Service Fund	88,683	-	-	-	-	-	<b>88,683</b>	
Nonmajor Funds:								
Zoo	9	-	-	-	-	-	<b>9</b>	
Behavioral Health Division	1	-	-	-	-	-	<b>1</b>	
Internal Service Funds:								
Information Management Services	5,499	-	-	-	-	-	<b>5,499</b>	
Public Works Service	455	-	-	-	-	-	<b>455</b>	
Risk Management	4,094	-	-	-	-	-	<b>4,094</b>	
Enterprise Funds:								
Airports	3,812	-	-	-	-	-	<b>3,812</b>	
Transit	27,883	-	-	-	-	-	<b>27,883</b>	
<b>Total</b>	<b>\$ 136,867</b>	<b>\$ 8,431</b>	<b>\$ 100</b>	<b>\$ 3,390</b>	<b>\$ 1,463</b>	<b>\$ 5,086</b>	<b>155,337</b>	
<b>Less: Government-wide eliminations</b>							<b>(128,495)</b>	
<b>Total Transfers - Government-wide Statement of Activities</b>							<b>\$ 26,842</b>	

No fund may have a reserve except for the Debt Service Fund, Nonmajor Funds 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**

**Capital Leases - Primary Government**

In 2007 and 2008, the County entered into Capital Lease Agreements in the amounts of \$3,332 and \$1,510, respectively, with Chase Bank to improve the County’s energy efficiency and promote environmental sustainability. The County has expended all acquisition funds associated with these leases. In 2010, the County entered into a Capital Lease Agreement in the amount of \$7,515 with Banc of America to improve the County’s energy efficiency and promote environmental sustainability. The County has expended \$5,665 under this commitment as of December 31, 2013.

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
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**Note 7 – Leases (cont.)**

All equipment acquired through the lease agreements will transfer to the County at the end of the lease terms. The County is making lease payments over a period of 10 years and is required to make semi-annual payments during the term. Final payments are as follows: 2007 – December 1, 2017, 2008 – June 1, 2018, and 2010 – December 1, 2020. The gross amount of these assets under capital leases is \$10,507 and is presented in the capital assets in the governmental activities.

In current and 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 \$2,016 and is presented in the capital assets in the business-type activities.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business- type Activities
Asset:		
Machinery & Equipment	\$ 10,507	\$ -
Vehicles and Related Equipment	-	2,016
Less: Accumulated Depreciation	(4,454)	(1,771)
<b>Total</b>	<b>\$ 6,053</b>	<b>\$ 245</b>

The future minimum lease payments and the net present value on these minimum lease payments as of December 31, 2013, are as follows:

Year Ending December 31	Governmental Activities	Business-type Activities
2014	\$ 1,509	\$ 169
2015	1,508	52
2016	1,509	20
2017	1,508	20
2018	1,020	-
2019 and 2020	1,862	-
Subtotals	8,916	261
Less: Escrow (unspent) balance	(1,850)	-
Less: Amount representing interest	(1,013)	(16)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 6,053</b>	<b>\$ 245</b>

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 7 – Leases (cont.)**

**Operating Leases - Primary Government**

The County leases facilities, office equipment, and vehicles. Total costs for such leases were \$1,852 for the year ended December 31, 2013.

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

<b>Year Ending December 31</b>	<b>Amount</b>
2014	\$ 1,806
2015	1,100
2016	323
2017	196
2018	118
<b>Total</b>	<b>\$ 3,543</b>

**Note 8 - Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Governmental Long-Term Liability activity for the year ended December 31, 2013 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Transfers *</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
<b>Governmental Activities:</b>						
Bonds Payable:						
General Obligation Bonds	\$ 716,978	\$ 264,965	\$ (285,521)	\$ (2,896)	\$ 693,526	\$ 72,483
Add (Subtract) Deferred Amounts for:						
Premium	6,855	838	(1,908)	-	5,785	-
Discount	(207)	-	49	-	(158)	-
Subtotal Bonds Payable	<u>723,626</u>	<u>265,803</u>	<u>(287,380)</u>	<u>(2,896)</u>	<u>699,153</u>	<u>72,483</u>
 Other Liabilities:						
Unfunded Claims and Judgments	4,000	100	(100)	-	4,000	2,000
Landfill Post-Closure Costs	3,048	2,577	(111)	-	5,514	110
Pollution Remediation Costs	18,738	1,303	(7,286)	-	12,755	1,303
Compensated Absences	40,840	23,883	(25,543)	-	39,180	22,343
Risk Claims	14,644	13,098	(9,794)	-	17,948	8,300
Other Post Employment Benefits	273,629	82,405	(58,616)	-	297,418	-
Capital Leases	5,855	1,383	(1,185)	-	6,053	1,230
Subtotal Other Liabilities	<u>360,754</u>	<u>124,749</u>	<u>(102,635)</u>	<u>-</u>	<u>382,868</u>	<u>35,286</u>
<b>Total Governmental Activities - (Non-current Liabilities)</b>	<b><u>\$ 1,084,380</u></b>	<b><u>\$ 390,552</u></b>	<b><u>\$ (390,015)</u></b>	<b><u>\$ (2,896)</u></b>	<b><u>\$ 1,082,021</u></b>	<b><u>\$ 107,769</u></b>

\* The County transferred unspent appropriations and the associated bond liability to Transit for capital projects.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 8 - Long-Term Liabilities (cont.)

Governmental Compensated Absences consist of the following:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Retirement sick pay payout	\$ 20,429	\$ 1,690	\$ (5,127)	\$ 16,992	\$ 1,950
Vacation time earned	16,327	16,876	(16,332)	16,871	15,479
Overtime earned	1,603	2,254	(1,603)	2,254	2,094
Holiday pay	2,481	3,063	(2,481)	3,063	2,820
<b>Total Compensated Absences</b>	<b>\$ 40,840</b>	<b>\$ 23,883</b>	<b>\$ (25,543)</b>	<b>\$ 39,180</b>	<b>\$ 22,343</b>

Business-type Long-Term Liability activity for the year ended December 31, 2013 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Transfers *</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
<b>Business-type Activities:</b>						
<b>Bonds Payable:</b>						
General Obligation Bonds	\$ 28,887	\$ -	\$ (3,579)	\$ 2,896	\$ 28,204	\$ 3,473
Revenue Bonds	187,520	50,425	(12,005)	-	225,940	8,765
Add (Subtract) Deferred Amounts for:						
Premium	5,816	1,839	(853)	-	6,802	-
Discount	(1,955)	(205)	253	-	(1,907)	-
Subtotal Bonds Payable	<u>220,268</u>	<u>52,059</u>	<u>(16,184)</u>	<u>2,896</u>	<u>259,039</u>	<u>12,238</u>
<b>Other Liabilities:</b>						
Compensated Absences	11,618	5,642	(6,081)	-	11,179	6,372
Risk Claims	17,052	9,167	(11,344)	-	14,875	9,026
Other Post Employment Benefits - Transit	-	15,481	(15,481)	-	-	-
Other Post Employment Benefits - Airport	11,046	1,574	-	-	12,620	-
Capital Leases	385	90	(230)	-	245	159
Subtotal Other Liabilities	<u>40,101</u>	<u>31,954</u>	<u>(33,136)</u>	<u>-</u>	<u>38,919</u>	<u>15,557</u>
<b>Total Business-type Activities - (Non-current Liabilities)</b>	<b>\$ 260,369</b>	<b>\$ 84,013</b>	<b>\$ (49,320)</b>	<b>\$ 2,896</b>	<b>\$ 297,958</b>	<b>\$ 27,795</b>

\* The County transferred unspent appropriations and the associated bond liability to Transit for capital projects.

Business-type Compensated Absences consist of the following:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
<b>Business-type Activities:</b>					
Retirement sick pay payout	\$ 6,548	\$ 471	\$ (1,011)	\$ 6,008	\$ 1,201
Vacation time earned	4,800	4,568	(4,800)	4,568	4,568
Overtime earned	137	436	(137)	436	436
Holiday pay	133	167	(133)	167	167
<b>Total Compensated Absences</b>	<b>\$ 11,618</b>	<b>\$ 5,642</b>	<b>\$ (6,081)</b>	<b>\$ 11,179</b>	<b>\$ 6,372</b>

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 8 - Long-Term Liabilities (cont.)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the governmental activities. At year-end, \$43,298 of internal service funds is included in governmental activities long-term liabilities. As claims and judgments expenditures are incurred the general fund is used to liquidate the costs. Adjustments to short and long-term liabilities are made at year end based on a detailed reevaluation of the accounts.

Unfunded claims and judgments include estimated costs for outstanding medical, environmental, and other claims. As of December 31, 2013, the outstanding amount of claims and judgments due within one year totaled \$2,000 and the long-term liability is \$2,000.

In accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs, the County has recorded a long-term liability for its estimated maintenance and monitoring costs. As of December 31, 2013, the estimated liability for costs due within one year totaled \$110 and the long-term liability is \$5,404. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

In accordance with GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, the County has recorded a long-term liability for its estimated pollution remediation costs. As of December 31, 2013, the estimated liability for costs due within one year totaled \$1,303 and the long-term liability is \$11,452. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Risk claims include accruals for workers compensation and other insurance claims of the Risk Management Fund and Transit System. As of December 31, 2013, the outstanding amount of risk claims due within one year totaled \$17,326 and the long-term liability is \$15,497.

All Funds contribute toward their specific share and plan related to pension obligations. Other Post-Employment Benefits (OPEB) and pension costs are accounted for through the General Fund of the County, except for Transit, which maintains its own pension trust and OPEB trust. The County, except Transit, is on a pay-as-you-go basis for OPEB costs and, therefore, contributes only the annual cost incurred, net of employee contributions. OPEB costs are allocated to departments on a prorated basis. The OPEB obligation represents the accumulated liability that has not been funded by the County based on current accounting rules. The County, except Transit, accounts for the cost and liquidation of annual pension costs through the General Fund and allocates these costs to all departments on a prorated basis. Transit accounts for cost and liquidation of OPEB and pension costs through its applicable trust.

### Governmental Activities

Proceeds from general obligation bonds issued are budgeted for and recorded within the Debt Service Fund, Capital Projects Fund or Proprietary 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.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 8 - Long-Term Liabilities (cont.)

<u>Bond Issue</u>	<u>Date of Bond</u>	<u>Final Maturity Date</u>	<u>Average Interest Rate</u>	<u>Original Indebtedness</u>	<u>Principal Outstanding 12/31/2013</u>	<u>Interest to Maturity</u>
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	\$ 93,515	\$ 41,842	\$ 2,921
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	23,559	1,627	65
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	59,675	10,160	668
General Obligation Corporate Purpose Bonds, Series 2006A	04/01/06	10/01/21	4.14%	30,675	19,641	4,424
General Obligation Corporate Purpose Bonds, Series 2007A	06/01/07	12/01/22	4.12%	32,406	24,931	5,168
General Obligation Corporate Purpose Bonds, Series 2008A	06/01/08	12/01/23	3.93%	30,656	26,126	5,927
Taxable Pension Obligation Bonds, Series 2009A	04/02/09	12/01/28	6.36%	265,000	137,219	98,446
General Obligation Corporate Purpose Bonds, Series 2009C	08/01/09	10/01/24	5.04%	24,139	24,139	9,415
General Obligation Promissory Notes, Series 2009D	08/01/09	10/01/16	2.00%	7,205	5,350	323
Taxable General Obligation Corporate Purpose Bonds Series 2009E	11/15/09	08/01/24	4.87%	24,051	23,342	8,491
General Obligation Promissory Notes, Series 2009F	11/15/09	08/01/19	2.55%	15,610	8,250	789
Taxable General Obligation Corporate Purpose Bonds, Series 2010A	05/01/10	10/01/25	4.60%	19,979	19,979	6,664
General Obligation Promissory Notes, Series 2010B	05/01/10	10/01/18	2.37%	12,325	8,120	660
General Obligation Corporate Purpose Bonds, Series 2010C	12/21/10	10/01/26	4.90%	27,207	26,320	10,900
General Obligation Promissory Notes, Series 2010D	12/21/10	10/01/20	2.82%	9,770	7,785	1,138
General Obligation Refunding Bonds, Series 2011A	03/15/11	10/01/18	5.04%	28,737	21,926	2,768

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 8 - Long-Term Liabilities (cont.)**

<u>Bond Issue</u>	<u>Date of Bond</u>	<u>Final Maturity Date</u>	<u>Average Interest Rate</u>	<u>Original Indebtedness</u>	<u>Principal Outstanding 12/31/2013</u>	<u>Interest to Maturity</u>
General Obligation Refunding Bonds, Series 2012A	12/20/12	12/01/20	1.00%	\$ 21,804	\$ 21,804	\$ 3,563
Taxable Pension Obligation Replacement Bonds, Series 2013A	02/12/13	12/01/30	3.28%	138,730	138,730	53,530
Taxable Pension Obligation Tender Refund Bonds, Series 2013B	06/27/13	12/01/23	2.76%	99,300	99,300	15,640
General Obligation Corporate Purpose Bonds, Series 2013A	08/14/13	09/01/23	2.43%	26,935	26,935	4,334
<b>Total Governmental Activities - General Obligation Debt</b>					<b>\$ 693,526</b>	<b>\$ 235,834</b>
Premium					5,785	
Discount					(158)	
<b>Total Governmental Activities - General Obligation Debt, Net</b>					<b>\$ 699,153</b>	
Bonds and Notes Payable - General Obligation (Current Liabilities)					\$ 72,483	
Bonds and Notes Payable - General Obligation (Non-current Liabilities)					626,670	
<b>Total Debt per Statement of Net Position - Governmental Activities</b>					<b>\$ 699,153</b>	

The ratio of the aggregate indebtedness of all taxing authorities located within the County to equalized value of the taxable property was approximately 6.27% including 1.26% related to direct County indebtedness at December 31, 2013.

