# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## COUNTY OF MILWAUKEE

## WISCONSIN

## FOR THE YEAR ENDED DECEMBER 31, 2005

**Prepared by:**
**Department of Administrative Services**
**Fiscal Affairs Division**

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# COUNTY OF MILWAUKEE
# COMPREHENSIVE ANNUAL FINANCIAL REPORT
# For the Fiscal Year Ended December 31, 2005

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# INTRODUCTORY SECTION

- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting
- Organizational Chart
- List of Elected and Appointed Officials

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OFFICE OF THE COUNTY EXECUTIVE

*Milwaukee County*

SCOTT WALKER • COUNTY EXECUTIVE

July 14, 2006

To: Honorable Members of the Milwaukee County Board of Supervisors and the Citizens of Milwaukee County, Wisconsin

## A) COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):

### CAFR Overview

The Comprehensive Annual Financial Report (CAFR) of Milwaukee County, Wisconsin (the County) for the year ended December 31, 2005 is hereby submitted for your information. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of Milwaukee County, Wisconsin. All disclosures necessary to enable the reader to gain an understanding of Milwaukee County, Wisconsin activities have been included.

The CAFR is presented in three sections:

The **Introductory Section**, which is unaudited, includes this letter of transmittal, the prior year's Certificate of Achievement for Excellence in Financial Reporting, the County's organization chart, and a list of the County's principal elected and appointed officials. It is designed to give the reader of the financial report some basic background information about the County.

The **Financial Section** includes the independent auditors' report on the basic financial statements, management's discussion & analysis, the basic financial statements, required supplementary information, and the other supplementary information including the combining and individual fund financial statements and schedules. See a discussion below of the components of the Financial Section.

The **Statistical Section**, which is unaudited, includes selected financial and demographic information generally presented on a multi-year basis.

## Governmental Accounting Standards Board Statement No. 34 Overview

The County has prepared the Financial Section to meet the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). The Financial Section and the financial statements included in this section are significantly different from the financial statements prepared by the County for 2001 and previous fiscal years. GASB 34 establishes a new reporting model that the County has reported in three parts in the Financial Section. The fourth part is not required by GASB 34 but provides useful information about the non-major funds of Milwaukee County.

1) **Management's Discussion and Analysis** - This is a narrative report providing financial information about the County. Readers of this report are encouraged to read Management's Discussion and Analysis (MD&A), in conjunction with this Letter of Transmittal. The MD&A provides basic financial information about the County and an overview of the County's activities.

2) **Basic Financial Statements**

   a) **Government-Wide Financial Statements** - government-wide financial statements, consisting of a statement of net assets and a statement of activities, provide a comprehensive financial picture of the County, split between governmental activities and business-type activities. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, where all assets, liabilities, revenues, and expenses of the County are reported. Internal service funds are combined with governmental activities for presentation purposes.

   b) **Fund Financial Statements** - report on the major individual governmental, proprietary, and fiduciary funds of the County. Budgetary comparisons are also provided to allow the reader to see the original adopted budget, the revised adopted budget, and the actual expenditures and revenues for the County's general fund. The governmental funds are prepared and presented on the modified accrual basis of accounting. The proprietary funds are prepared on an accrual basis of accounting. Due to the different basis of accounting for governmental funds between the government-wide financial statements and the fund financial statements, a schedule is also provided that reconciles governmental activities on the statement of net assets with the governmental funds on the balance sheet and the governmental funds net change in fund balances on the statement of activities with the governmental funds statement of revenues, expenditures and changes in fund balances. The

proprietary funds statement reports each of the enterprise funds and includes a separate column that combines all internal service funds.

c) **Notes to the Financial Statements** - includes the explanatory notes to the financial statements as required by governmental accounting standards.

3) **Required Supplementary Information** - presents certain required supplementary data immediately after the notes to the financial statements.

4) **Other Supplementary Information** - identified as the Other Supplementary Information – Combining and Individual Fund Statements and Schedules. This section will show the combining statements for the non-major governmental funds, the internal service funds, as well as budgetary comparisons for major funds other than the General Fund. As noted earlier, the internal service funds were combined and reported as a separate column in the proprietary fund financial statements. They are reported here because they are not considered to be major funds.

### Component Units

This Comprehensive Annual Financial Report (CAFR) includes the funds of the primary government and the following discrete component units: the War Memorial Center, the Milwaukee Public Museum, Inc., the Private Industry Council of Milwaukee County, and the Milwaukee County Research Park Corporation. Discretely presented component units are more distinctly separate from the primary government and are therefore reported in a separate column in the government-wide financial statements. These entities were included because generally accepted accounting principles require that organizations for which the County is financially accountable be reported with the primary government (the County) as the reporting entity.

## B) GOVERNMENTAL STRUCTURE AND TYPES OF SERVICES

Milwaukee County is located in southeastern Wisconsin on the Lake Michigan shoreline. The County covers an area of approximately 242 square miles and consists of ten cities and nine villages. The Michigan Territorial Government incorporated Milwaukee County in 1835. In 1837 the Wisconsin Territorial Legislature divided Milwaukee County and reduced its size. Nine years later the County was divided again into its present size.

Milwaukee County was the first county in the State to establish an executive branch. A County Executive and a 19-member Board of Supervisors govern Milwaukee County. The County Executive and the County Supervisors are elected to nonpartisan four-year terms. Each Supervisor is elected from a district with an average population

of approximately 50,000. In addition, six constitutional officers are elected to serve two-year terms on a partisan basis. The Sheriff is elected to serve a four-year term on a partisan basis.

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

The County operates two airports, a mass transit system, a behavioral health facility, a correctional facility, a sheriff's department, a civil and criminal court system, a zoo, a botanical garden, a nature center, several marinas, a number of golf courses and swimming pools, beaches, bike trails, and park areas.

The County also administers Federal and State aided public assistance. Other activities include employment and training services, legal counsel services for the indigent, community health care programs, emergency medical services, medical service funding for the indigent, correctional programs and counseling and residential programs for the mentally ill, disabled, and chemically dependent. The County also offers a number of general government services. The County is also responsible for the maintenance and construction of highways, roads, and bridges.

## C) ECONOMIC CONDITION AND OUTLOOK

Milwaukee County serves as the population, economic and financial center of the State. The City of Milwaukee, which acts as the County seat, contains approximately 63 percent of the County's population and 46 percent of its taxable property value.

Milwaukee County's location on the Great Lakes, near the nation's geographic and population centers, provides many logistical advantages. The County has a well-developed arterial street and highway system, including four interstate highways, three major U.S. highways and 17 state highways. Freight service is provided to other metropolitan areas by numerous trucking establishments and two major railroads. In addition to the rail freight service provided by the Union Pacific and Canadian Pacific /Soo Line railroads, passenger rail service is available from Amtrak. National and inter-city bus lines also serve Milwaukee. Milwaukee also remains a major Great Lakes and world port. During 2005, the Port of Milwaukee handled 3.4 million metric tons of cargo. Major commodities included in this tonnage were coal, salt, grain and cement.

One of Milwaukee's strengths is a highly diversified economic system. Although the County remains a major manufacturing center, other sectors of the economy have become increasingly important. The finance, insurance and real estate trade,

electrical, electronic machines and equipment sectors have shown consistent growth. Milwaukee also ranks as one of the nation's leading centers for advertising, printing, publishing and graphic arts and is home to one of the country's major breweries. The newest industry in Milwaukee is electronic commerce. Milwaukee has become one of the nation's centers for financial transaction processing. In fact, Milwaukee area manufacturing firms are innovative leaders in a variety of dynamic markets, including energy management and robotic and medical imaging equipment. The County leads the nation in the production of industrial controls, x-ray apparatus, steel foundries, mining machinery, hoists, industrial cranes, monorails, speed changers and drives and gears. Food and paper products are also produced in significant quantities.

According to the first quarter business outlook survey by the Metropolitan Milwaukee Association of Commerce (MMAC), "Milwaukee area businesses seem more optimistic toward future business activity for the first quarter of 2006. Based on a survey of 108 Milwaukee area firms, 78 percent forecast sales increases in the first quarter of 2006, which is down from 84 percent who predicted such gains at the beginning of 2005. For the first quarter of 2006 (compared to the same quarter one year ago) manufactures expressed slightly more optimism for increased sales than non-manufactures. Eighty-two percent of manufactures forecast increased sales compared to 69 percent of non-manufacturers. Fifty-four percent of businesses expect increases in their local workforces for the same time period, while nine percent expect job decline and the remaining 37 percent see no change in employment."