Wisconsin Statutes limit the County's direct general obligation borrowing to an amount equivalent to 5% of the equalized value of taxable property. As of December 31, 2013 under Wisconsin Statutes, the County could borrow an additional \$2,134,648.

At December 31, 2013, the Governmental Activities weighted average interest rate of general obligation bonds and notes outstanding was 4.05%.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 8 - Long-Term Liabilities (cont.)

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>
2014	\$ 72,483	\$ 28,046	\$ 100,529
2015	57,166	25,739	82,905
2016	55,416	23,993	79,409
2017	54,175	22,248	76,423
2018	46,733	20,419	67,152
2019-2023	213,860	76,751	290,611
2024-2028	138,461	35,545	174,006
2029-2030	55,232	3,093	58,325
<b>Total Debt Service</b>	<b>\$ 693,526</b>	<b>\$ 235,834</b>	<b>\$ 929,360</b>

On August 14, 2013, the County issued \$26,935 of General Obligation Corporate Purpose Bonds, Series 2013A. Total proceeds of \$27,773 (par amount of bond issue of \$26,935, plus net premium of \$838) 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 to the County's 2013 Adopted Capital Improvement Budget. The bonds of \$26,935 were recorded in Governmental Activities on the Statement of Net Position.

The bonds have semi-annual interest payments on March 1 and September 1 through 2023. The interest rate is 2.0% for 2014 through 2017, and 3.0% from 2018 through 2023.

On February 12, 2013, the County issued \$138,730 of Taxable General Obligation Pension Promissory Notes, Series 2013 to current refund \$135,000 of outstanding Taxable Pension Notes Series 2009B, which were set to mature on December 1, 2013. The County exercised its option to prepay the 2009B Notes prior to the scheduled maturity on March 15, 2013 using a Make Whole Call option. Net proceeds of \$138,730 (par amount of 2013 Notes) along with \$4,434 of funds on hand were used to prepay the 2009B Notes. As a result, the liability for those bonds has been removed from these financial statements.

The cash flow requirement on the refunded bonds during 2013 prior to the current refunding was \$142,276. The cash flow requirements on the refunding bonds, which occur during years 2014 through 2030, are \$199,847, an increase of \$57,570. The current refunding resulted in an economic loss (difference between the present values of the debt service payment of the old and new debt) of \$4,463.

On June 27, 2013, the County issued \$99,300 of Taxable General Obligation Pension Refunding Bonds, Series 2013B. The 2013B Bonds were issued to finance the purchase and simultaneous cancellation of a portion of the remaining Term 2024 maturity of the Taxable General Obligation Pension Promissory Notes, Series 2009A. The remaining sinking funds payments on the Term 2024 maturity that were purchased and cancelled totaled \$92,003. Net Proceeds of \$99,300 (par amount of 2013B Bonds) along

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 8 - Long-Term Liabilities (cont.)

with \$8,196 of funds on hand were used to purchase and retire the debt on June 27, 2013. As a result, the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds prior to the current refunding was \$127,997 from December 1, 2013 through December 1, 2023. The cash flow requirements on the refunding bonds are \$124,640, a savings of \$3,357. The current refunding resulted in an economic gain (difference between the present values of the debt service payment of the old and new debt) of \$1,571.

### 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 \$230,481 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 1, 2038. 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 \$18,325 and \$30,792, respectively, resulting in net revenues plus Coverage Fund assets of 168% of annual debt service for 2013. The principal and interest payment of \$18,325 represents 21% of operating revenues. The total principal and interest remaining to be paid on the bonds is \$346,853.

<u>Bond Issue</u>	<u>Date of Bond</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Principal Outstanding 12/31/2013</u>	<u>Interest to Maturity</u>
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	\$ 6,510	\$ 2,913	\$ 203
General Airport Revenue Bonds, Series 2004A	03/31/04	12/01/20	4.47%	37,360	28,380	12,269
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	1,051	73	3
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	3,350	570	37
General Airport Revenue Bonds, Series 2005A	12/22/05	12/01/30	4.90%	29,010	28,130	14,696
General Airport Revenue Refunding Bonds, Series 2005B	12/22/05	12/01/14	3.65%	7,755	1,005	40
General Obligation Corporate Purpose Bonds, Series 2006A	04/01/06	10/01/21	4.14%	920	589	133

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 8 - Long-Term Liabilities (cont.)

Bond Issue	Date of Bond	Final Maturity Date	Interest Rate	Original Indebtedness	Principal Outstanding 12/31/2013	Interest to Maturity
General Airport Revenue Bonds, Series 2006A	11/16/06	12/01/31	4.60%	\$ 25,665	\$ 21,545	\$ 11,560
General Airport Revenue Refunding Bonds, Series 2006B	10/01/06	12/01/15	4.08%	5,020	705	53
General Obligation Corporate Purpose Bonds, Series 2007A	06/01/07	12/01/22	4.12%	219	169	35
General Airport Revenue Bonds, Series 2007A	11/15/07	12/01/32	4.60%	13,445	11,505	6,229
General Obligation Corporate Purpose Bonds, Series 2008A	06/01/08	12/01/23	3.93%	204	174	39
General Obligation Corporate Purpose Bonds, Series 2009C	08/01/09	10/01/24	5.04%	636	636	248
Taxable General Obligation Corporate Purpose Bonds Series 2009E	11/15/09	08/01/24	4.87%	6,314	6,128	2,229
General Airport Revenue Bonds, Series 2009A	12/21/09	12/01/32	4.90%	12,690	12,690	7,155
General Airport Revenue Bonds, Series 2009B	12/21/09	12/01/14	3.20%	2,350	456	18
Taxable General Obligation Corporate Purpose Bonds, Series 2010A	05/01/10	10/01/25	4.60%	2,746	2,746	916
General Obligation Corporate Purpose Bonds, Series 2010C	12/21/10	10/01/26	4.90%	10,958	10,600	4,390
General Airport Revenue Refunding Bonds, Series 2010B	10/14/10	12/01/23	3.75%	51,590	39,530	10,455
General Airport Revenue Bonds, Series 2010A	10/14/10	12/01/34	4.30%	31,570	31,570	19,036
General Obligation Refunding Bonds, Series 2011A	03/15/11	10/01/18	5.04%	3,020	2,304	291
General Obligation Refunding Bonds, Series 2012A	12/20/12	12/01/20	1.00%	1,301	1,301	213
General Airport Revenue Bonds, Series 2013A	08/14/13	12/01/38	4.88%	47,095	47,095	38,835
General Airport Revenue Refunding Bonds, Series 2013B	08/14/13	12/01/22	2.81%	3,330	3,330	529
<b>Total Business-type - General Obligation and Revenue Bond Debt</b>					<b>\$ 254,144</b>	<b>\$ 129,612</b>

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 8 - Long-Term Liabilities (cont.)**

	<b>Principal Outstanding 12/31/2013</b>
Premium	\$ 6,802
Discount	(1,907)
<b>Total Business-type - General Obligation and Revenue Bond Debt</b>	<b><u>\$ 259,039</u></b>
Bonds and Notes Payable - General Obligation (Current Liabilities)	\$ 3,473
Bonds and Notes Payable - Revenue (Current Liabilities)	8,765
Bonds and Notes Payable - General Obligation (Non-current Liabilities)	25,085
Bonds and Notes Payable - Revenue (Non-current Liabilities)	<u>221,716</u>
<b>Total Debt per Statement of Net Position - Business-type Activities</b>	<b><u>\$ 259,039</u></b>

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

<b>December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2014	\$ 12,238	\$ 12,208	\$ 24,446
2015	13,423	11,667	25,090
2016	13,286	11,062	24,348
2017	13,629	10,450	24,079
2018	13,473	9,800	23,273
2019-2023	72,202	39,170	111,372
2024-2028	57,473	22,906	80,379
2029-2033	41,120	9,797	50,917
2034-2038	<u>17,300</u>	<u>2,552</u>	<u>19,852</u>
<b>Total Debt Service</b>	<b><u>\$ 254,144</u></b>	<b><u>\$ 129,612</u></b>	<b><u>\$ 383,756</u></b>

On August 14, 2013, the County issued \$ 47,095 of Airport Revenue Bonds, Series 2013A. The 2013A Revenue 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 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, Airport Revenue Bonds, Series 2007A, dated November 15, 2007, General Airport Revenue Bonds, Series 2009A and 2009B, dated December 21, 2009, General Airport Revenue Bonds, Series 2010A, dated October 14, 2010 (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 2013A Revenues Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2013A Revenue Bonds.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### **Note 8 - Long-Term Liabilities (cont.)**

The 2013A Revenue Bonds have semi-annual interest payments on June 1 and December 1 through 2038. The interest rate is 5.0% for 2015 through 2022, 5.25% from 2023 through 2032, 5.00% for 2033 and 5.25% for 2034 through 2038.

On August 14, 2013, the County issued \$3,330 of Airport Revenue Refunding Bonds, Series 2013B (AMT) to current refund \$3,750 of outstanding Airport Revenue Bonds, Series 2003A, which were callable for prepayment on December 1, 2012 and any date thereafter. Net Proceeds of \$3,330 (par amount of bonds) along with \$424 of funds on hand were used to prepay the 2003B Bonds on September 3, 2013. As a result, the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds prior to the current refunding was \$4,750 from December 1, 2013 through December 1, 2022. The cash flow requirements on the refunding bonds are \$4,317 during the same period for a savings of \$433. The current refunding resulted in an economic gain (difference between the present values of the debt service payment of the old and new debt) of \$340.

### **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. As of December 31, 2013, \$11,750 of bonds outstanding are considered defeased.

### **Debt Issued on Behalf of Other Entities / Conduit Debt**

**Midwest Airlines, Inc.** In 2003, the County guaranteed \$14,400 of loans for a local corporation. The loans are secured by mortgages and a cash trust of \$5,944 on certain buildings. Midwest Airlines is now a subsidiary of another airline. The parent corporation is making principal payments on the debt, which has a balance of \$12,715 as of December 31, 2013.

**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) 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 2007 lease revenue bonds were retired in December of 2012 leaving only the 2004 issue outstanding. 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 notes. The total of the 2004 redevelopment lease notes outstanding as of December 31, 2013 was \$12,050.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 9 - Net Position

At the end of the current fiscal year, the various components of Restricted Net Position reported in the governmental and proprietary funds were as follows:

<b>Governmental Activities</b>	<b>2013</b>
2015 Appropriations	\$ 5,000
2014 Appropriations	5,000
Debt Service	34,964
Commitments	6,455
Capital Project Commitments	48,276
Department of Family Care - State Restricted	12,208
Department of Family Care - Excess Reserves	23,149
Delinquent Property Tax	14,797
Housing	835
Airport- PFC and Debt	26,352
Behavioral Health Division	9,082
Fleet and Facilities Divisions	10,192
Administrative Services	7,016
Zoo	950
Parks	1,240
Persons with Disabilities	101
Other	3,892
<b>Total Net Position - Restricted - Governmental Activities</b>	<b>\$ 209,509</b>
<b>Business-type Activities</b>	<b>2013</b>
Debt Service	\$ 17,680
Commitments	2,769
Capital Asset Needs	14,004
<b>Total Net Position - Restricted - Business-type Activities</b>	<b>\$ 34,453</b>

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

### Note 9 - Net Position (cont.)

#### Discretely Presented Component Units

The Restricted Net Position for the Marcus Center for the Performing Arts, Inc., the Milwaukee County Research Park Corp., and the Milwaukee County War Memorial, Inc. consists of the following:

<u>Temporarily Restricted:</u>	<u>2013</u>
Marcus Center for the Performing Arts, Inc. - Programming Events	\$ 9
Milwaukee County Research Park Corp. - Research Development Fund	336
Milwaukee County War Memorial, Inc. - Building Account	35
<b>Total Temporarily Restricted Net Position</b>	<b>\$ 380</b>

The Restricted Net Position for the Milwaukee Public Museum, Inc. consists of the following:

<u>Temporarily Restricted:</u>	<u>2013</u>
Exhibits and Museum Renovations	\$ 317
Educational Lecture Costs	76
Purchase and Maintenance of Collections	285
Restricted for time	92
Capital Campaign - Debt	6,001
Endowment Fund:	
Purchase and Maintenance of Collections	418
Internship Programs	62
<b>Total Temporarily Restricted Net Position</b>	<b>\$ 7,251</b>
<u>Permanently Restricted:</u>	
Operations	\$ 2,532
Special Exhibits	1,238
Starr Adventure and Internship	71
<b>Total Permanently Restricted Net Position</b>	<b>\$ 3,841</b>

### 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(s) or natural disasters. The County uses a Risk Management Fund, which is presented as an internal service fund, to account for the financing of uninsured risks of loss. The County is self-insured for worker's compensation. In accordance with Wisconsin Statutes, the County's overall exposure for general liability and automobile liability is limited to \$50 (fifty dollars) and \$250 (two hundred fifty dollars) per person respectively. The County purchases

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

### Note 10 - Risk Management (cont.)

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. 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 County has recognized \$17,948 of claims liabilities in the Risk Management Fund. The short-term portion is \$8,300 and is classified as a current liability.

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

	Year Ended 12/31/2013	Year Ended 12/31/2012
Beginning of Year Liability	\$ 14,644	\$ 14,912
Current Year Claims and Changes in Estimates	13,098	7,764
Claims Payments	(9,794)	(8,032)
<b>End of Year Liability</b>	<b>\$ 17,948</b>	<b>\$ 14,644</b>

The Transit System has recognized \$14,875 of claims liabilities in the Transit System Fund. The short-term portion is \$9,026 and is classified as a current liability.

Changes in the Transit System balances of the claims liability for the past two years are as follows:

	Year Ended 12/31/2013	Year Ended 12/31/2012
Beginning of Year Liability	\$ 17,052	\$ 10,786
Current Year Claims and Changes in Estimates	9,167	6,454
Claims Payments	(11,344)	(188)
<b>End of Year Liability</b>	<b>\$ 14,875</b>	<b>\$ 17,052</b>

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 11 - Related Party Transactions

In 2013, the County appropriated \$1,088 to the Marcus Center for the Performing Arts (“Marcus Center”). In addition, the Marcus Center incurred costs of approximately \$484 for the repair of the orchestra shell which sustained damage in March 2011. Recovery from insurance coverage was not available and, therefore, Milwaukee County agreed to reimburse the Marcus Center for these costs from future budget appropriations. A receivable from Milwaukee County was recorded as of December 31, 2012 and the amount was collected from Milwaukee County during the year ended December 31, 2013.

Milwaukee County and the Milwaukee County Research Park Corporation (“MCRPC”) 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.

Milwaukee County and MCRPC entered into a lease, to manage and sublease the Technology Innovation Center (“TIC”), originally through September 30, 2013 and since extended to September 30, 2018 by exercising an additional five-year extension option. 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 MCRPC to charge annual base rentals of not less than \$7.50 (seven dollars and 50 cents) per tenant occupied foot space, payable monthly. Discounts to the base rental amount require approval by Milwaukee County. As occupancy occurs, the MCRPC will pay Milwaukee County 66-2/3% of the base rent collected.

Milwaukee County provides funds required for the operation of the Milwaukee County War Memorial, Inc. (“Memorial”). To the extent these funds exceed actual disbursements; such excess is required to be returned to the County. The County and the Memorial agreed that when revenues exceed budget, the Memorial 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 Memorial’s operational needs. Total appropriations received by the Memorial for 2013 were \$1,418, of which \$272 was transferred to the Marcus Center for the Performing Arts and \$52 was transferred to the Charles Allis/Villa Terrace Art Museum for 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 \$0.2 were made to the Memorial during 2013.

Interest earned on the investment of excess funds is not considered to be revenue, which must be returned to the 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 the Memorial.

As of October 1, 2013, Milwaukee County, the Memorial, and the Milwaukee Art Museum, entered into various agreements which changed the structure of the previous agreements with these entities. The previous agreements were terminated on September 30, 2013. The Memorial and the Milwaukee Art Museum now have separate direct leases with Milwaukee County for the spaces occupied in the County owned buildings. The Memorial is responsible for all mechanical functions of their occupied space and will receive \$486 in support annually from the County through 2023. There is no rent payable to the County under the terms of the new lease agreements.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 11 - Related Party Transactions (cont.)

In addition, there is a development agreement which addresses structural repairs and improvements to the War Memorial. Planned repairs and improvements to the existing space are estimated at \$10,000 with improvements expected to begin in the fall of 2014. The County has appropriated \$2,000 to be applied to the construction and renovation costs and has appropriated additional funds of \$8,000 to be paid for these purposes between 2014 and 2017.

Milwaukee County has legal title to the Milwaukee Public Museum, Inc. (“MPM”) building, exhibits and artifacts, including any building additions and improvements and additions funded by the County or MPM. All such assets are leased to MPM under a long-term lease. MPM has not recorded the building and exhibits from the long-term lease in its consolidated financial statements, as the value cannot be determined. MPM capitalizes building additions, improvements and exhibit costs when MPM is obligated to pay for those capital items including the IMAX Theater, the Butterfly Wing, the Concourse, the garden gallery, gift shops and restaurants. These assets will revert to Milwaukee County if MPM were to vacate the facility. MPM amortizes these costs over their anticipated useful lives.

On August 15, 2013, Milwaukee County and MPM entered into a new Lease and Management Agreement (“New Agreement”) to replace and supersede the original agreement and all subsequent amendments. The New Agreement provides for a \$3,000 County contribution to the MPM Pension Plan for former County employees that was paid by August 31, 2013, extends annual MPM funding support to 2022, and provides additional capital spending up to \$4,000 on the facility through December 2017. MPM is required to raise additional funds to eliminate its existing outstanding term debt and raise \$5,000 by December 2017 to support additional capital needs for the facility. At August 31, 2013, MPM and the Milwaukee Public Museum Endowment Fund had raised \$1,000 towards the \$5,000 capital funding requirement.

Prior to the New Agreement, Milwaukee County and MPM operated under a Lease and Management Agreement that provided for the not-for-profit operations and management of MPM. The agreement was in effect since March 31, 1992 and encompassed (1) the lease and management of MPM, and (2) the transition of employees to MPM. The agreement was renewable every five years through March 31, 2042. MPM was responsible for museum operations and maintenance of the collection. The agreement also provided for certain employee benefits for qualifying employees then employed by the County who became employees of MPM in 1992. The County was also responsible for, among other items, any special assessments, structural repairs and capital projects. An amendment to the agreement provided for base annual operating support of \$3,502 per year for 10 years, beginning in calendar year 2008 and ending in 2017. Total payments to MPM for the year ended August 31, 2013 was \$3,502.

### Note 12 - Subsequent Events

The 2013 Wisconsin Act 203 became effective on April 10, 2014. This Act amends dozens of state statutes making a number of substantial changes in the way mental health services are governed, administered and funded in Milwaukee County. The Act removes all mental health jurisdictions from the Milwaukee County Board of Supervisors and places it under the jurisdiction of the newly created Milwaukee County Mental Health Board (“MCMHB”). The MCMHB initially has 11 members that were

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### **Note 12 - Subsequent Events (cont.)**

appointed by the Governor of Wisconsin, with two *ex officio* members and will act under authority vested in the board by the Wisconsin Statutes.

The 2014 Adopted Budget made changes to the organizational structure of DHHS by moving the Community Services Branch, Wraparound Milwaukee and Emergency Medical Services Section within the Behavioral Health Division to their own divisions within DHHS. MCMHB will be responsible for the policy oversight of the Behavioral Health Division and the Community Services Division of DHHS.

### **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. For claims and other legal proceedings that were open at the end of 2013 but resolved in early 2014, a current liability was established in the general fund. For the remaining open items, 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.

#### **Environmental**

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, and not storm water, from the County. The order will require future capital and operating commitments. For 2014, the commitment is \$480.

The County has various environmental commitments that will require future capital and operating commitments that are not specifically court mandated. The 2014 commitments include: Landfills: \$110, Asbestos removal and abatement: \$30, Dam repairs, dredging and maintenance: \$55, Oil leak remediation: \$7 and Underground storage tank management: \$271.

#### **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, 2013.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 14 – Other Post-Employment Benefits

#### Countywide Programs (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 for eligible retirees and their eligible spouses through the County's self-insured health insurance plans and the County's group life insurance plan.

The retiree healthcare and life insurance plans do not issue separate financial reports.

The retiree healthcare benefits are authorized by County Ordinance, Section 17.14. The retirement health insurance premium 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 cutoff date for this benefit. Retirees with non-contributory health insurance premiums also receive reimbursement of the Medicare Part B premium for themselves and their covered spouses. Employees eligible for postretirement healthcare benefits who retire after December 31, 2011, except nurses, which is December 31, 2012, will not be eligible for Medicare Part B reimbursement.

Retirees with less than 15 years of service and/or hired on and after January 1, 1994 are responsible for the full cost of the health insurance premiums upon retirement and are not eligible for Medicare Part B premium reimbursement. For those retirees, any unused sick leave at retirement would not be paid out in cash, but would be credited for the purchase of retiree health insurance. The credit was capped as of June 23, 2012 to the unused balance at that date, less any subsequent sick leave usage. See Note 1, section D and item 1 for information regarding the County's accrued sick leave liability as of December 31, 2013.

Retiree life insurance benefits are authorized by County Ordinance, Section 62.02. The life insurance benefit is equal to the retiree's annual salary at the time of retirement, rounded to the next highest \$1. Milwaukee County provides the first \$25 (\$20 for select bargaining units) for retirees under age 65. The retiree is responsible for the cost of additional coverage at the rate of \$0.34 per thousand. At age 65, the plan becomes non-contributory and the original life insurance benefit reduces by 8% per year beginning at age 65 to 25% at age 70 and over.

The health insurance and life insurance benefits for retirees are financed with current tax levy funds through the General Fund. The County pays for retiree's health and life insurance premiums on a pay-as-you-go basis and therefore, contributes only the annual cost incurred, net of retiree contributions.

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.

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 14 – Other Post-Employment Benefits (cont.)**

**Annual OPEB Cost and Net OPEB Obligation**

The following schedules provide the components of the County’s 2013, 2012, and 2011 OPEB costs:

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Normal Cost	\$ 2,228	\$ 2,228	\$ 12,370
Amortization of Unfunded Actuarial Accrued Liability	85,680	85,680	106,442
Annual Required Contribution (ARC)	87,908	87,908	118,812
Interest on Net OPEB Obligation	17,080	15,347	12,673
Adjustment to the ARC	(21,013)	(18,876)	(28,698)
<b>Annual OPEB Cost</b>	<b>\$ 83,975</b>	<b>\$ 84,379</b>	<b>\$ 102,787</b>

**Schedule of Employer Contributions  
For the Year Ended December 31**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Premiums Paid on Behalf of Retirees	\$ 52,455	\$ 56,287	\$ 62,372
Medicare Reimbursement	6,955	-	-
Less: Retiree Contributions	(796)	(796)	(4,150)
<b>Net Employer Contribution</b>	<b>\$ 58,614</b>	<b>\$ 55,491</b>	<b>\$ 58,222</b>

<b>Percent of Annual OPEB Cost Contributed by Employer</b>	<b>69.8%</b>	<b>65.8%</b>	<b>56.6%</b>
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**Schedule of Net OPEB Obligation  
For the Year Ended December 31**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net OPEB Obligation - January 1,	\$ 284,677	\$ 255,789	\$ 211,224
Annual OPEB Cost	83,975	84,379	102,787
Less: Net Employer Contributions	(58,614)	(55,491)	(58,222)
<b>Net OPEB Obligation - December 31</b>	<b>\$ 310,038</b>	<b>\$ 284,677</b>	<b>\$ 255,789</b>

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 14 – Other Post-Employment Benefits (cont.)

#### Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the County's OPEB plan was not funded. The actuarial accrued liability for benefits was \$1,134,995, and there was no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,134,995. The annual payroll of active employees covered by the plan was \$87,908, and the ratio of UAAL to covered payroll was 12.9 to 1. The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information.

#### 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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	1/1/2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Closed
Amortization period	25 Years
Asset valuation method	N/A

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 14 – Other Post-Employment Benefits (cont.)

#### Actuarial Assumptions:

Investment rate of return	6.0%
Projected salary increases	Varies from 3.0% to 10.0% based upon current age and employment category
Post-Retirement benefit increases	N/A
Healthcare cost trend	9.0%, decreasing by 1.0% annually to 5.0%
Mortality	RP-2000 Combined Mortality Projected to 2010
Disability rate	Graduated rates based upon current age
Retirement age	Estimates based upon current age, years of service, and employment category
Withdrawal	Graduated rates based upon current age, years of service, and employment category
Inflation Rate	3.0%

#### Contributions Required and Contributions Made

As of December 31, 2013, the County had 5,983 retirees enrolled in a health plan. The 2013 expenditures for retiree healthcare costs were \$51,467. The County's 2013 expenditures also included reimbursement of Medicare Part B premiums for health plan retirees of \$6,955. The total health plan expenditures were offset by \$632 in contributions from retirees who were responsible for the partial or full health benefit premium cost.

As of December 31, 2013, the County had 5,147 retirees enrolled in the group life insurance plan. The 2013 expenditures for the group life insurance plan were \$988. The total life insurance expenditures were offset by \$164 in contributions from retirees who were responsible for the partial or full life insurance premium cost.

#### **Transit System Program**

##### Description and Provisions

Milwaukee Transport Services, Inc. (the "Company") provides single-employer defined benefit healthcare and life insurance benefits for eligible retired employees and eligible surviving spouses. The retiree healthcare and life insurance benefits are provided pursuant to the general labor agreement between the Company and the Amalgamated Transit Union Local 998 and the Office and Professional Employees International Union Local 35. The same benefits are provided to non-represented employees and retirees.

Active employees with 14 years of service are eligible provided they satisfy one of the following conditions: 100% vested in retirement program at early retirement age of 57, reach age 62, rule of 85 (combined age and years of service equal 85), attain 25 years of service or become disabled. Employees hired after July 16, 2007 are not eligible for retiree healthcare benefits.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### **Note 14 – Other Post-Employment Benefits (cont.)**

The Plan offers two choices for medical: an HMO and a PPO. Employees who retired on or before April 1, 2007 and live more than 30 miles from an approved HMO provider may elect the PPO plan and pay the monthly PPO premium contribution. Employees who retired after April 1, 2007 and elect the PPO plan will pay the PPO monthly premium contribution plus the difference in cost between the PPO and HMO premium. The PPO premium contribution is 10% of the premium for the applicable rate class. Effective January 1, 2012, any employee whose combined age and years of service equal less than 75 will pay an additional 20% for coverage. Those whose combined age and years of service equal greater than or equal to 75, but less than 80, will pay an additional 12% for coverage.

Effective January 1, 2012, for surviving spouses not eligible for Medicare and dependent children, the Company will pay one-half (½) of the health insurance premium until the spouse becomes eligible for Medicare or remarries, provided the employee has completed at least fourteen years of service.

The Company pays the full premiums on a term life insurance policy for all eligible retired employees at the face value in effect at the time of retirement. The face value of life insurance for employees who retired before April 1, 2001 range from \$500 to \$16,500. The face value for employees retiring after April 1, 2001 but before April 1, 2007 is \$8,500. The face value for employees retiring after April 1, 2007 is \$9,000.