The average annual unemployment rate for Milwaukee County through December 2005 was 5.9 percent compared to a national average rate of 5.1 percent. This is the first year since 1999 that the County experienced a decrease in the unemployment rate. The last four years posted increases in the rate.

According to the Wisconsin Department of Administration, Milwaukee County's estimated population for 2005 is 938,995, which is a 0.04 percent decrease from the 2004 population estimate.

Milwaukee County is home for a number of colleges and universities, including Alverno College, Cardinal Stritch College, Marquette University, the Medical College of Wisconsin, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee, and Wisconsin Lutheran College.

## D) MAJOR INITIATIVES BY CLASSIFICATION

Following is a brief description of the departments and major initiatives for the classifications within both the Governmental Activities and Business-type Activities of the Statement of Activities.

## Governmental Activities

1) **Legislative, Executive, and Staff** consists of the following areas, the County Board and Department of Audit, the County Executive, the Department of Administrative Services-Fiscal Affairs, Economic and Community Development, Office of Community Business Development Partners, Office of Persons with Disabilities, Veterans Service, the Civil Service Commissions, the Personnel Review Board, Human Resources, Procurement and Corporation Counsel. The internal service funds of Risk Management and Information Management Services Division are also under the Department of Administrative Services for management purposes. These funds are consolidated into the governmental activities in the Government-wide Financial Statements and are included in the proprietary funds in the Fund Financial Statements.

2) **Courts and Judiciary** consists of the County Funded State Court Services Division, which includes 47 judges and 25 court commissioners. It is the first administrative district of the State Court System. The Family Court Commissioner Division is the legal extension of the Family Court Branch of the Circuit Court. This area handles marriages and family related matters. It includes the Family Court Mediation Services Unit. The Register in Probate Division maintains the records and files of all probate proceedings. The Clerk of Circuit Courts maintains the records, books and files of the courts. State and non-tax revenues support approximately 27.8 percent of the cost of the Courts function. The balance of the costs is funded with County tax levy dollars. The Department of Child Support provides services to locate parents, establishes paternity, enforces and establishes child support and medical support orders, which is all under Title IV-D of the Social Security Act.

3) **General Governmental Services** consists of the separately elected positions of the County Treasurer, Register of Deeds, and County Clerk and their associated staff and related costs. The Election Commission is also included in this category.

4) **Public Safety** consists of the Sheriff's Department, District Attorney, Medical Examiner and House of Correction. The Sheriff is a separately elected position within Milwaukee County. The 2005 budgets for the Sheriff's Department and the House of Correction includes an inmate population control "cap proposal" for the Milwaukee County detention population. The "cap proposal" attempts to cap the population at the Criminal Justice Facility and transfer any overflow to the House of Correction, which is able to open and close sleeping/housing units on a more flexible basis. The Sheriff continues to address enhanced security needs at the Airport. Certain printing functions formerly performed by

Information Management Service Division (IMSD) were transferred to the House of Corrections in 2005.

5) **Public Works and Highways** in the General Fund consists of the Highway Division and Administrative Divisions.

The Public Works Fleet Management; Architectural, Engineering and Environmental Services; Transportation; and Facilities Management Divisions are part of the Internal Services Funds of the County. These funds are consolidated into the governmental activities in the Government-wide Financial Statements and are included in the proprietary funds in the Fund Financial Statements. For management purposes the public works areas along with the Parks Department are consolidated under the Department of Parks and Public Infrastructure (DPPI). In 2005, Fleet Management assisted Department of Administrative Services-Fiscal Affairs (DAS) in carrying out a countywide fleet reduction. Fleet-owned pieces of equipment were reduced by 12% or approximately 219 pieces. This initiative follows an analysis conducted by Fleet Management and DAS that indicated approximately 375 pieces (21%) of equipment and/or vehicles were under-utilized.

6) **Human Services** consists of the Department on Aging, Department of Health and Human Services (DHHS) and the DHHS - County Health Related Programs.

The Department on Aging, which provides services to older adults in the County, through the State of Wisconsin's Family Care Program. Under Family Care, the Department on Aging, as the Care Management Organization (CMO), coordinates all long-term care services for eligible elders, including home and community based services as well as institutional services. Since 2000, this has required a change in staffing and client services to provide a one-stop service for long-term care, as opposed to the many funding sources and programs that were previously used to support elders in long-term care. Prior to 2004 the State of Wisconsin was required to contract with the County for CMO services. The State in 2004, made the decision to have the Department on Aging serve as the sole CMO for Milwaukee County.

The majority of the CMO Program revenue is a capitated payment from the State. Forty percent of client service costs of the CMO are controlled by Medicaid rate rules, while the remaining 60%, which is not covered by Medicaid rates, is based on set rates established by the department or on contracts with providers. At the end of 2005, the program had approximately 5,800 clients.

The Department of Human Services provides a wide range of services to children and adults through age 60. The department includes the Economic Support Division that assists people in obtaining food stamps, medical assistance under Title 19 and child day care benefits. The Delinquency and Court Services Division administers a Juvenile Detention Center and the post-dispositional placement resources for adjudicated delinquents. This division has been working on alternative methods of incarceration for adjudicated youths, including a wrap-around program. This reduces corrections costs and provides a better opportunity for at-risk youth. The Disabilities Service Division provides assistance to adults with special needs including persons with physical and developmental disabilities. Changes were made to create a resource center format similar to the Family Care program in the Department of Aging to better serve these clients. The Management Services Division provides contract administration, accounting and business support to the other divisions.

The County Health Related Programs (CHRP) was transferred from the Department of Administrative Services to the Department of Health and Human Services for 2003. CHRP continues to administer the Countywide Emergency Medical Services (EMS) paramedic program and General Assistance Medical Program (GAMP). EMS is responsible for managing all EMS-related functions in Milwaukee County. GAMP is the County's health care financing/delivery system for medically indigent persons residing within Milwaukee County. The GAMP program 2005 budget maintains the same funding level as the 2004 budget. This was possible because of agreements reached with local hospitals. GAMP affiliated hospital systems have agreed to pay for salary and fringe benefits related to GAMP eligibility workers and to reimburse the program for home health care services provided to GAMP clients. Aurora Health Care will fund the Nurse Call-Line program that was initiated as part of GAMP in 2003. Funding for this service previously was provided through a Federal CAP Grant, which expired in 2004.

7) **Parks, Recreation and Culture** includes the Parks Department, Zoological Department, Milwaukee County UW-Extension and funding for the Milwaukee Public Museum. The Parks Department administers and operates the Milwaukee County Park System that spans 15,000 acres and encompasses 150 parks and parkways, 15 golf courses, four community/recreation centers, two indoor pools, nine outdoor pools, numerous wading pools and splash pads, two family aquatic centers, five beaches, 117 tennis courts, 178 picnic areas, 23 major pavilions, over 188 athletic fields, 106-mile Oak Leaf Trail, Mitchell Park Horticultural Conservatory, Boerner Botanical Garden, McKinley Marina and Wehr Nature Center. The Department of Parks and Public Infrastructure (DPPI) was created in 2004 to consolidate the previous Parks Department and the Department of Public Works. The consolidation of these two departments is

to allow for greater flexibility in providing services, sharing maintenance and use of equipment, and improving response time.

**Business-type Activities**:

1) The **Airport** is an enterprise fund that is classified as a business-type activity in the Government-wide financial statements. Milwaukee County operates two airports: General Mitchell International Airport (GMIA) and Lawrence J. Timmerman Airport. User fees support both of these airports. Airport administrative, maintenance and operational cost reimbursement are guaranteed through contractual agreements with the major carriers serving GMIA. Growth in flights and passenger traffic from GMIA, over a number of years, led to the need for additional parking at the Airport. Milwaukee County issued $ 83.6 million of revenue bonds in 2000 for the building of an addition to the existing parking structure. These were the first revenue bonds issued by the County. The parking revenues were estimated to be sufficient to pay the bonds, but the bonds were also supported by the signatory airline lease agreements. In 2004 the County issued $ 37.3 million in revenue bonds to fund the improvements to the C and D concourses, finish the parking structure, repair the Bus/Limousine Queue area and remodel the E concourse stem. In 2005 the County issued $26.6 million in revenue bonds to continue to fund improvements to the C and D concourses, and the Cessna Apron addition.

   Major security enhancements will continue at GMIA for the foreseeable future due to the September 11, 2001 terrorist attacks in the United States. The 2005 budget totals $ 7.0 million for Sheriff and other security services. This represents 12.5% of the 2005 budget.