### **Funding Policy**

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 Company 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 payrolls 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 Company's intent to contribute the amount of the ARC each year into a trust. The Company does not issue a publicly available report that includes the financial statements for the trust on OPEB.

### **Annual OPEB Cost and Net OPEB Obligation**

The Company'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.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 14 – Other Post-Employment Benefits (cont.)

The following schedule provides the components of the Company’s 2013, 2012, and 2011 OPEB costs:

#### Schedule of Annual OPEB Costs For the Year Ended December 31

	2013	2012	2011
Normal Cost	\$ 3,325	\$ 4,059	\$ 3,979
Amortization of Unfunded Actuarial Accrued Liability	12,157	13,646	14,945
Annual Required Contribution (ARC)	15,482	17,705	18,924
Interest on Net OPEB Obligation	(1)	(1)	-
Adjustment to the ARC	1	1	-
<b>Annual OPEB Cost</b>	<b>\$ 15,482</b>	<b>\$ 17,705</b>	<b>\$ 18,924</b>

#### Schedule of Employer Contributions For the Year Ended December 31

	2013	2012	2011
Premiums Paid on Behalf of Retirees	\$ 10,857	\$ 13,841	\$ 12,338
Contribution to OPEB Trust	6,000	8,000	9,000
Less: Retiree and Survivor Contribution	(1,693)	(1,641)	(1,399)
<b>Net Employer Contribution</b>	<b>\$ 15,164</b>	<b>\$ 20,200</b>	<b>\$ 19,939</b>

<b>Percent of Annual OPEB Cost Contributed by Employer</b>	<b>97.9%</b>	<b>114.1%</b>	<b>105.4%</b>
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#### Schedule of Net OPEB Obligation For the Year Ended December 31

	2013	2012	2011
Net OPEB Obligation (Asset) - January 1,	\$ (2,273)	\$ 222	\$ 1,237
Annual OPEB Cost	15,482	17,705	18,924
Less: Net Employer Contributions	(15,164)	(20,200)	(19,939)
<b>Net OPEB Obligation (Asset) - December 31</b>	<b>\$ (1,955)</b>	<b>\$ (2,273)</b>	<b>\$ 222</b>

### Funding Policy

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing overtime relative the actuarial accrued liability for benefits.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 14 – Other Post-Employment Benefits (cont.)

#### Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the Company's OPEB plan was partially funded. The actuarial accrued liability for benefits was \$241,115, and the actuarial value of assets was \$47,024, resulting in an unfunded actuarial accrued liability (UAAL) of \$194,091. The annual payroll of active employees covered by the plan was \$41,624, and the ratio of UAAL to the covered payroll was 4.66 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Valuation date	1/1/2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent, Open
Amortization period	30 Years
Asset valuation method	Market
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.25%
Projected salary increases	3.0%
Healthcare cost trend	8.0%, decreasing by 0.5% annually to 5.0%
Mortality	1983 Group Annuity Mortality Table
Retirement age	Estimates vary based upon historical experience of the Transit System
Withdrawal	Graduated rates based upon current age
Inflation Rate	3.0%

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 14 – Other Post-Employment Benefits (cont.)

2013 Changes in Plan Provisions or Actuarial Assumptions since Prior Year:

- Discount rate was changed from 7.5% to 7.25%.
- The union contract calls for a 10% of premium contribution in 2013 increasing to 12% in 2014.

### Contributions Required and Contributions Made

The Company's policy is to fully fund its OPEB plan. The Company funds its annual OPEB cost with operating revenues and tax levy support from Milwaukee County and the State of Wisconsin. As of December 31, 2013, the Company had 1,006 retirees and survivors enrolled in the HMO and PPO healthcare plans. The 2013 expenditures for the HMO and PPO healthcare plans were \$10,621. The total HMO and PPO expenditures were offset by \$1,693 in retiree contributions from retirees and survivors who were responsible for the partial or full health benefit premium cost.

As of December 31, 2013, the Company had 1,006 retirees enrolled in the life insurance plan. The 2013 expenditures for the life insurance plan were \$236. There were no retiree contributions towards the life insurance plan.

### Note 15 – Employee Retirement Systems and Pension Plans

#### Countywide Program (excluding Transit System)

#### Plan Description and Provisions

The description of the provisions of the Employees' Retirement System of the County of Milwaukee ("ERS" or the "Retirement System") has been extracted from the Annual Report of the Retirement System. Additional narrative has been added to the plan descriptions and provisions section. The Board of Trustees of ERS ("The Board") has the responsibility for the overall performance of the Retirement System. The Board is the fiduciary of the Retirement System and is responsible for carrying out the investment functions solely in the interest of the members and benefit recipients. Requests for ERS financial information should be sent to: Milwaukee County ERS, 901 N. 9<sup>th</sup> Street Room 210C, Milwaukee, WI 53233.

The Retirement System is a single-employer defined benefit plan that was created to encourage qualified personnel to enter and remain in the service of the County of Milwaukee (the "County") by providing for a system of retirement, disability and death benefits to or on behalf of its employees. Under Chapter 201 of the Laws of Wisconsin for 1937, the County was mandated to create the Retirement System as a separate legal entity. The County did so by passing Section 201.24 of the General Ordinances of Milwaukee County. The authority to manage and control the Retirement System is vested in the Board.

The Board consists of ten members – three members appointed by the County Executive (subject to confirmation by the County Board of Supervisors), three employee members elected by active employee members, two members appointed by the County Board chairperson, one member appointed by the

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

Milwaukee Deputy Sheriffs' Association and one retiree member elected by retirees. The Board created two (2) committees to assist in the administration of the Board's duties. The Investment Committee reviews the investment portfolio on a monthly basis, endorses strategies and submits investment recommendations to the full Board. The Audit Committee reviews legal issues, Ordinance adherence, and submits recommendations to the full Board regarding the annual audit and the Annual Report of the Pension Board.

The Retirement System had been substantially noncontributory. However, starting in 2011, members began making mandatory contributions. Most full-time, regularly-appointed employees were required to make contributions in 2013. The employee contribution ranged from 4.4% to 6.59% of compensation. In 2014, the employee contribution percentages will range from 5.1% to 5.2% of compensation. These percentages may change from year to year based on an analysis performed by the Retirement System's actuary.

Employees who terminate County employment present pension eligibility may request a refund of all accumulated contributions made, with simple interest at 5% annum. Effective December 19, 2013, employees who terminate employment with the County, must request a refund of accumulated contributions within one hundred eighty (180) days of terminating County employment. Prior to December 19, 2013, terminated employees had sixty (60) days to request a refund of their contributions. The Retirement System will send an employee who is terminated, a written notice of the refund option. Any employee receiving this refund will forfeit his or her service credit and will no longer be a member of ERS.

Contributions due from the County to the Retirement System consist of amounts sufficient to fund the annual normal cost and interest on and amortization of the unfunded or overfunded actuarial accrued liability. A substantial portion of the current year's contribution is paid to the Retirement System in the following year.

In 2012, the Retirement System started receiving contributions from the State of Wisconsin (the "State") for members who were transferred from Milwaukee County to the State of Wisconsin. As a result of the agreement between the State and the County, non-vested members of the Retirement System were able to continue to accrue pension benefits with the ERS, while they were employed with the State. Once the member is vested, they are transferred to the State retirement plan. The State employees were required to contribute 4.4% of their wages to ERS and the State contributed the same percentage to the County for 2013.

The County makes contributions to the Retirement System based upon the Annual Required Contribution ("ARC") and legal requirements, at the discretion of the County Board. An actuary hired by the Pension Board establishes the ARC. Data used in the determination of the ARC is based upon the prior fiscal year's demographics. The actual contribution made to the pension plan is set during the County's budget process and may differ from the ARC as a result of changes in plan provisions implemented subsequent to establishment of the ARC and budgetary restraints. During the year, the Retirement System accrues those contributions that the County has included in its current year's budget.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

The normal retirement benefit is a monthly pension for the life of the member beginning at normal retirement age. The pension amount is determined by the following formula: Multiplier x Creditable Service x Final Average Salary.

For most members, the normal retirement age is either 60 or 64 depending on ERS enrollment date and collective bargaining agreement. County Ordinance and several labor agreements require a minimum of 5 years creditable service in addition to the age requirement. For deputy sheriff members, the normal retirement age is 57 or age 55 with 15 years of creditable service. Depending on enrollment date and collective bargaining agreement, some active members are eligible to retire when their age added to their years of creditable service equals 75 (the “Rule of 75”). The multiplier is determined by Ordinance, collective bargaining agreement and ERS enrollment date. At this time, the multiplier percentage can be 1.5%, 1.6%, 2.0% or 2.5%. A member’s three or five consecutive years of highest earnings are used to calculate their final average salary as defined by the Ordinance and labor agreement. Annually after retirement, the monthly benefit is increased by 2% of the benefit paid for the first full month of retirement subject to IRS limits. By Ordinance, the maximum benefit (excluding post-retirement increases) payable to a member cannot exceed the sum of 80% of the member’s final average monthly salary.

For some members, depending on enrollment date and collective bargaining agreement, the member may elect to receive a backdrop benefit. This benefit permits an employee to receive a lump-sum payment plus a monthly pension benefit upon retirement. The lump-sum payment is the total of the monthly pension amounts, adjusted for COLA increases that a member would be entitled to from a prior date (“backdrop date”) to the date that the member terminates employment plus compounded interest. The backdrop date must be at least one calendar year prior to the termination date and the member must have been eligible to retire as of that date. The member will be entitled to a COLA based on the backdrop date once the member terminates employment.

In 2012, the County Board passed an ordinance limiting the amount of backdrop benefit for eligible employees who choose a backdrop date after April 1, 2013. If a member chooses a backdrop date after April 1, 2013, then the monthly drop benefit is calculated using the member’s final average salary, service credit, and applicable multipliers as of April 1, 2013. This plan change does not apply to Elected Officials, Building and Trades, Machinists, Federated Nurses, and Firefighters.

A member who meets the requirements for an accidental or ordinary disability retirement benefit is entitled to an amount computed in the same manner as a normal pension but not less than 60% of the member’s final average salary for accidental disability (75% for a represented deputy sheriff). A total of 15 years of creditable service is required to apply for ordinary disability.

Most members are immediately vested upon attaining age 60 or 64. A vested member is eligible for a deferred pension beginning as of the member’s normal retirement date. A member who is 55 years of age and has 15 years of credited service may elect to receive early reduced retirement benefits. The member would be entitled to a benefit equal to the normal retirement benefit with a lifetime reduction of 5% for each year prior to the normal retirement date.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### **Note 15 – Employee Retirement Systems and Pension Plans (cont.)**

Upon the death of a member (generally after 1 year of service and depending on collective bargaining agreements), a spouse with a dependent child as defined by Ordinance will receive 40% of the deceased member's salary, reduced by Social Security benefits payable to the spouse. An additional 10% of salary, reduced by Social Security benefits, is paid for each dependent child. Generally, the total benefit, including Social Security benefits, cannot exceed 90% of the prior salary level of the member. At age 60, the spouse will receive 50% of the normal retirement benefit based on the member's projected service to age 60. If there is no spouse or child, the death benefit payable to a designated beneficiary is equal to 50% of the deceased member's final average salary, but not to exceed \$2,000 (two thousand dollars).

A member who becomes eligible for normal retirement, but continues to work may elect a Protective Survivorship Option ("PSO") designating a person to receive a pension (100% or 50% option) in the event of their death while in active service. The PSO election must be filed in writing on an approved form. In the absence of an election, a surviving spouse will be paid a 100% survivorship pension.

Members may choose among several benefit payment options when retiring. Currently there are eight options with different payouts depending upon if the member wants payments to cease upon member's death or if payments should continue to the member's beneficiary at different levels.

As of December 31, 2013 there are 13,262 participants of which 7,940 are receiving benefits. Benefits of \$172,600 were paid in 2013 including periodic pension payments of \$160,900 and backdrop lump sum pension payments of \$11,700.

### **OBRA 1990 Retirement System of the County of Milwaukee**

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 Retirement System. Assets of the OBRA system are commingled for investment purposes with the assets of the Retirement System.

The assets of the Retirement System are legally available to pay benefits of either the ERS or OBRA and all assets have been commingled. The Retirement System and OBRA are considered a single plan for financial reporting purposes.

As of December 31, 2013 there were 4,799 participants with vested benefits in OBRA of which 39 are receiving benefits. The average annual benefit payment is \$1,704 (one thousand six hundred fourteen dollars) for 2013.

### **Summary of Significant Accounting Policies**

**GASB Statement No. 50** - The Retirement System follows the provisions of GASB 50. GASB 50 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 valuations on which reported information about the ARC and the funded status and progress are based.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### **Note 15 – Employee Retirement Systems and Pension Plans (cont.)**

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.

**Basis of Accounting** – The ERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred. Benefits payments to members are recognized in the period in which the payment was due to the member.

**Investments** – Investments, primarily stocks, bonds, certain government 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, real estate, long/short hedge and infrastructure are valued at estimated fair value, as provided by the Retirement System’s investment managers. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method.

**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.

**Software Development Costs** – Capitalized software developments costs represent direct costs related to the development and implementation of software programs utilized in the Retirement System. The amounts are being amortized over ten years using the straight-line method. Amortization expense is included in Administrative Expenses.

**Expenses** – Administrative expenses incurred by the County related to the Retirement System are payable by the Retirement System to the County. Such expenses totaled \$1,291 in 2013.

**Income Taxes** – Management has submitted to the Internal Revenue Service, as part of a Voluntary Compliance Program, any compliance issues that have been discovered through a self-administered review where the provisions contained in the Internal Revenue Code, the County Pension Ordinances or Pension Rules differ from actual practice. Management is waiting for a response from the Internal Revenue Service regarding what action will be required to bring the pension system into compliance in all of its practices in order to maintain its tax-qualified status.

### **Deposit and Investment Risk Disclosure**

**Security Lending** - Section 201.24 (9.1) of the General Ordinances of Milwaukee County and Board policies permit ERS to lend its securities to broker- dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. ERS participates in such a security-lending program through its custodian, the Bank of New York Mellon, acting as ERS’s securities lending agent. ERS requires collateral from the borrower in the form of cash or 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

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

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 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 custodian. For 2013, the net investment income realized from security lending was \$92.

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, 2013 is as follows:

Fair Value of Securities Loaned	\$55,997
Fair Value of Collateral	\$57,225
Percent Collateral to Securities Loaned	102.19%

The collateral received from securities lending transactions are recorded as assets at quoted fair value of the financial statement date. The Retirement System records an identical amount as a liability, representing the obligation of the Retirement System to return the collateral at the time the borrower of the Retirement System's securities return those securities.

The collateral received from securities lending transactions includes cash of \$49 and U.S. Treasury securities, domestic stocks and REIT's of \$9 for the year ended December 31, 2013. Under the terms of the securities lending agreement, the Retirement System has the right to sell or pledge the cash collateral.

At year-end, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes the borrowers exceed the amounts the borrowers owe the Retirement System. The contract with the Retirement System's custodian requires it to indemnify the Retirement System if a borrower fails to return the securities (and if the collateral is inadequate to replace the securities lent) or fails to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan.

### 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 gain or loss 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 contract, the Retirement System records the amount receivable or payable at fair value,

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

with the unrealized gain or loss reported as a component of net appreciation in fair value. All contracts are short-term in duration and mature within 90 days. The Retirement System did not hold any financial instruments with off-balance sheet risk as of December 31, 2013.

ERS invests in financial futures contracts in order to improve the performance of the fund. The Retirement System purchases contracts that approximate the amount of cash held by US 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 the 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.

ERS is subject to credit risk in the event of non-performance by counter parties to financial futures and forward contracts. ERS generally only enters into transactions with credit-worthy institutions. The Retirement System 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 or selling futures or forward contracts. The cash or securities to meet these obligations are held in the investment portfolio.

	<u>12/31/2013</u>
Cash Held:	
US Equity Investment Managers	\$ 22,528
Cash Used to Pay Benefits and Expenses	21,376
Total Cash Held	<u>43,904</u>
Futures Purchased:	
S&P 500 (US Equity)	24,855
Barclays AGG (Fixed Income)	6,089
MSCI EAFE (International Equity)	2,589
Total Futures Purchased	<u>33,533</u>
Futures Above/(Below) Cash	<u>\$ (10,371)</u>
Market Value	\$ 872

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

#### Contributions Required and Contributions Made

The Retirement System's 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 Aggregate Entry Age Normal method of funding. The Retirement System 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.

County contributions to ERS totaling \$32,586, \$28,288, \$31,589 were recorded in 2013, 2012, and 2011 respectively. The 2013, 2012 and 2011 contributions were \$2,683, \$2,576, and \$4,781 above the Funding Contribution amount ("FCA"), respectively. The County contributions include contributions made by the members. Member contributions were \$8,955 for the year ended December 31, 2013 and \$9,041 for the year ended December 31, 2012. The small decrease was caused by the reduction of the employee contribution percentages from 4.7% of pensionable compensation in 2012 to 4.4% in 2013. See the Schedule of Employer and Other Contributions presented as required supplementary information (RSI) immediately following the notes to the financial statements.

County contributions to OBRA totaling \$360, \$880, and \$2,022 were recorded in 2013, 2012 and 2011, respectively. The 2013 contribution was \$29 above the Funding Contribution amount ("FCA"). There are no member contributions for OBRA.

The 2013 contributions reflected in the Retirement System's financial statements were actuarially determined as of January 1, 2012. These amounts were included in the County's 2013 budget. The Retirement System's financial reports reflect the unpaid portion of the 2013 contribution as a contribution receivable.

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% (includes 3.0% inflation), compounded annually, (b) projected payroll growth increases averaging 3.5% per year for ERS and 4.5% per year for OBRA compounded annually, attributed to inflation, seniority and merit, and (c) post-retirement benefit increases of 2.0% per year for ERS and 3.0% for OBRA.

The Annual Pension Cost (APC) is calculated by adding together the Annual Required Contribution (ARC), Interest on Net Pension Obligation and any Adjustments to the ARC. The annual change in the Net Pension Obligation / (Asset) is calculated by subtracting the APC from contributions made. The Net Pension Obligation / (Asset) is calculated by adding the annual change to the balance at the beginning of the year.

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 15 – Employee Retirement Systems and Pension Plans (cont.)**

The three year trend information for ERS and OBRA are as follows:

	<u>Actuarial Valuation Date</u>	<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
ERS	1/1/14	2013	\$24,755	125.0%	\$(425,785)
	1/1/13	2012	21,135	129.7%	(419,587)
	1/1/12	2011	22,508	140.1%	(404,328)
OBRA	1/1/14	2013	\$ 640	56.3%	\$ (1,194)
	1/1/13	2012	660	133.3%	(1,474)
	1/1/12	2011	815	248.1%	(1,254)

The County maintains a Net Pension Asset, due to a contribution of \$397,800 in 2009 from the issuance of Pension Obligation Bonds. The following is an accounting of the Net Pension Obligation for 2013.

	<u>ERS</u>	<u>OBRA</u>
<u>Valuation Date</u>	<u>1/1/2014</u>	<u>1/1/2014</u>
Annual Required Contribution (ARC)	\$ 32,137	\$ 389
Interest on Net Pension Asset	(33,567)	(118)
Adjustment to ARC	26,185	369
Annual Pension Cost (APC)	<u>\$ 24,755</u>	<u>\$ 640</u>
Pension Contribution Made	\$ 30,953	\$ 360
Less Annual Pension Cost (APC)	<u>24,755</u>	<u>640</u>
Increase in Net Pension Asset	6,198	(280)
Net Pension Asset - beginning of year	<u>419,587</u>	<u>1,474</u>
Net Pension Asset - end of year	<u>\$ 425,785</u>	<u>\$ 1,194</u>

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 15 – Employee Retirement Systems and Pension Plans (cont.)**

**Funded Status and Actuarial Information**

The Retirement System engages an independent actuarial firm to perform an annual actuarial valuation. Actuarial valuations are stated as of January 1 and consider the changes for the prior year ending December 31.

						UAAL as a Percentage of Covered Payroll	
	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	(b-a)/c
		(a)	(b)	(b-a)			
ERS	1/1/14	\$ 1,772,750	\$ 2,069,547	\$ 296,797	85.7%	\$ 188,605	157.4%
OBRA	1/1/14	1,603	3,411	1,808	47.0%	3,478	52.0%

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 AALs 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.

Following is a listing of the actuarial method and significant assumptions used to determine the Annual Required Contribution (ARC) for the current year:

	<u>ERS</u>	<u>OBRA</u>
Valuation date	1/1/2014	1/1/2014
Actuarial cost method	Aggregate Entry Age Normal	Unit Credit
Amortization method	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed
Amortization periods *	5, 10, and 30 Years	5, 10, and 30 Years
Asset valuation method	10-year Smoothed Market	Market

\* For contribution variances, administrative expenses, and all other unfunded liabilities, respectively.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

	ERS	OBRA
<b>Actuarial assumptions:</b>		
Investment rate of return *	8.0%	8.0%
Projected salary increases	3.50%	4.50%
Post-retirement benefit increases	2.0%, simple	3.0%, simple
Mortality-healthy pensioners	Sex-Distinct UP-1994 Mortality Table	Sex-Distinct UP-1994 Mortality Table
Mortality-disabled pensioners	RP2000 Disabled Mortality Table Graduated rates based upon current age, years of service, and employment category	-  Graduated rates based upon current age
Withdrawal		
* Components of rate of return:		
Inflation	3.0%	3.0%
Real rate of return	5.0%	5.0%

#### 2013 Changes in Plan Provisions or Actuarial Assumptions since Prior Year:

- Non-active Members can request a refund of their accumulated pension contributions within 180 days of receiving notice from the Retirement System.
- There were no changes for OBRA in 2013.

### Transit System Program

#### Plan Description and Provisions

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.

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 “Company”). The plan is administered by an administration board, which consists of three members representing the Company 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 the Company are eligible to participate in the plan. An employee’s normal retirement date is the earlier of: the first day of the month coincident with, or the next following, the attainment of age 62 (sixty-two) and the completion of five years of credited service or the first day of any month where the sum of employee’s age and credited service total 85 (eighty-five) or more years or the first day of the month following completion of twenty-five years of credited service.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

Credited service, not to exceed thirty-five years, is equal to total years and completed months of unbroken service with the Company. Absences due to temporary layoffs followed by re-employment within three years and other periods of specifically approved leaves of absence are not considered breaks in continuous service. Periods of leave of absence where the employee did not make the mandatory contributions, periods of absence due to unpaid sickness which accumulates in excess of thirteen days within any one calendar year and other periods of absence are not included in credited service.

The amount of annual benefit to be paid in monthly installments for life is equal to the sum of: 2.0% of the retiree's highest average salary x years of credited service after March 31, 1966 plus \$90 (ninety dollars) x years of credited service before April 1, 1966. Credited service is limited to a maximum of thirty-five years. The minimum annual normal retirement benefit for an employee with at least ten years of service is \$3,000 (three thousand dollars). Employees who retired prior to April 1, 2002 receive a \$35 (thirty-five dollars) per month supplemental effective upon their attainment of age 65. On January 1<sup>st</sup> of each year, the retirement benefit of each retiree (excluding beneficiaries and surviving spouses) is increased by 2%.

Upon completion of five years of continuous service and the attainment of age fifty-seven, an employee may elect early retirement. The employee has two choices: begin collecting at age sixty-two and receive 100% accrued benefit or beginning collecting at the early retirement date and receive accrued benefit reduced by 7/12 of 1% for each full month by which the payment date precedes age sixty-two.

An employee who has ten years of credited service and who becomes total and permanently disabled before normal retirement date may retire and receive a disability retirement benefit calculated as their accrued benefit on the date of disability, payable immediately. The minimum annual disability benefit is \$3,000 (three thousand dollars). If a disabled employee dies while receiving a disability retirement benefit, the surviving spouse will receive a monthly benefit of 50% of the disability retirement benefit for the remainder of their lifetime.

Upon termination of employment before five years of credited service, an employee will receive a lump sum equal to their own employee contributions together with 2% simple interest from the January 1<sup>st</sup> following the date on which contribution were made up to the last day of the calendar year in which the termination of service occurs. Upon termination of employment after five or more years of credited service, an employee may elect to receive the lump sum equal to the aggregate of their contributions with 2% simple interest or to leave their contributions in the trust fund and on or after age fifty-seven receive their accrued benefit.

In the event of the death of an active employee who has ten or more years of credited service, the surviving spouse receives a pension benefit equal to 50% of the employee's accrued benefit payable immediately or the lump sum equivalent of the employee's contributions with 2% simple interest. In the event of the death of an active employee with less than ten years of credited service, their beneficiary will receive the lump sum equivalent of the employee's contributions with 2% simple interest.

As of December 31, 2013 there were 2,336 participants with vested benefits of which 1,325 are receiving benefits. Benefits of \$28,790 were paid in 2013.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

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### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

#### Summary of Significant Accounting Policies

**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 multi-year 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 and 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 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

Previously employees covered under the plan contributed, in total, an amount equal to 15% of the actuarially determined contribution necessary to fund the plan. The Company contributed the remaining 85% of the actuarial determined contribution necessary to fund the plan. Effective January 1, 2012, employees contributed 25% of the contribution and the Company contributed the remaining 75%. Effective January 1, 2013, employees contribute 30% of the contribution and the Company contributes the remaining 70%.

In 2013, the Company contributed \$15,653 which includes contributions made by the members. Member contributions were \$4,635 for the year ended December 31, 2013.

See the Schedule of Employer and Other Contributions, presented as required supplementary information (RSI) immediately following the notes to the financial statements.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements As of and For the Year Ended December 31, 2013 (Amounts expressed in thousands, unless otherwise noted)

### Note 15 – Employee Retirement Systems and Pension Plans (cont.)

The three year trend information for the Company’s Plan is as follows:

Actuarial Valuation Date	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
1/1/2014	2013	\$ 11,018	100.0%	\$ -
1/1/2013	2012	10,253	100.0%	-
1/1/2012	2011	9,867	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 employer’s portion of the Plan were \$11,018, \$10,253, and \$9,867 for 2013, 2012 and 2011 respectively. The Annual Required Contribution for the employee portion of the Plan was \$4,635 and \$3,351 for 2013 and 2012, respectively.

The Company 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.

#### Funded Status and Actuarial Information

Following is a listing of the actuarial method significant assumptions used to determine the Annual Required Contribution (ARC) for the current year:

Valuation date	1/1/2014
Actuarial cost method	Frozen Initial Liability Method with initial liability as Entry Age Normal Method
Amortization method	Level Dollar Basis, Open
Amortization period	30 years
Asset valuation method	Five-Year moving average

#### **Actuarial Assumptions:**

Investment rate of return	7.75%
Projected salary increases	3.75%
Post-retirement benefit increases	2.0%, simple
Mortality-healthy pensioners	RP-2000 Generational Mortality for blue collar workers - Scale AA
Mortality-disabled pensioners	RP-2000 Disabled Mortality Table
Withdrawal	Graduated rates based upon current age and years of service
Inflation Rate	3.00%

**COUNTY OF MILWAUKEE, WISCONSIN**

**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2013**  
 (Amounts expressed in thousands, unless otherwise noted)

**Note 15 – Employee Retirement Systems and Pension Plans (cont.)**

The Transport Employees’ Pension Plan engages an independent actuarial firm to perform an annual actuarial valuation. Actuarial valuations are stated as of January 1, 2014 the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/14	\$389,507	\$465,845	\$76,338	83.6%	\$57,300	133.2%

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 AAL’s for benefits.