2) The **Milwaukee County Transit/Paratransit System** is an enterprise fund activity that is managed by Milwaukee Transport Services, Inc.; a private, non-profit corporation. For the Transit System, the corporation uses facilities and equipment owned and provided by the County to transport passengers by bus to various locations within the County. The Paratransit system is also operated by Milwaukee Transport Services to provide transportation, using private vendors, for passengers who meet the paratransit eligibility requirements. DPPI over sees and administers federal and state grants for the transit system. DPPI- Transportation assists with the acquisition of capital equipment and facilities. Transit's 2005 budget was developed with no increase in passenger fares.

   For the Paratransit operation in 2005, there is no increase in fares or major changes in operation costs. Trips provided by a local company for health appointments of disabled riders have been transferred to the Department of Health and Human Services-Disabilities Services Division. Due to this

change, the total numbers of paratransit trips are expected to be reduced by 58,000 or 5.1%.

3) The Department of Human Services - **Behavioral Health Division (BHD)** is also an enterprise fund. BHD provides services to mentally ill and developmentally disabled patients on an inpatient basis and administers a community-based service for children and adults who have mental illness. As part of the 2005 budget, the County along with four major local hospital systems jointly agreed to fund the acquisition and staffing of two new eight-bed Crisis Respite facilities. These facilities offer an alternative to inpatient hospitalization for individuals at risk of experiencing major psychiatric crisis. As such, they are expected to significantly reduce the pressure on BHD's psychiatric crisis services and inpatient units, plus provide another important option to serve Milwaukee County residents who are in need of psychiatric crisis services.

**Other Activities and Issues**

1) **Benefit Issues** In response to the concerns raised about the increased level of benefits that were granted to employees and elected officials in 2001, the County Board voted in February 2002 to change certain benefits. This included the level of payout at retirement for earned sick leave benefits. Prior to the change all employees were entitled to full payout at retirement of earned sick leave benefits. In February 2002 the County changed the "earned retirement benefits" for non-represented employees by reverting to the previous pay out maximum of 400 hours plus 16 hours for each additional 100 hours or part thereof. Union contracts could not be reopened so the change only effected non-represented positions.

   We reported during 2002 that the County faced several lawsuits by non-represented employees in order to reinstate their benefits. Lawsuits were also filed by other employee groups and by retirees during 2002 in order to either protect their interest in benefits or be accorded some of the same benefits. One lawsuit was filed to reinstate wage increases for non-represented employees; however, the trial court granted the County's motion for summary judgment and dismissed this lawsuit. However, an appeal on this matter may be pursued.

   A lawsuit, filed in 2002, was pending in State court against the County seeking to have changes made in the sick payout benefit for non-represented employees invalidated, in addition to have employees reinstated who retired as a result of the 2002 Sick Pay Change. This lawsuit requests both compensatory and punitive damages. A preliminary decision was delivered in 2004. This decision was in favor of the County, but was appealed. The appeal provided for some reinstatement of benefits to current and former employees. Discussions will be held between the

County and the plaintiffs to resolve issues that the appeal did not formally answer. A final decision has not been made, and as a result the future financial impact cannot be fully determined. Funds were set-aside in the 2005 financial projections to begin to cover cost of any settlement.

The benefit enhancements and accelerated retirement rate have caused a severe strain on the County's budget. In 2001 and 2002, the County contributed $2.65 million and $2.58 million respectively, to the Employee Retirement System (ERS). The 2003 County budget provided a contribution to the retirement fund of just over $15 million, based on an actuarial required contribution of over $20 million. The 2003 budget included the statement; "The $15 million contribution is included with the understanding that this will be the base amount contributed by the county for the next five years." The actual contribution from the County for 2003 was over $34 million which included the $15 million budgeted contribution and additional funding to cover all pension contribution shortfalls for the past 3 years. For 2004 and 2005, the County contributed $35.1 million and $37.8 million, respectively to ERS. For 2006, an actuarial report issued in June 2005 recommended a contribution of $45.9 million, based on an 8.0% rate of return on investments. This is an increase over prior year contributions, and is due to the change in the rate of return on investments from 8.5% to 8.0% plus a revised estimate of cost of benefits.

The County has begun to successfully reduce certain pension benefits and contracts with most County unions effective in 2005. The contracts include the elimination of the pension eligibility Rule of 75 and the pension back drop program. One union, DC 48 (AFSCME), which represents just fewer than half the County's employees, has not yet adopted a contract with these changes.

## E) FINANCIAL INFORMATION

### Internal Accounting Controls

County management is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgements by management.

Milwaukee County's internal control structure is supported by written policies and procedures and is continually reviewed, evaluated and modified to meet current

needs. This internal control structure is strengthened by the Milwaukee County Department of Audit. Under Milwaukee County Ordinances and Wisconsin Statutes, the Department of Audit is an extension of the legislative branch of Milwaukee County and provides the County Board of Supervisors with constant overview and independent review of County operations. The Department of Audit is responsible not only for the examination of financial statements but also for reviews of internal accounting, administrative controls, compliance with applicable laws and regulations, economic efficiency of operations, and effectiveness in achieving program results. The Department of Audit's audits are performed in accordance with generally accepted government auditing standards.

**Budgetary Process**

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

**Budgetary Controls**

Budgetary control is maintained by a formal appropriation and encumbrance system. Encumbrances are made against appropriations prior to the release of a purchase order to a vendor, or prior to the issuance of a check when a liability is incurred without a purchase order. Liabilities that exceed appropriation balances are not paid until an increased appropriation is made available.

During the year, departments may request transfers of appropriated dollars between departments or from an unallocated contingency budget. Any transfer requires the approval of the County Board and County Executive. If a transfer is to be made only within the department, approval of the transfer may not require County Board and County Executive approval.

Encumbered appropriations are carried forward at the end of the year by means of encumbrance reserves. These reserves are restored to departmental appropriation accounts in the following year. Expenditures are then recorded when the services or materials are received.

At the end of the year, any unencumbered appropriations and the associated unrecorded revenue that is still available for capital projects may be "carried over" to the subsequent year. A report of unappropriated budget dollars and unrecorded revenues are reported to the County Board by capital project number. The County Board and County Executive will then review the report and make any modifications to "capital carry-over" requests for capital projects. The result will be the establishment of a carryover reserve for capital projects. Similar to encumbrance reserves, these reserves are restored to the departmental appropriation account and revenue budget in the following year.

**County Tax Rate Limit**

Section 59.605 of the Wisconsin Statutes imposed a property tax rate limit on Wisconsin counties, effective August 12, 1993. Separate limits were imposed for operating levy rates and debt service levy rates. Initially, the baseline for the rate limit was the 1992 actual levy rate adopted for the 1993 budget. Reductions in state-shared revenues and transportation aid are among the penalties established by state statues for failing to meet the operating and debt service limit requirements.

The property tax rate established for general County operating purposes and special administrative levies as part of the 1993 adopted budget was approximately $4.08 per $1,000 of equalized value. The only conditions under which the maximum rate may be increased are if services are transferred between governmental units (transfers to other governmental units reduce the maximum rate) or if a referendum is approved by a majority of local electors to allow the maximum rate to be increased. For 2005, the operating tax rate was approximately $ 3.81 per $ 1,000 of equalized value.

The County adopted a debt levy rate of approximately $ 1.42 per $ 1,000 of equalized value as part of the 1993 budget. The conditions under which the debt service rate may be increased include: 1) a referendum is held that approves the debt issuance; 2) the county board of supervisors adopts a resolution that sets forth its reasonable expectation that the issuance of the debt will not cause the County to increase the debt levy rate; 3) the issuance of the debt was authorized by an initial resolution adopted prior to the effective date of the rate limit; 4) the debt is issued for certain specified purposes, including financing regional projects under Section 67.05 (7)(f); 5) the debt is issued to fund or refund outstanding municipal obligations; or 6) the County Board of Supervisors adopts an initial resolution authorizing the issuance of the debt by a vote of at lease three-fourths of the members-elect of the County Board. In conformance with the conditions outlined above, the County levied a debt levy rate of $ .73 per $ 1,000 of equalized value for the 2005 budget.

The rate limit also prohibits borrowing for "operating expenses". The statute defines "operating expenses" as "wages, salaries, fringe benefits, materials, supplies, contractual services, equipment with a useful life of less than one year and other costs specified by the Department of Revenue by rule".