**Note 16 - Pending Governmental Accounting Standards**

The County has not yet implemented the following GASBs into the CAFR presentation:

- **GASB Statement No. 67, *Financial Reporting for Pension Plans***, an amendment of GASB Statements No. 25 and No. 50 will be effective for the County beginning the year ending December 31, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.
- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, will be effective for the County beginning the year ending December 31, 2015. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.
- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, will be effective for the County beginning the year ending December 31, 2014. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

# COUNTY OF MILWAUKEE, WISCONSIN

## Notes to the Financial Statements

As of and For the Year Ended December 31, 2013

(Amounts expressed in thousands, unless otherwise noted)

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### Note 16 - Pending Governmental Accounting Standards (cont.)

- **GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***, will be effective for the County beginning the year ending December 31, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.
- **GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***, will be effective for the County beginning the year December 31, 2015. The objective of this Statement is to address an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Unless otherwise stated, the County's management has not yet determined the effect these GASB statements will have on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

1 – Retirement Systems

2 – Other Post-Employment Benefits (OPEB)

# COUNTY OF MILWAUKEE, WISCONSIN

## Required Supplementary Information

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### Retirement Systems

**Employee's Retirement System (ERS)** - Substantially all full-time employees of the County are participants in the Employees' Retirement System of the County of Milwaukee (ERS), which is a single-employer contributory defined benefit pension plan.

**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 ERS.

**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 Post-Employment 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 for eligible retirees and their eligible 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 eligible retired employees and eligible surviving spouses. The retiree healthcare and life insurance benefits are provided pursuant to the general labor agreement between the Milwaukee Transport Services, Inc. and the Amalgamated Transit Union Local 998 and the Office and Professional Employees International Union Local 35. The same benefits are provided to non-represented employees and retirees.

# COUNTY OF MILWAUKEE, WISCONSIN

## Required Supplementary Information

### Schedule of Funding Progress - ERS and OBRA Pension Plans (Unaudited - in Thousands)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
<b>Retirement System</b>							
<b>ERS</b>							
	1/1/14	\$1,772,750	\$2,069,547	85.66%	\$296,797	\$188,605	157.36%
	1/1/13	1,768,505	2,025,319	87.32%	256,814	189,132	135.79%
	1/1/12	1,836,543	2,059,554	89.17%	223,011	190,748	116.91%
	1/1/11	1,929,428	2,091,927	92.23%	162,499	221,647	73.31%
	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	79.92%	357,966	209,796	170.63%
<b>OBRA</b>							
	1/1/14	\$ 1,603	\$ 3,411	47.00%	\$ 1,808	\$ 3,478	51.98%
	1/1/13	1,662	2,869	57.93%	1,207	7,736	15.60%
	1/1/12	1,236	2,444	50.57%	1,208	8,939	13.51%
	1/1/11	1,402	5,520	25.40%	4,118	8,936	46.08%
	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	32.81%	2,582	7,057	36.59%
	1/1/06	1,090	3,530	30.88%	2,440	8,353	29.21%
	1/1/05	944	2,872	32.87%	1,928	8,406	22.94%

\* 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 bonds 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 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 is. Trends in the AAL and annual covered payroll are 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 is.

# COUNTY OF MILWAUKEE, WISCONSIN

## Required Supplementary Information

### Schedule of Employer and Other Contributions - ERS and OBRA Pension Plans For the Year Ended December 31 (Unaudited - in Thousands)

<u>Retirement System</u>	<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employees Contribution</u>	<u>County Contribution</u>	<u>Percentage of ARC Contributed</u>
ERS	2013	\$ 32,137	\$ 8,955	\$ 21,998	96.3%
	2012	28,406	9,041	18,410	96.6%
	2011	29,621	3,314	28,276	106.6%
	2010	29,529	76	32,894	111.7%
	* 2009	30,356	132	457,789	1508.5%
	2008	53,064	140	34,841	65.9%
	2007	52,395	345	49,291	94.7%
	2006	52,638	545	27,435	53.2%
	2005	37,438	360	35,415	95.6%
	2004	33,248	711	35,143	107.8%
OBRA	2013	\$ 389	\$ -	\$ 360	92.5%
	2012	446	-	880	197.3%
	2011	807	-	2,022	250.6%
	2010	716	-	786	109.8%
	2009	661	-	661	100.0%
	2008	558	-	522	93.5%
	2007	486	-	529	108.8%
	2006	499	-	462	92.6%
	2005	386	-	365	94.6%
	2004	338	-	348	103.0%

\* Actual contribution includes \$397.8 million in pension obligation bonds and \$29.0 million from a lawsuit settlement.

**COUNTY OF MILWAUKEE, WISCONSIN**

**Required Supplementary Information**

**Schedule of Funding Progress - OPEB**

(Unaudited - in Thousands)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
<u>County-wide Program</u>	1/1/2012	\$ -	\$1,134,995	0.0%	\$1,134,995	\$87,908	1291.1%
	1/1/2010	-	1,465,159	0.0%	1,465,159	97,620	1500.9%
	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>	1/1/2013	\$47,024	\$ 241,115	19.5%	\$ 194,091	\$41,624	466.3%
	1/1/2012	34,603	245,991	14.1%	211,388	46,695	452.7%
	1/1/2011	24,840	243,077	10.2%	218,237	50,958	428.3%
	1/1/2010	19,676	209,963	9.4%	190,287	57,356	331.8%
	1/1/2009	12,678	201,686	6.3%	189,008	63,921	295.7%

**Schedule of Employer Contributions - OPEB**

**For the Year Ended December 31**

(Unaudited - in Thousands)

	Fiscal Year	Annual Required Contribution	Net Employer Contribution	Employer Percentage Contributed
<u>County-Wide Program</u>	2013	\$ 87,908	\$ 58,614	66.7%
	2012	87,908	55,491	63.1%
	2011	118,812	58,222	49.0%
	2010	118,812	65,190	54.9%
	2009	130,752	60,951	46.6%
<u>Transit System Program</u>	2013	\$ 15,482	\$ 15,164	97.9%
	2012	17,705	20,200	114.1%
	2011	18,924	19,939	105.4%
	2010	18,622	15,780	84.7%
	2009	17,034	13,407	78.7%

**COUNTY OF MILWAUKEE, WISCONSIN**

**Required Supplementary Information**

**Schedule of Funding Progress - Transit Pension Plan**

(Unaudited - in Thousands)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
<u>Transit System</u>	1/1/14	\$ 389,507	\$ 465,845	83.6%	\$ 76,338	\$57,300	133.2%
	1/1/13	355,636	457,181	77.8%	101,545	57,750	175.8%
	1/1/12	352,553	442,809	79.6%	90,256	56,200	160.6%
	1/1/11	352,396	410,915	85.8%	58,519	57,300	102.1%
	1/1/10	318,883	378,311	84.3%	59,427	60,000	99.0%
	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	93.9%	18,802	63,350	29.7%

**Schedule of Employer Contributions - Transit Pension Plan**

**For the Year Ended December 31**

(Unaudited - in Thousands)

	Fiscal Year	Annual Required Contribution	Net Employer Contribution	Employer Percentage Contributed
<u>Transit System</u>	2013	\$ 11,018	\$ 11,018	100.00%
	2012	10,253	10,253	100.00%
	2011	9,867	9,867	100.00%
	2010	9,939	9,939	100.00%
	2009	9,190	9,190	100.00%
	2008	7,243	7,243	100.00%
	2007	7,429	7,429	100.00%
	2006	7,251	7,251	100.00%
	2005	7,316	7,316	100.00%
	2004	7,391	7,391	100.00%

# COUNTY OF MILWAUKEE, WISCONSIN

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## **SUPPLEMENTARY INFORMATION – COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

- 1 – Budgetary Comparison Schedules
- 2 – Nonmajor Governmental Funds
- 3 – Internal Service Funds
- 4 – Fiduciary Funds

# COUNTY OF MILWAUKEE, WISCONSIN

## Budgetary Comparison Schedules

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### **Budgetary Comparison Schedules**

Budgetary comparison schedules present the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on a Non-GAAP Budgetary Basis. Information is provided for the original adopted budget, the final budget including appropriation transfers, actual revenue and expenditures, and variance with final budget.

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual  
(Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Intergovernmental	\$ 222,331	\$ 227,061	\$ 227,681	\$ 620
Property Taxes	282,721	282,721	283,632	911
Sales Taxes	60,790	61,791	60,087	(1,704)
Charges for Services	410,597	407,589	406,364	(1,225)
Fines and Forfeits	3,237	3,237	2,172	(1,065)
Licenses and Permits	633	633	642	9
Investment Income and Rents	11,987	11,987	9,916	(2,071)
Other	24,626	27,159	23,207	(3,952)
<b>Total Revenues</b>	<b>1,016,922</b>	<b>1,022,178</b>	<b>1,013,701</b>	<b>(8,477)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
County Board	5,784	5,352	4,999	353
Veterans Service	295	282	253	29
Community Development Business Partners	1,002	1,004	923	81
Procurement	908	881	834	47
Labor Relations	445	401	192	209
Office for Persons with Disabilities	796	945	969	(24)
County Executive	1,094	1,154	1,132	22
Civil Service Commission	14	13	13	-
Personnel Review Board	206	205	194	11
Corporation Counsel	1,221	1,270	1,197	73
Department of Human Resources	5,499	5,454	5,278	176
Department of Administrative Services	956	881	667	214
Economic & Community Development	2,397	3,754	3,217	537
Other Executive and Staff	439	2,249	2,352	(103)
<b>Legislative, Executive and Staff</b>	<b>21,056</b>	<b>23,845</b>	<b>22,220</b>	<b>1,625</b>
County-funded State Court Services	29,431	29,365	29,072	293
Child Support Enforcement	18,276	18,299	17,263	1,036
Alternatives to Incarceration	5,038	4,856	4,623	233
<b>Courts and Judiciary</b>	<b>52,745</b>	<b>52,520</b>	<b>50,958</b>	<b>1,562</b>
Election Commission	576	753	719	34
County Treasurer	1,340	1,325	873	452
County Clerk	654	745	742	3
Register of Deeds	3,980	4,026	3,941	85
Office of the Comptroller	5,035	4,890	4,614	276
Other General Government	260	454	417	37
<b>General Governmental Services</b>	<b>11,845</b>	<b>12,193</b>	<b>11,306</b>	<b>887</b>

**COUNTY OF MILWAUKEE, WISCONSIN**

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual  
(Non-GAAP Budgetary Basis)

General Fund

For the Year Ended December 31, 2013

(In Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Sheriff	\$ 67,881	\$ 69,280	\$ 68,223	\$ 1,057
House of Correction	53,997	58,305	59,879	(1,574)
District Attorney	15,539	15,465	14,583	882
Medical Examiner	3,877	3,937	3,799	138
Other Public Safety	888	888	888	-
<b>Public Safety</b>	<b>142,182</b>	<b>147,875</b>	<b>147,372</b>	<b>503</b>
Highway Maintenance	14,112	14,340	13,278	1,062
Fleet / Facilities Services	37,304	38,545	34,626	3,919
Administration	(233)	(196)	(296)	100
Other Public Works and Highways	10	10	21	(11)
<b>Public Works and Highways</b>	<b>51,193</b>	<b>52,699</b>	<b>47,629</b>	<b>5,070</b>
Department on Aging	16,526	16,672	16,442	230
Family Care	293,383	284,259	282,282	1,977
DHHS - Behavioral Health Division	172,848	184,208	182,423	1,785
Department of Human Services	76,579	77,804	75,936	1,868
<b>Human Services</b>	<b>559,336</b>	<b>562,943</b>	<b>557,083</b>	<b>5,860</b>
Department of Parks	33,841	34,811	34,245	566
Zoological Department	21,753	22,718	21,140	1,578
UW Extension Service	266	268	232	36
Other Cultural Organizations	603	607	604	3
<b>Parks, Recreation and Culture</b>	<b>56,463</b>	<b>58,404</b>	<b>56,221</b>	<b>2,183</b>
Other	11,162	11,333	123	11,210
<b>Total Expenditures</b>	<b>905,982</b>	<b>921,812</b>	<b>892,912</b>	<b>28,900</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>110,940</b>	<b>100,366</b>	<b>120,789</b>	<b>20,423</b>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	9	501	-	(501)
Proceeds from Capital Leases	-	2,193	1,383	(810)
Transfers In	26,195	27,497	76,054	48,557
Transfers Out	(136,819)	(134,807)	(194,452)	(59,645)
Transfers To Component Units	(5,864)	(10,573)	(8,222)	2,351
<b>Total Other Financing Sources (Uses)</b>	<b>(116,479)</b>	<b>(115,189)</b>	<b>(125,237)</b>	<b>(10,048)</b>
<b>Net Change in Fund Balance</b>	<b>(5,539)</b>	<b>(14,823)</b>	<b>(4,448)</b>	<b>10,375</b>
Fund Balances -- Beginning	69,211	69,211	69,211	-
<b>Fund Balances -- Ending</b>	<b>\$ 63,672</b>	<b>\$ 54,388</b>	<b>\$ 64,763</b>	<b>\$ 10,375</b>