**Debt Administration**

The County Board and County Executive monitor all anticipated borrowing plans of the County on a continuing basis. In 1994, Milwaukee County revised existing policies and established new policies that directly and indirectly affected its borrowing practices. Some of the changes included the development of guidelines for maximum debt burdens, modifications to the procedures for accepting competitive bids and the maximum length of maturity.

Wisconsin Statutes limit the County's direct general obligation borrowing to an amount equivalent to 5% of the equalized valuation of taxable property. At December 31, 2005, the County had $ 482.0 million of general obligation debt compared to a debt limit of $2,834 million, or County debt as a percent of the limit of 17.0%. The equalized value of property was $56,681 million as of that same date.

Approximately 87.2 percent of the County's general purpose obligations will be retired within ten years. County general purpose obligations do not include revenue bonds issued by the County with respect to the airports. For 2005, total debt of the County, which includes general purpose and Airport revenue bond obligations, was $ 627 million. As of December 31, 2005, approximately $ 147.2 million or 24.0 percent of the County's outstanding general purpose and revenue 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.

Milwaukee County has maintained its ratings from Fitch IBCA, Moody's Investors Service, and Standard & Poor's Corporation on general obligation bond issues. Any explanations of the significance of ratings may be obtained from the rating agencies.

| Fitch IBCA | Moody's Investors Service | Standard & Poor's |
|---|---|---|
| AA | Aa3 | AA |

In September 2003, the County authorized, but did not issue, general obligation promissory notes in the principal amount of $14.22 million pursuant to the Credit Assistance agreement with a local company. These promissory notes would be issued in the event that the company defaults on Industrial Revenue Bonds issued within the last ten years to construct maintenance facilities for the company. In return for the credit assistance, the County obtained a mortgage on these maintenance facilities and $4.9 million of debt reserves. Community Development Block Grant funds for economic development, from the State of Wisconsin, provided $4.0 million of

the reserve funds. These reserve funds accrue interest and are now at a balance of $5.2 million.

In 2004, the County provided a guarantee totaling $ 1.0 million of the $ 3.2 million loan of a non-profit corporation, for the purchase of a building.

On November 17, 2005, the County issued $24.61 million of General Obligation Corporate Purpose Bonds. These bonds were used for various capital improvement projects of the County including highways and bridges, parks improvements, building improvements and the replacement of buses and other vehicles.

**Cash Management and Investment Policies**

Milwaukee County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The County may purchase investment securities at prevailing market rates as allowed by Wisconsin State Statues (S.66.0603(1m)) and Milwaukee County Ordinance. To the extent possible, the County attempts to match its investments with anticipated cash flow requirements. In the absence of individual security maturity limitations specified in the State Statutes, the County does not directly invest in securities maturing more than ten years from the date of purchase. County policy requires that direct investment in public depository securities is further limited to a maximum investment, per institution of $500,000 at one time, unless an acceptable form of collateral, surety, or other guarantee exists assuring the principal repayment to the County. The County's investment policy 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.

The Pension Trust fund's available cash is held separately by an outside trustee and is invested in various types of investments deemed appropriate by the Pension Board.

**Risk Management**

As stated in Note 10 in the notes to the financial statements, 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, loss control, and insurance-related activities of the County and its employees. The Risk Management Fund minimizes risk through the use of various risk control strategies. The County is self-insured for worker's compensation. County management believes that assets of the Risk Management Fund together with the commercial insurance companies' coverage will be adequate to meet insurance claims as they come due.

### Pension Trust Fund Operations

The Pension Trust Fund ("Retirement System") accounts for the activities of the Employees' Retirement System ("ERS") and the OBRA 1990 Retirement System ("OBRA"). The ERS is a non-contributory single employer defined benefit pension plan that covers substantially all of its full-time employees. The OBRA (Omnibus Budget Reconciliation Act) 1990 Retirement System is also a non-contributory single employer defined benefit pension plan that covers the County's seasonal and certain temporary employees (see Note 15 to the financial statements). Assets of OBRA are commingled for investment purposes, with the assets of the ERS in the Retirement System. A complete financial report is available from the Pension Board that includes the Retirement Systems financial statements and required supplementary information.

## F) OTHER INFORMATION

### Independent Audit

The accounting firm of Virchow Krause & Company, LLP was engaged to perform an audit of the basic financial statements and to issue a report on internal controls and compliance with laws and regulations for the County. The auditors' report on the basic financial statements is included in this comprehensive annual financial report.

The selection of the independent audit firm was developed by a committee composed of representatives from the Department of Audit, County Controller's office, and two representatives from at-large departments. A request for proposal was submitted to all eligible firms. The firms who wanted to propose on the County audit submitted bids that were reviewed and ranked by the committee. The County Board and County Executive then approved the contract of the successful bidder.

The audit was performed to provide reasonable assurance that the financial statements are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2005 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of the CAFR.

The accounting firm of Coleman & Williams, Ltd. has issued reports on its audit of Federal and State grants. The Single Audit Report, covering Federal and State financial assistance, has been issued under separate cover.

## Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the year ended December 31, 2004. This was the twenty-fifth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Acknowledgements

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Department of Administrative Services, Fiscal Affairs Division, the assistance of personnel in the various departments and through the competent service of the independent public accountants as well as the Department of Audit. We would like to express our appreciation to all persons who assisted in its preparation.

Respectfully submitted,

Stephen J. Agostini

Stephen Agostini, Fiscal and Budget Administrator
Department of Administrative Services

Scott Walker
County Executive

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## County of Milwaukee, Wisconsin

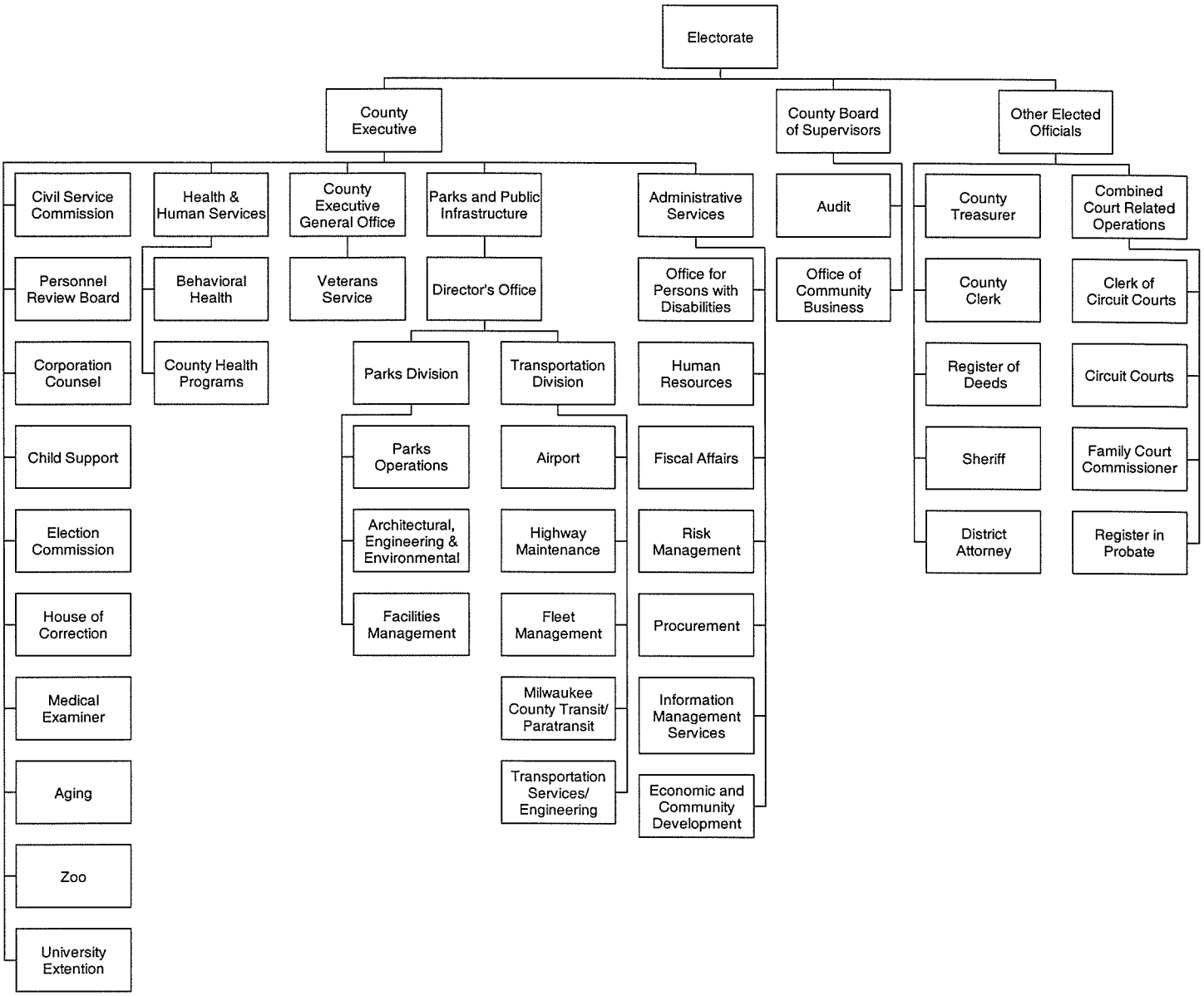
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