**COUNTY OF MILWAUKEE, WISCONSIN**

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, 2013

(In Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental Revenue	\$ 1,920	\$ 1,920	\$ 1,851	\$ (69)
Other	7,959	7,959	12,652	4,693
Total Revenues	<u>9,879</u>	<u>9,879</u>	<u>14,503</u>	<u>4,624</u>
Expenditures:				
Debt Service:				
Principal Retired	69,070	62,098	56,761	5,337
Interest and Other Charges	32,109	48,782	50,700	(1,918)
Principal Retired on Current Refunding	-	227,004	227,004	-
Total Expenditures	<u>101,179</u>	<u>337,884</u>	<u>334,465</u>	<u>3,419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91,300)</u>	<u>(328,005)</u>	<u>(319,962)</u>	<u>8,043</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	-	236,958	238,341	1,383
Premium on Debt Issued	-	-	839	839
Transfers In	85,223	82,615	88,683	6,068
Total Other Financing Sources (Uses)	<u>85,223</u>	<u>319,573</u>	<u>327,863</u>	<u>8,290</u>
Net Change in Fund Balance	(6,077)	(8,432)	7,901	16,333
Fund Balances - Beginning	27,063	27,063	27,063	-
Fund Balances - Ending	<u>\$ 20,986</u>	<u>\$ 18,631</u>	<u>\$ 34,964</u>	<u>\$ 16,333</u>

**COUNTY OF MILWAUKEE, WISCONSIN**

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, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 3,331	\$ 2,332	\$ 4,164	\$ 1,832
Sales Tax	4,628	5,128	5,401	273
Investment Income and Rents	-	-	118	118
Other	-	3,848	5,542	1,694
Total Revenues	<u>7,959</u>	<u>11,308</u>	<u>15,225</u>	<u>3,917</u>
Expenditures:				
Capital Outlay	31,547	90,740	83,072	7,668
Total Expenditures	<u>31,547</u>	<u>90,740</u>	<u>83,072</u>	<u>7,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,588)</u>	<u>(79,432)</u>	<u>(67,847)</u>	<u>11,585</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	20,677	28,358	20,907	(7,451)
Proceeds from Sale of Capital Assets	-	33,390	36,315	2,925
Insurance Recoveries	-	13,090	13,000	(90)
Transfers In	2,111	2,111	6,431	4,320
Transfers Out	-	-	(8,431)	(8,431)
Total Other Financing Sources (Uses)	<u>22,788</u>	<u>76,949</u>	<u>68,222</u>	<u>(8,727)</u>
Net Change in Fund Balance	(800)	(2,483)	375	2,858
Fund Balances - Beginning	31,737	31,737	31,737	-
Fund Balances - Ending	<u>\$ 30,937</u>	<u>\$ 29,254</u>	<u>\$ 32,112</u>	<u>\$ 2,858</u>

**COUNTY OF MILWAUKEE, WISCONSIN**

Schedule of Revenues, Expenses and Changes in Net Position-Budget and Actual  
 (Non-GAAP Budgetary Basis)  
 Airports Enterprise Fund  
 For the Year Ended December 31, 2013  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 76,267	\$ 78,315	\$ 69,108	\$ (9,207)
Admissions and Concessions	14,266	14,266	16,408	2,142
Total Charges for Services	90,533	92,581	85,516	(7,065)
Other Revenues	5	5	4	(1)
Total Operating Revenues	90,538	92,586	85,520	(7,066)
Operating Expenses:				
Personnel Services	26,091	26,091	26,225	(134)
Contractual Services	20,560	22,071	18,482	3,589
Intra-County Services	10,926	10,926	10,202	724
Commodities	4,637	4,990	5,216	(226)
Depreciation and Amortization	19,125	19,125	21,215	(2,090)
Maintenance	536	721	1,196	(475)
Other	228	32	17	15
Total Operating Expenses	82,103	83,956	82,553	1,403
Operating Income (Loss)	8,435	8,630	2,967	(5,663)
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	125	125	235	110
Investment Income	400	400	332	(68)
Interest Expense	(11,145)	(11,343)	(9,438)	1,905
Total Nonoperating Revenues (Expenses)	(10,620)	(10,818)	(8,871)	1,947
Income (Loss) Before Transfers	(2,185)	(2,188)	(5,904)	(3,716)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	6,750	6,750	15,171	8,421
Transfers In	(4,065)	(4,062)	3,812	7,874
Transfers Out	(500)	(500)	(3,390)	(2,890)
Change in Net Position	\$ -	\$ -	\$ 9,689	\$ 9,689

**COUNTY OF MILWAUKEE, WISCONSIN**

Schedule of Revenues, Expenses and Changes in Net Position-Budget and Actual  
(Non-GAAP Budgetary Basis)  
Transit Enterprise Fund  
For the Year Ended December 31, 2013  
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Operating Revenues:				
Rentals and Other Service Fees	\$ 100	\$ 100	\$ -	\$ (100)
Transit Fares	46,364	46,364	44,884	(1,480)
Total Charges for Services	<u>46,464</u>	<u>46,464</u>	<u>44,884</u>	<u>(1,580)</u>
Other Revenues	3,471	3,471	3,983	512
Total Operating Revenues	<u>49,935</u>	<u>49,935</u>	<u>48,867</u>	<u>(1,068)</u>
Operating Expenses:				
Personnel Services	113,146	113,106	106,461	6,645
Contractual Services	24,084	24,084	20,410	3,674
Intra-County Services	1,322	1,322	1,476	(154)
Commodities	18,333	18,333	18,179	154
Depreciation and Amortization	11,698	11,698	13,965	(2,267)
Maintenance	488	495	865	(370)
Other	2,957	2,957	1,817	1,140
Total Operating Expenses	<u>172,028</u>	<u>171,995</u>	<u>163,173</u>	<u>8,822</u>
Operating Income (Loss)	<u>(122,093)</u>	<u>(122,060)</u>	<u>(114,306)</u>	<u>7,754</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	94,937	96,054	88,107	(7,947)
Gain on Sale of Capital Assets	-	-	123	123
Interest Expense	<u>(1,156)</u>	<u>(1,156)</u>	<u>(1,170)</u>	<u>(14)</u>
Total Nonoperating Revenues (Expenses)	<u>93,781</u>	<u>94,898</u>	<u>87,060</u>	<u>(7,838)</u>
Income (Loss) Before Transfers	(28,312)	(27,162)	(27,246)	(84)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	9,273	9,273	22,191	12,918
Transfers In	19,039	17,889	27,883	9,994
Transfers Out	-	-	<u>(1,463)</u>	<u>(1,463)</u>
Change in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,365</u>	<u>\$ 21,365</u>

# COUNTY OF MILWAUKEE, WISCONSIN

## Nonmajor Governmental Funds

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### **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** - Repair, restoration and enhancement of the various parks throughout Milwaukee County.

**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, funding for youth and young adults with severe mental health needs and compensated absence payouts for Behavioral Health Division retirees.

**Airport** - Airport PFC (Passenger Facility Charge) is 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 separate trust is maintained to secure a pledge by the County for repayment of certain debt of local airlines.

**Administrative Services** – Administered by Risk Management for employee health and safety issues. Also includes a pension stabilization reserve per state statute.

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

**COUNTY OF MILWAUKEE, WISCONSIN**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 As of December 31, 2013  
 (In Thousands)

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Administrative Services	Public Works	
<b>ASSETS</b>								
Cash and Investments	\$1,005	\$1,398	\$ 101	\$ 9,082	\$ -	\$ 7,016	\$ 10,192	\$ 28,794
Cash and Investments - Restricted	-	-	-	-	26,352	-	-	26,352
Receivables - Other	4	-	-	-	-	-	-	4
<b>Total Assets</b>	<u>\$1,009</u>	<u>\$1,398</u>	<u>\$ 101</u>	<u>\$ 9,082</u>	<u>\$ 26,352</u>	<u>\$ 7,016</u>	<u>\$ 10,192</u>	<u>\$ 55,150</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ 59	\$ 158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217
<b>Total Liabilities</b>	<u>59</u>	<u>158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217</u>
Fund Balances:								
Restricted	950	1,240	101	9,082	26,352	7,016	10,192	54,933
<b>Total Fund Balances</b>	<u>950</u>	<u>1,240</u>	<u>101</u>	<u>9,082</u>	<u>26,352</u>	<u>7,016</u>	<u>10,192</u>	<u>54,933</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$1,009</u>	<u>\$1,398</u>	<u>\$ 101</u>	<u>\$ 9,082</u>	<u>\$ 26,352</u>	<u>\$ 7,016</u>	<u>\$ 10,192</u>	<u>\$ 55,150</u>

**COUNTY OF MILWAUKEE, WISCONSIN**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended December 31, 2013  
 (In Thousands)

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Administrative Services	Public Works	
Revenues:								
Charges for Services	\$ 669	\$ 145	\$ -	\$ -	\$ 13,445	\$ -	\$ -	\$ 14,259
Investment Income and Rents	16	-	-	-	210	-	-	226
Other	49	364	-	-	-	32	-	445
Total Revenues	<u>734</u>	<u>509</u>	<u>-</u>	<u>-</u>	<u>13,655</u>	<u>32</u>	<u>-</u>	<u>14,930</u>
Expenditures:								
Current:								
Public Works and Highways	-	-	-	-	16,672	-	78	16,750
Human Services	-	-	9	905	-	-	-	914
Parks, Recreation and Culture	707	243	-	-	-	-	-	950
Total Expenditures	<u>707</u>	<u>243</u>	<u>9</u>	<u>905</u>	<u>16,672</u>	<u>-</u>	<u>78</u>	<u>18,614</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>27</u>	<u>266</u>	<u>(9)</u>	<u>(905)</u>	<u>(3,017)</u>	<u>32</u>	<u>(78)</u>	<u>(3,684)</u>
Other Financing Sources (Uses)								
Transfers In	9	-	-	1	-	-	-	10
Transfers Out	-	(100)	-	-	-	-	-	(100)
Total Other Financing Sources (Uses)	<u>9</u>	<u>(100)</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90)</u>
Net Changes in Fund Balance	36	166	(9)	(904)	(3,017)	32	(78)	(3,774)
Fund Balances -- Beginning	914	1,074	110	9,986	29,369	6,984	10,270	58,707
Fund Balances -- Ending	<u>\$ 950</u>	<u>\$ 1,240</u>	<u>\$ 101</u>	<u>\$ 9,082</u>	<u>\$ 26,352</u>	<u>\$ 7,016</u>	<u>\$ 10,192</u>	<u>\$ 54,933</u>

# COUNTY OF MILWAUKEE, WISCONSIN

## Internal Service Funds

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### **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:

**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, WISCONSIN**

Combining Balance Sheet  
Internal Service Funds  
As of December 31, 2013  
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
<b><u>Assets</u></b>				
Current Assets:				
Cash and Investments	\$ 6,961	\$ (310)	\$ 19,972	\$ 26,623
Accounts Receivable (Net of Allowances for Uncollectible Accounts)	1	1,186	565	1,752
Due From Other Governments	8	-	-	8
Prepaid Items	163	-	-	163
Total Current Assets	<u>7,133</u>	<u>876</u>	<u>20,537</u>	<u>28,546</u>
Capital Assets:				
Construction in Progress	5,674	215	-	5,889
Land Improvements	-	3,148	-	3,148
Building and Improvements	1,523	5,075	-	6,598
Furniture, Machinery and Equipment	37,875	1,646	7	39,528
Total Capital Assets	<u>45,072</u>	<u>10,084</u>	<u>7</u>	<u>55,163</u>
Less Accumulated Depreciation	<u>(34,711)</u>	<u>(4,926)</u>	<u>(7)</u>	<u>(39,644)</u>
Net Capital Assets	<u>10,361</u>	<u>5,158</u>	<u>-</u>	<u>15,519</u>
Total Assets	<u>17,494</u>	<u>6,034</u>	<u>20,537</u>	<u>44,065</u>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred Loss on Refunding of Debt	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>
Total Deferred Outflows of Resources	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,517</u>	<u>\$ 6,034</u>	<u>\$ 20,537</u>	<u>\$ 44,088</u>

**COUNTY OF MILWAUKEE, WISCONSIN**

Combining Balance Sheet  
Internal Service Funds  
As of December 31, 2013  
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
<b><u>Liabilities</u></b>				
Current Liabilities:				
Accounts Payable	\$ 516	\$ 131	\$ 1,549	\$ 2,196
Accrued Liabilities	109	-	10	119
Accrued Interest	104	64	-	168
Bonds and Notes Payable - General Obligation	2,305	235	-	2,540
Compensated Absences	529	-	106	635
Risk Claims	-	-	8,300	8,300
Total Current Liabilities	<u>3,563</u>	<u>430</u>	<u>9,965</u>	<u>13,958</u>
Long-Term Liabilities:				
Bonds and Notes Payable - General Obligation	12,208	4,530	-	16,738
Compensated Absences	443	-	66	509
Risk Claims	-	-	9,648	9,648
Other Post Employment Benefits	4,294	-	634	4,928
Total Long-Term Liabilities	<u>16,945</u>	<u>4,530</u>	<u>10,348</u>	<u>31,823</u>
Total Liabilities	<u>20,508</u>	<u>4,960</u>	<u>20,313</u>	<u>45,781</u>
<b><u>Net Position (Deficit)</u></b>				
Net Investment in Capital Assets	(4,129)	393	-	(3,736)
Restricted for:				
Commitments	1,132	282	226	1,640
Unrestricted	6	399	(2)	403
Total Net Position (Deficit)	<u>(2,991)</u>	<u>1,074</u>	<u>224</u>	<u>(1,693)</u>
Total Liabilities and Net Position	<u>\$ 17,517</u>	<u>\$ 6,034</u>	<u>\$ 20,537</u>	<u>\$ 44,088</u>