# County of Milwaukee
# Organization Chart



## COUNTY OF MILWAUKEE

## LIST OF PRINCIPAL OFFICIALS

### ELECTED

| | | |
|---|---|---|
| County Executive | - | Scott Walker |
| County Treasurer | - | Daniel Diliberti |
| District Attorney | - | E. Michael Mc Cann |
| County Clerk | - | Mark Ryan |
| Clerk of Courts | - | John Barrett |
| Sheriff | - | David Clarke Jr. |
| Register of Deeds | - | John La Fave |

### Supervisors and Their District by Number

**1-** James G. White
**2-** Toni M. Clark
**3-** Gerry P. Broderick
**4-** Marina Dimitrijevic
**5-** Lee Holloway
**6-** Joseph Rice
**7-** Michael Mayo, Sr.
**8-** Ryan P. McCue
**9-** Paul M. Cesarz
**10-** Elizabeth M. Coggs-Jones
**11-** Mark A. Borkowski
**12-** Peggy West
**13-** Willie Johnson, Jr.
**14-** Richard D. Nyklewicz, Jr.
**15-** Lynne D. De Bruin
**16-** John F. Weishan, Jr.
**17-** Dan Devine
**18-** Roger H. Quindel
**19-** Jim Schmitt

### APPOINTED

| Departments | Title | |
|---|---|---|
| Human Services | Director | Rob Henken |
| Mental Health Division | Administrator | Jim Hill |
| Circuit Courts | Chief Judge | Kitty K. Brennan |
| Corporation Counsel | Corporation Counsel | William Domina |
| Administration | Director | Linda Seemeyer |
| Audit | Director | Jerome Heer |
| Labor Relations | Director | Troy Hamblin |
| Human Resources | Director | Charles Mc Dowell |
| Park and Public Infrastructure | Director | Vacant |
| Parks and Public Infrastructure | Transportation Superintendent | George A. Torres |
| Family Court Commissioner | Commissioner | Michael J. Bruch |

## COUNTY OF MILWAUKEE

## LIST OF PRINCIPAL OFFICIALS

### APPOINTED Continued

| Departments | Title | |
|---|---|---|
| House of Correction | Superintendent | Ronald Malone |
| Medical Examiner | Medical Examiner | Dr. Jeffrey Jentzen |
| Parks and Public Infrastructure | Parks Superintendent | Susan Black |
| Register in Probate | Register in Probate | Robert R. Knoll |
| Zoological Department | Director | Charles Wikenhauser |

# FINANCIAL SECTION

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Other Supplementary Information

Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of and for the year ended December 31, 2005, which collectively comprise the County of Milwaukee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Milwaukee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Milwaukee County War Memorial Center, Inc., the Private Industry Council of Milwaukee County Inc., A Workforce Development Board and the Milwaukee County Research Park Corporation, which represent 20 percent and 60 percent, respectively, of the assets and the operating revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Milwaukee County War Memorial Center, Inc., the Private Industry Council of Milwaukee County Inc., A Workforce Development Board and the Milwaukee County Research Park Corporation, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions. The financial statements of the Milwaukee County War Memorial Center, Inc. and the Milwaukee County Research Park Corporation were not audited in accordance with *Government Auditing Standards*.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have issued our report dated June 19, 2006 on our consideration of the County of Milwaukee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and schedules of funding progress and employer contributions – Employees' Retirement System on pages 26 through 45 and pages 128 through 129, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

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

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

Virchow, Krause & Company, LLP

Milwaukee, Wisconsin
June 19, 2006

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## Management's Discussion and Analysis
### Required Supplementary Information

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

# FINANCIAL HIGHLIGHTS:

## Highlights for Government-wide Financial Statements

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

- The County's assets exceeded its liabilities by $ 447,824 on a government-wide basis as of December 31, 2005. The unrestricted net assets of the County were a negative $ 18,306.
- For the fiscal year, taxes and other revenues of the County's governmental activities amounted to $ 888,280. Expenses amounted to $ 884,469 (includes operating transfers out of $ 52,809).

- For the fiscal year, revenues of the County's business-type activities were $ 311,966, and expenses were $ 373,750. The Behavioral Health Division and the Transit System are budgeted to receive and then are provided annually operating transfers from the General Fund to offset the shortfall between revenues and expenses. Operating transfers to theses funds were $ 52,809 for 2005.

## Highlights for Fund Financial Statements

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

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

# FINANCIAL HIGHLIGHTS (continued)

## Highlights for Fund Financial Statements (continued)

- At the end of the 2005 fiscal year, unreserved fund balance for the General Fund was $4,404 or 0.6% of total General Fund expenditures. At the end of the 2004 fiscal year the unreserved fund balance of the General Fund was $ 3,692.

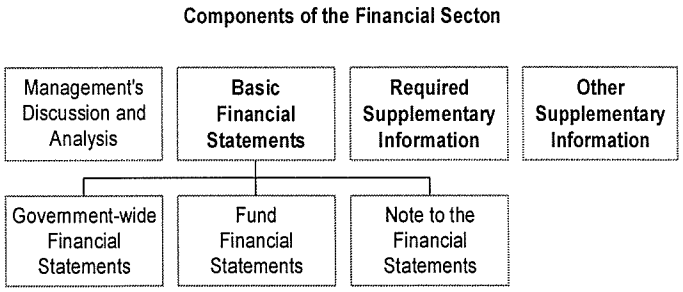
- The County's enterprise funds had combined net assets of $213,757, as of December 31, 2005, compared to $ 222,732, as of December 31, 2004.

## General Financial Highlights

- In November 2005, the County issued $ 24,610 of General Obligation Bonds to finance various capital needs. The County also issued $63,025 of General Obligation Refunding Bonds to refund portions of the County's General Obligation Corporate Purpose Bonds and General Obligation Building Bonds.

- In December 2005, the Airport, an enterprise fund of the County, issued $ 29,010 of revenue bonds for improvements to two concourses at General Mitchell International Airport. The Airport also issued $7,755 of Airport Revenue Refunding Bonds to refund certain general obligations bonds.

# OVERVIEW OF THE FINANCIAL STATEMENTS




This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The financial section of this annual report consists of four parts: (1) management's discussion and analysis (presented here), (2) basic financial statements that includes the government-wide financial statements, fund financial statements and notes to the financial statements, (3) required supplementary information, and (4) other supplementary information.

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

### Government-wide Financial Statements

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

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

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

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

### Government-wide Financial Statements (continued)

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

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

### Fund Financial Statements

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

#### *Governmental funds*

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

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

## Fund Financial Statements (continued)

### *Governmental funds (continued)*

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

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

### *Proprietary funds*

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

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

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

### *Fiduciary funds*

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

## Fund Financial Statements (continued)

### *Fiduciary funds (continued)*

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

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

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

### *Notes to the Financial Statements*

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

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

## Required Supplementary Information

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

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

## Other Supplementary Information.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

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## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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

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

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

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

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# GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

## Statement of Activities

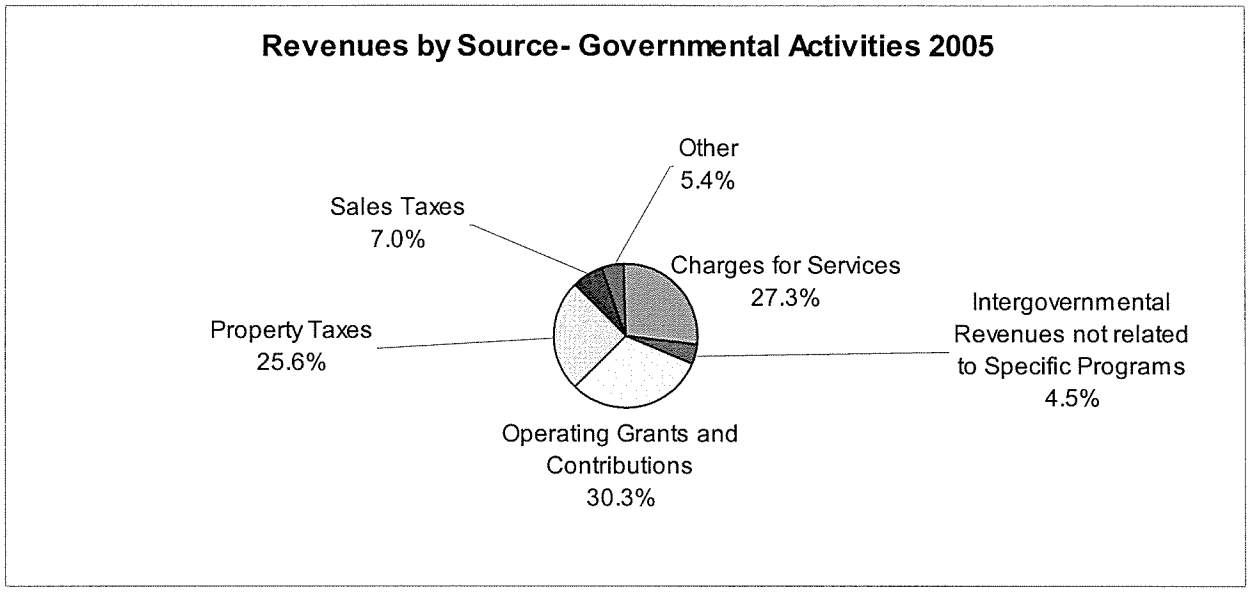
The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2005 and 2004:

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

### Governmental Activities




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

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

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

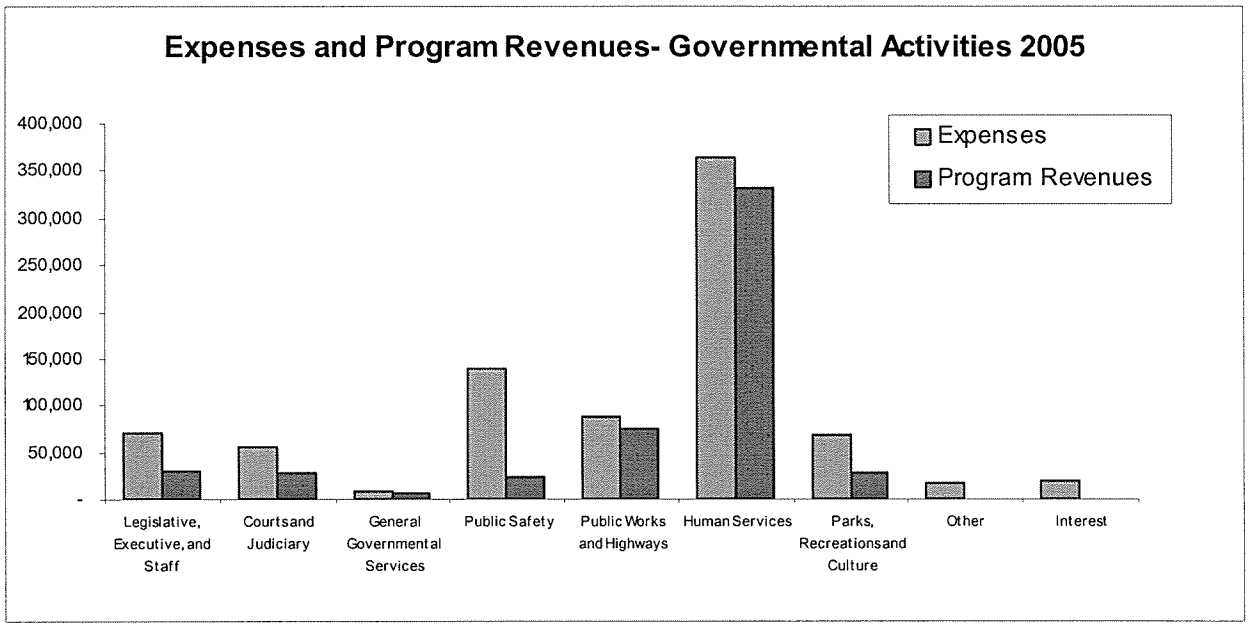
Total cost of all of the County's governmental activities for the fiscal year 2005 was $ 831,660, representing an increase of $ 41,672 over 2004 activity. As the chart indicates below, human services continue to be the County's largest program. Human services cost was $ 363,558, an increase of $ 18,307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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