**COUNTY OF MILWAUKEE, WISCONSIN**

Combining Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds  
For The Year Ended December 31, 2013  
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Operating Revenues:				
Charges for Services	\$ 13,949	\$ 2,865	\$ 8,193	\$ 25,007
Other	26	-	40	66
Total Operating Revenues	<u>13,975</u>	<u>2,865</u>	<u>8,233</u>	<u>25,073</u>
Operating Expenses:				
Personnel Services	6,081	-	760	6,841
Contractual Services	8,613	929	86	9,628
Intra-County Services	17	611	217	845
Commodities	240	1	5	246
Depreciation and Amortization	905	175	-	1,080
Maintenance	(22)	62	-	40
Insurance and Claims	-	-	11,039	11,039
Other	-	1,295	-	1,295
Total Operating Expenses	<u>15,834</u>	<u>3,073</u>	<u>12,107</u>	<u>31,014</u>
Operating Income (Loss)	<u>(1,859)</u>	<u>(208)</u>	<u>(3,874)</u>	<u>(5,941)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	1,391	-	-	1,391
Reassignment of Long-Term Liabilities	-	(3,118)	-	(3,118)
Interest Expense	(404)	(277)	-	(681)
Total Nonoperating Revenues (Expenses)	<u>987</u>	<u>(3,395)</u>	<u>-</u>	<u>(2,408)</u>
Income (Loss) Before Transfers	(872)	(3,603)	(3,874)	(8,349)
Transfers In	5,499	455	4,094	10,048
Transfers Out	<u>(5,086)</u>	<u>-</u>	<u>-</u>	<u>(5,086)</u>
Change in Net Position	(459)	(3,148)	220	(3,387)
Net Position (Deficit) -- Beginning	<u>(2,532)</u>	<u>4,222</u>	<u>4</u>	<u>1,694</u>
Net Position (Deficit) -- Ending	<u><u>\$ (2,991)</u></u>	<u><u>\$ 1,074</u></u>	<u><u>\$ 224</u></u>	<u><u>\$ (1,693)</u></u>

**COUNTY OF MILWAUKEE, WISCONSIN**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2013  
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
<b>Cash Flows Provided (Used) by Operating Activities:</b>				
Receipts from Customers and Users	\$ 27	\$ 1,479	\$ 188	\$ 1,694
Receipts from Interfund Services	14,337	319	10,997	25,653
Payments to Suppliers	(9,316)	(2,431)	(10,347)	(22,094)
Payments to Employees	(6,194)	-	(664)	(6,858)
Payments for Interfund Services Used	(17)	(611)	(217)	(845)
Net Cash Flows Provided (Used) by Operating Activities	<u>(1,163)</u>	<u>(1,244)</u>	<u>(43)</u>	<u>(2,450)</u>
<b>Cash Flows Provided (Used) by Noncapital Financing Activities:</b>				
Intergovernmental Revenues	1,391	-	-	1,391
Transfers From Other Funds	5,499	455	4,094	10,048
Transfers (To) Other Funds	(5,086)	-	-	(5,086)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>1,804</u>	<u>455</u>	<u>4,094</u>	<u>6,353</u>
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities:</b>				
Proceeds from Long-Term Debt	5,565	153	-	5,718
Principal Payment on Long-Term Debt	(1,645)	(112)	-	(1,757)
Premium on Bonds	153	7	-	160
Interest Paid on Long-Term Debt	(447)	(219)	-	(666)
Acquisition of Capital Assets	(3,888)	(422)	-	(4,310)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(262)</u>	<u>(593)</u>	<u>-</u>	<u>(855)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	379	(1,382)	4,051	3,048
Cash and Cash Equivalents at Beginning of Year	6,582	1,072	15,921	23,575
Cash and Cash Equivalents at End of Year	<u>\$ 6,961</u>	<u>\$ (310)</u>	<u>\$ 19,972</u>	<u>\$ 26,623</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Reassignment of Long Term Debt	\$ -	\$ 3,118	\$ -	\$ 3,118
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ (1,859)	\$ (208)	\$ (3,874)	\$ (5,941)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	905	175	-	1,080
(Increase) Decrease in Assets:				
Accounts Receivable	51	(1,067)	(352)	(1,368)
Due from Other Governments	1	-	-	1
Prepaid Items	388	-	-	388
Increase (Decrease) in Liabilities:				
Accounts Payable	(536)	(144)	783	103
Accrued Liabilities	109	-	10	119
Risk Claims	-	-	3,304	3,304
Other Post Retirement Benefits	(221)	-	34	(187)
Compensated Absences	(1)	-	52	51
Total Adjustments	<u>696</u>	<u>(1,036)</u>	<u>3,831</u>	<u>3,491</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ (1,163)</u>	<u>\$ (1,244)</u>	<u>\$ (43)</u>	<u>\$ (2,450)</u>

# COUNTY OF MILWAUKEE, WISCONSIN

## Fiduciary Funds

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### 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, WISCONSIN**

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended December 31, 2013  
 (In Thousands)

	<u>January 1,</u> <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31,</u> <u>2013</u>
<b><u>CIVIL COURT ORDERED AGENCY FUND</u></b>				
<b><u>FOR FAMILY SUPPORT/PAYMENTS</u></b>				
Cash and Investments	\$ 12,672	\$ 11,794	\$ 16,438	\$ 8,028
Other Receivables	-	26,875	26,874	1
<b>Total Assets</b>	<u>\$ 12,672</u>	<u>\$ 38,669</u>	<u>\$ 43,312</u>	<u>\$ 8,029</u>
Accounts Payable	\$ -	\$ 29	\$ 29	\$ -
Agency Deposits	12,672	13,541	18,184	8,029
<b>Total Liabilities</b>	<u>\$ 12,672</u>	<u>\$ 13,570</u>	<u>\$ 18,213</u>	<u>\$ 8,029</u>
<b><u>OTHER AGENCY FUNDS</u></b>				
Cash and Investments	\$ 7,180	\$ 32,168	\$ 31,711	\$ 7,637
Other Receivables	-	1,527	-	1,527
<b>Total Assets</b>	<u>\$ 7,180</u>	<u>\$ 33,695</u>	<u>\$ 31,711</u>	<u>\$ 9,164</u>
Accounts Payable	\$ 265	\$ 935	\$ 996	\$ 204
Agency Deposits	6,915	7,996	5,951	8,960
<b>Total Liabilities</b>	<u>\$ 7,180</u>	<u>\$ 8,931</u>	<u>\$ 6,947</u>	<u>\$ 9,164</u>
<b><u>SUMMARY</u></b>				
Cash and Investments	\$ 19,852	\$ 43,962	\$ 48,149	\$ 15,665
Other Receivables	-	28,402	26,874	1,528
<b>Total Assets</b>	<u>\$ 19,852</u>	<u>\$ 72,364</u>	<u>\$ 75,023</u>	<u>\$ 17,193</u>
Accounts Payable	\$ 265	\$ 907	\$ 968	\$ 204
Agency Deposits	19,587	21,537	24,135	16,989
<b>Total Liabilities</b>	<u>\$ 19,852</u>	<u>\$ 22,444</u>	<u>\$ 25,103</u>	<u>\$ 17,193</u>

# COUNTY OF MILWAUKEE, WISCONSIN

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## **OTHER SUPPLEMENTARY INFORMATION** **Milwaukee County Family Care Financial Statements**

1 – Balance Sheet

2 – Statements of Revenues, Expenses and Changes in Net Position

3 – Statements of Cash Flow

**COUNTY OF MILWAUKEE, WISCONSIN**

Balance Sheets  
 Milwaukee County Family Care  
 As of December 31, 2013 and 2012  
 (In Thousands)

	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Cash	\$ 51,549	\$ 41,194
Restricted Cash	11,458	11,447
Due from State - Prior Year Capitation	1,297	2,546
Member Receivable - Cost Share/Room & Board	2,202	2,214
Allowance for Member Receivable	(1,354)	(1,223)
Provider Receivable - Audits	209	250
Deposit Solvency Insurance	750	-
Security deposits	2	4
Inventory - Taxi Tickets	61	19
Accounts Receivable - Other	138	58
<b>Total Assets</b>	<b><u>\$ 66,312</u></b>	<b><u>\$ 56,509</u></b>
<b><u>Liabilities</u></b>		
Accounts Payable	\$ 3,871	\$ 2,585
Accrued Payroll	107	83
Accrued Vacation/Sick Leave Liability	605	602
Member Cost - Incurred but not Reported	25,624	24,263
Due to State - Unearned Capitation	748	1,222
<b>Total Liabilities</b>	<b><u>30,955</u></b>	<b><u>28,755</u></b>
<b><u>Net Position</u></b>		
<b>Restricted:</b>		
Working Capital Reserve	7,842	7,824
Restricted Reserve	3,616	3,608
Solvency & Risk Reserve	750	-
<b>Unrestricted:</b>		
Surplus Reserve	22,646	15,540
Capital Carryover Reserve	503	782
<b>Total Net Position</b>	<b><u>35,357</u></b>	<b><u>27,754</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 66,312</u></b>	<b><u>\$ 56,509</u></b>

**COUNTY OF MILWAUKEE, WISCONSIN**

Statements of Revenues, Expenses and Changes in Net Position  
 Milwaukee County Family Care  
 For the Years Ended December 31, 2013 and 2012  
 (In Thousands)

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
State/Fed Capitated Member Payment	\$ 258,262	\$ 247,094
Member Cost Share/ Room & Board	31,736	30,812
Other Revenues	1,300	549
Total Operating Revenues	<u>291,298</u>	<u>278,455</u>
Operating Expenses:		
Direct - Member Service Costs	270,835	263,906
Indirect - Salaries and Fringe Benefits	6,294	6,020
Indirect - Outside Services	4,993	4,538
Indirect - Commodities and Supplies	230	73
Indirect - Inter-Dept Service Charges	1,343	1,255
Total Operating Expenses	<u>283,695</u>	<u>275,792</u>
Change in Net Position	7,603	2,663
Net Position -- Beginning	<u>27,754</u>	<u>25,091</u>
Net Position -- Ending	<u>\$ 35,357</u>	<u>\$ 27,754</u>

**COUNTY OF MILWAUKEE, WISCONSIN**

Statements of Cash Flows  
Milwaukee County Family Care  
For the Years Ended December 31, 2013 and 2012  
(In Thousands)

	<u>2013</u>	<u>2012</u>
Cash Flows Provided (Used) by Operating Activities:		
Receipts from Customers and Users	\$ 292,651	\$ 281,005
Payments to Suppliers	(274,675)	(266,412)
Payments to Employees	(6,267)	(6,165)
Payments for Interfund Services Used	(1,343)	(1,255)
Net Cash Flows Provided (Used) by Operating Activities	<u>10,366</u>	<u>7,173</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,366	7,173
Cash and Cash Equivalents at Beginning of Year	<u>52,641</u>	<u>45,468</u>
Cash and Cash Equivalents at End of Year	<u>\$ 63,007</u>	<u>\$ 52,641</u>
 <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	 <u>\$ -</u>	 <u>\$ -</u>
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income	<u>\$ 7,603</u>	<u>\$ 2,663</u>
Adjustments to Reconcile Operating Income to Net Cash Flows Provided (Used) by Operating Activities:		
(Increase) Decrease in Assets:		
Due from State - Prior Year Capitation	1,249	2,652
Member Receivable - Cost Share/Room & Board	12	(472)
Allowance for Member Receivable	131	333
Provider Receivable - Audits	41	72
Deposit Solvency Insurance	(750)	750
Security deposits	2	2
Inventory - Taxi Tickets	(42)	33
Accounts Receivable - Other	(80)	(35)
Advances to Third-Party Claims Administrator	-	11
Increase (Decrease) in Liabilities:		
Accounts Payable	1,286	1,221
Accrued Payroll	24	(92)
Accrued Vacation/Sick Leave Liability	3	(145)
Member Cost - Incurred but not Reported	1,361	117
Due to State - Unearned Capitation	(474)	63
Total Adjustments	<u>2,763</u>	<u>4,510</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 10,366</u>	<u>\$ 7,173</u>

APPENDIX B

Proposed Form of Opinion of  
Co-Bond Counsel

(To be dated the date of issuance)

Re: Milwaukee County, Wisconsin ("Issuer")  
\$39,240,000 General Obligation Corporate Purpose Bonds, Series 2014A,  
dated November 6, 2014 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on December 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2015	\$2,620,000	2.00%
2016	2,620,000	2.00
2017	2,620,000	2.00
2018	2,615,000	2.00
2019	2,615,000	2.00
2020	2,615,000	2.00
2021	2,615,000	3.00
2022	2,615,000	3.00
2023	2,615,000	3.00
2024	2,615,000	3.00
2025	2,615,000	3.00
2026	2,615,000	3.00
2027	2,615,000	3.125
2028	2,615,000	3.25
2029	2,615,000	3.25

Interest is payable semi-annually on June 1 and December 1 of each year commencing on June 1, 2015.

The Bonds maturing on December 1, 2024 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on December 1, 2023 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer

and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.

3. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

## 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 \$39,240,000 General Obligation Corporate Purpose Bonds, Series 2014A, dated November 6, 2014 (the "Securities"). The Securities are being issued pursuant to Resolutions adopted by the Governing Body of the Issuer on March 20, 2014 (collectively, the "Resolution") and delivered to Citigroup Global Markets, Inc. (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with 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.

"Final Official Statement" means the final Official Statement dated October 23, 2014 delivered in connection with the Securities, which is available from the 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 Securities.

"Issuer Contact" means the Capital Finance Manager of the Issuer who can be contacted at the Office of the Comptroller, Milwaukee County Courthouse, Room 301, 901 North Ninth Street, Milwaukee, Wisconsin 53233, phone (414) 278-4396, fax (414) 223-1245.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ends December 31, 2014, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and 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 the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

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 from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
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 status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, 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.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Material Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to the MSRB of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 6th day of November, 2014.

\_\_\_\_\_  
Chairwoman of the County Board

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

Approved as to Form:

Countersigned:

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

\_\_\_\_\_  
County Executive

\_\_\_\_\_  
Comptroller