### Governmental Activities (continued)

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

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



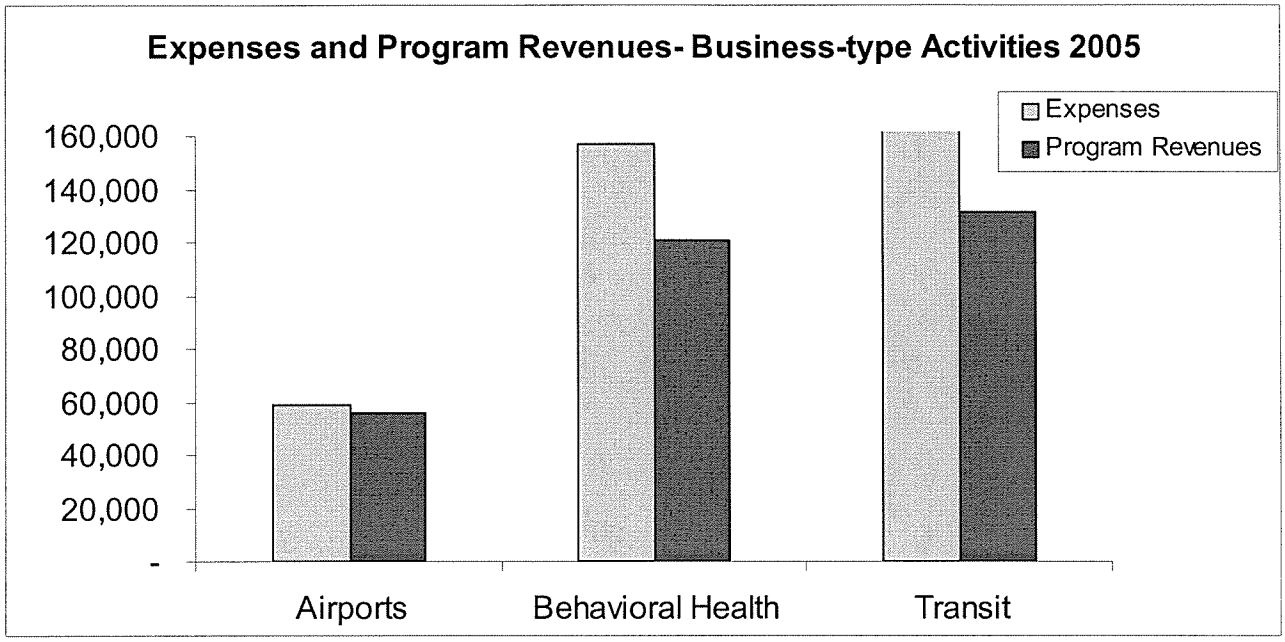

### Business-type activities

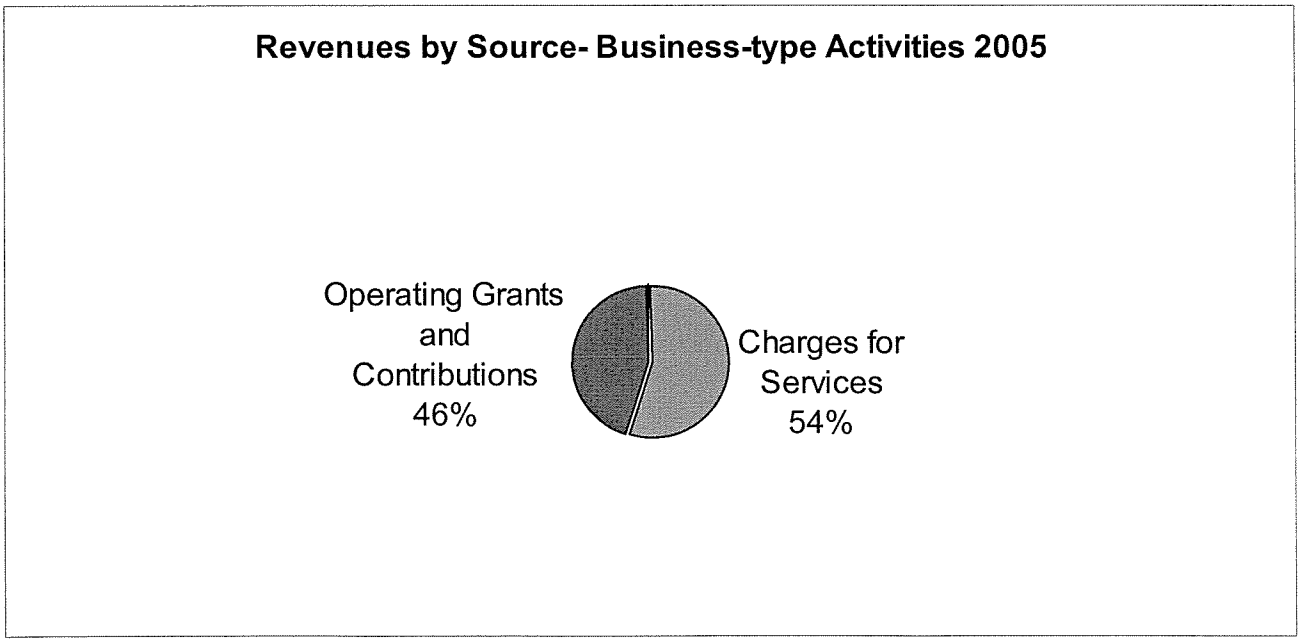
The Airports recover 94% of all costs of operation from fees charged to airlines for use of the airports, including fees received from ancillary services of the airports. Operating transfers are negligible for the Airports. The DHHS Behavioral Health Division, and Transit System require operating transfers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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

### Business-type activities (continued)

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



## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

**Governmental funds.**

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

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

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

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

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

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

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

### Governmental funds (continued).

and due to reduced capital funding.

### Proprietary funds.

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

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

## GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

## GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

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

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

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

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

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

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

## GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

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

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

- The net carryover of revenue associated with capital outlay budgets and certain grants of $ 5,755.

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

## GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

### Capital Assets (continued)

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

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

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

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

### Long-term debt

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

### Long-term debt (continued)

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

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

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

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

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

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

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

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

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

### Request for Information

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

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# BASIC FINANCIAL STATEMENTS

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

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash and Investments | $ 91,354 | $ 61,907 | $ 153,261 | $ 3,308 |
| Cash and Investments -- Restricted | 36,405 | 43,493 | 79,898 | - |
| Receivables: | | | | |
| Accounts (Net of Allowances for Doubtful Accounts) | 1,928 | 19,694 | 21,622 | 1,612 |
| Property Taxes: | | | | |
| Current Levy | 233,430 | - | 233,430 | - |
| Delinquent | 7,988 | - | 7,988 | - |
| Accrued Interest and Dividends | 4,157 | - | 4,157 | - |
| Notes | 3,410 | - | 3,410 | - |
| Other | 8,339 | 2,329 | 10,668 | - |
| Due From Other Governments | 57,527 | 4,853 | 62,380 | - |
| Inventories | 1,700 | 3,425 | 5,125 | 109 |
| Prepaid Items | 3,108 | 347 | 3,455 | 218 |
| Other Assets | - | 247 | 247 | - |
| Total Current Assets | 449,346 | 136,295 | 585,641 | 5,247 |
| Noncurrent Assets: | | | | |
| Contributions Receivable | - | - | - | 34 |
| Notes Receivable | 5,135 | - | 5,135 | - |
| Deferred Charges | 406 | - | 406 | - |
| Other Assets | - | - | - | 1,347 |
| Capital Assets (Net) | | | | |
| Land | 59,520 | 22,441 | 81,961 | 513 |
| Construction in Progress | 72,831 | 70,610 | 143,441 | 580 |
| Land Improvements | 195,883 | 124,102 | 319,985 | - |
| Buildings and Improvements | 555,254 | 323,919 | 879,173 | 21,633 |
| Machinery, Vehicles and Equipment | 115,080 | 163,619 | 278,699 | 9,978 |
| Infrastructure | 128,289 | - | 128,289 | - |
| Less: Accumulated Depreciation | (494,244) | (354,062) | (848,306) | (8,333) |
| Total Capital Assets (Net) | 632,613 | 350,629 | 983,242 | 24,371 |
| Total Noncurrent Assets | 638,154 | 350,629 | 988,783 | 25,752 |
| Total Assets | $ 1,087,500 | $ 486,924 | $ 1,574,424 | $ 30,999 |
| **LIABILITIES** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | $ 37,455 | $ 9,230 | $ 46,685 | $ 3,176 |
| Accrued Liabilities | 41,256 | 3,926 | 45,182 | 1,500 |
| Accrued Interest Payable | 5,461 | 1,158 | 6,619 | 69 |
| Accrued Pension Payable | 35,735 | - | 35,735 | - |
| Due to Other Governments | 1,006 | 3,066 | 4,072 | - |
| Unearned Revenues | 235,367 | 10,760 | 246,127 | 843 |
| Bonds and Notes Payable | 34,923 | 17,692 | 52,615 | 406 |
| Unfunded Claims and Judgments | 3,874 | - | 3,874 | - |
| Landfill Postclosure Costs | 1,569 | - | 1,569 | - |
| Compensated Absences Payable | 23,865 | 10,482 | 34,347 | - |
| Other Current Liabilities | 1 | 3,469 | 3,470 | 318 |
| Total Current Liabilities | 420,512 | 59,783 | 480,295 | 6,312 |
| Noncurrent Liabilities: | | | | |
| Bonds and Notes Payable | 385,751 | 41,225 | 426,976 | 23,009 |
| Bonds and Notes Payable -- Revenue Bonds | - | 146,987 | 146,987 | - |
| Unfunded Claims and Judgments | 9,250 | - | 9,250 | - |
| Landfill Postclosure Costs | 12,210 | - | 12,210 | - |
| Compensated Absences Payable | 25,710 | 15,434 | 41,144 | - |
| Capital Leases | - | - | - | 651 |
| Accrued Pension and Postretirement Benefits | - | 9,738 | 9,738 | 7,712 |
| Total Noncurrent Liabilities | 432,921 | 213,384 | 646,305 | 31,372 |
| Total Liabilities | 853,433 | 273,167 | 1,126,600 | 37,684 |
| **NET ASSETS** | | | | |
| Unrestricted (Deficit) | (44,305) | 25,999 | (18,306) | (10,529) |
| Restricted for: | | | | |
| Debt Service | 2,415 | 10,328 | 12,743 | - |
| Capital Asset Needs | - | 3,414 | 3,414 | - |
| Airport PFC | 34,155 | - | 34,155 | - |
| Other | 1,845 | - | 1,845 | 3,308 |
| Invested in Capital Assets, Net of Related Debt | 239,957 | 174,016 | 413,973 | 536 |
| Total Net Assets | 234,067 | 213,757 | 447,824 | (6,685) |
| Total Liabilities and Net Assets | $ 1,087,500 | $ 486,924 | $ 1,574,424 | $ 30,999 |

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

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

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Component Units |
| **Functions / Programs** | | | | | | | | |
| **Primary Government:** | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Legislative, Executive and Staff | $ (70,546) | $ 10,494 | $ 19,733 | $ 3,484 | $ (36,835) | $ - | $ (36,835) | $ - |
| Courts and Judiciary | (56,517) | 3,527 | 23,272 | - | (29,718) | - | (29,718) | - |
| General Governmental Services | (8,152) | 7,144 | 100 | - | (908) | - | (908) | - |
| Public Safety | (138,885) | 3,938 | 19,133 | - | (115,814) | - | (115,814) | - |
| Public Works and Highways | (88,133) | 29,524 | 37,612 | (74) | (21,071) | - | (21,071) | - |
| Human Services | (363,558) | 163,613 | 169,708 | - | (30,237) | - | (30,237) | - |
| Parks, Recreation and Culture | (69,150) | 25,639 | 1,227 | - | (42,284) | - | (42,284) | - |
| Other | (19,222) | - | - | - | (19,222) | - | (19,222) | - |
| Interest | (17,497) | - | - | - | (17,497) | - | (17,497) | - |
| Total Governmental Activities | (831,660) | 243,880 | 270,785 | 3,410 | (313,585) | - | (313,585) | - |
| Business-Type Activities: | | | | | | | | |
| Airport | (58,894) | 55,599 | 312 | 7,371 | - | 4,388 | 4,388 | - |
| Behavioral Health | (157,233) | 59,870 | 61,136 | (826) | - | (37,053) | (37,053) | - |
| Transit | (157,623) | 47,757 | 79,133 | 582 | - | (30,151) | (30,151) | - |
| Total Business-Type Activities | (373,750) | 163,226 | 140,581 | 7,127 | - | (62,816) | (62,816) | - |
| **Total Primary Government** | $ (1,205,410) | $ 407,106 | $ 411,366 | $ 10,537 | (313,585) | (62,816) | (376,401) | - |
| **Component Units:** | | | | | | | | |
| Museum | $ (26,267) | $ 7,556 | $ 3,598 | $ - | - | - | - | (15,113) |
| War Memorial Center | (7,022) | 2,010 | 2,858 | - | - | - | - | (2,154) |
| Private Industry Council | (15,399) | 118 | 15,129 | - | - | - | - | (152) |
| Research Park Corporation | (1,452) | 743 | - | - | - | - | - | (709) |
| Total Component Units | $ (50,140) | $ 10,427 | $ 21,585 | $ - | - | - | - | (18,128) |
| General Revenues: | | | | | | | | |
| Property Taxes | | | | | 228,628 | - | 228,628 | - |
| Sales Taxes | | | | | 62,673 | - | 62,673 | - |
| Intergovernmental Revenues Not Related to Specific Program | | | | | 40,242 | - | 40,242 | - |
| Investment Income | | | | | 4,839 | 1,001 | 5,840 | 4,611 |
| Gain on Sale of Capital Assets | | | | | 93 | 31 | 124 | - |
| Other -- Revenue | | | | | 33,730 | - | 33,730 | 1,992 |
| Transfers | | | | | (52,809) | 52,809 | - | - |
| Total General Revenues and Transfers | | | | | 317,396 | 53,841 | 371,237 | 6,603 |
| Change in Net Assets | | | | | 3,811 | (8,975) | (5,164) | (11,525) |
| Net Assets -- Beginning | | | | | 230,256 | 222,732 | 452,988 | 4,840 |
| Net Assets -- Ending | | | | | $ 234,067 | $ 213,757 | $ 447,824 | $ (6,685) |

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

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

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

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

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

| | | |
|---|---|---|
| Total Fund Balances for Governmental Funds as of 12/31/05 | $ | 71,468 |
| **Total net assets reported for governmental activities in the statement of net assets is different because of the following:** | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets, except for internal service funds, consist of: | | |
| Land | | 58,138 |
| Land Improvements | | 184,961 |
| Buildings and Improvements | | 462,914 |
| Machinery, Vehicles and Equipment | | 46,716 |
| Infrastructure | | 128,289 |
| Construction in Progress | | 54,689 |
| Less: Accumulated Depreciation | | (365,297) |
| Internal service funds are used by management to charge costs associated with risk management, data processing services and public works services including fleet management and facilities management. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are: | | 21,061 |
| Amounts to be collected under long-term receivables are not available to pay for the current period expenditures, and therefore are reported as deferred in the funds. | | 15,194 |
| Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate liabilities. These liabilities, except internal service fund liabilities, consist of: | | |
| Bonds Payable | | (377,570) |
| Unamortized Debt Issue Costs | | 406 |
| Compensated Absences -- Long-Term | | (34,991) |
| Landfill Postclosure Costs | | (13,779) |
| Unfunded Claims and Judgments | | (13,124) |
| Interest on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due. These liabilities are reported in the statement of net assets. | | (5,008) |
| Total Net Assets of Governmental Activities as of 12/31/05 | $ | 234,067 |

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

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

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

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

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

| | | |
|---|---|---|
| Net change in fund balances -- total governmental funds | $ | 18,849 |
| **Amounts reported for governmental activities in the statement of activities are different because:** | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities. | | |
| Capital outlay is reported as an expenditure in the fund financial statements | | 48,182 |
| Items reported as capital outlay that were not capitalized | | (21,796) |
| Depreciation reported in the government-wide statements | | (27,496) |
| Net book value of assets retired | | (2,871) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (156) |
| Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | |
| Debt issued | | (73,285) |
| Principal repaid | | 79,478 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds in reported with governmental activities. | | (4,547) |
| Principal payments reduce notes receivable on the Statement of Net Assets but are reported as revenues in the funds. | | (3,397) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | | |
| Accrued Interest Payable | | (97) |
| Amortization of Bond Costs | | (1,122) |
| Pension Obligations | | (2,000) |
| Unfunded Claims and Judgments | | (100) |
| Landfill Postclosure Costs | | (2,079) |
| Compensated Absences | | (3,752) |
| Change in net assets of governmental activities | $ | 3,811 |

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

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

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

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

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

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

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

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

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

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

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

| | Business-Type Activities -- Enterprise Funds | | | | Governmental Activities -- Internal Service Funds |
|---|---|---|---|---|---|
| | Airports | Behavioral Health Division | Transit System | Total | |
| Cash Flows Provided (Used) by Operating Activities: | | | | | |
| Receipts from Customers and Users | $ 52,971 | $ 56,662 | $ 61,999 | $ 171,632 | $ 40,381 |
| Payments to Suppliers | (15,050) | (80,136) | (39,765) | (134,951) | (25,404) |
| Payments to Employees | (14,076) | (69,708) | (106,858) | (190,642) | (36,535) |
| Payments for Interfund Services Used | (9,207) | (3,792) | (793) | (13,792) | (2,683) |
| Net Cash Flows Provided (Used) by Operating Activities | 14,638 | (96,974) | (85,417) | (167,753) | (24,241) |
| Cash Flows Provided (Used) by Noncapital Financing Activities: | | | | | |
| Intergovernmental Revenues | 312 | 61,136 | 79,133 | 140,581 | 710 |
| Transfers From Other Funds | 39 | 36,226 | 23,619 | 59,884 | 34,786 |
| Transfers (To) Other Funds | (1,301) | (1,445) | (5,155) | (7,901) | (7,435) |
| Net Cash Flows Provided (Used) by Noncapital Financing Activities | (950) | 95,917 | 97,597 | 192,564 | 28,061 |
| Cash Flows Provided (Used) by Capital and Related Financing Activities: | | | | | |
| Principal Payment on Bonds | (10,063) | (218) | (904) | (11,185) | (5,447) |
| Interest Paid on Bonds | (5,634) | (205) | (992) | (6,831) | (1,516) |
| Proceeds from Bonds | 36,652 | 1,065 | 993 | 38,710 | 5,522 |
| Acquisition of Capital Assets | (23,408) | (253) | (1,057) | (24,718) | (5,615) |
| Net Cash Flows Provided (Used) by Capital and Related Financing Activities | (2,453) | 389 | (1,960) | (4,024) | (7,056) |
| Cash Flows Provided (Used) by Investing Activities: | | | | | |
| Investment Income | 1,001 | - | - | 1,001 | - |
| Net Cash Flows Provided (Used) by Investing Activities | 1,001 | - | - | 1,001 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | 12,236 | (668) | 10,220 | 21,788 | (3,236) |
| Cash and Cash Equivalents at Beginning of Year | 60,871 | 7,228 | 15,513 | 83,612 | 21,177 |
| Cash and Cash Equivalents at End of Year | $ 73,107 | $ 6,560 | $ 25,733 | $ 105,400 | $ 17,941 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities** | | | | | |
| Operating Income (Loss) | $ 2,793 | $ (97,155) | $ (108,810) | $ (203,172) | $ (30,398) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities: | | | | | |
| Depreciation and Amortization | 13,751 | 730 | 13,083 | 27,564 | 8,237 |
| (Increase) Decrease in Assets: | | | | | |
| Accounts Receivable | (4,494) | (5,351) | 18 | (9,827) | (11) |
| Other Receivables | - | (2) | 180 | 178 | - |
| Due From Other Governments | - | 2,474 | 13,679 | 16,153 | (58) |
| Inventories | - | 30 | (1,345) | (1,315) | 195 |
| Prepaid Items | - | - | (45) | (45) | 11 |
| Other Assets | - | - | (91) | (91) | - |
| Increase (Decrease) in Liabilities: | | | | | |
| Accounts Payable | 716 | (84) | 437 | 1,069 | (842) |
| Accrued Liabilities | (1,086) | (5,824) | (4,519) | (11,429) | (4,426) |
| Due To Other Governments | (40) | 3,066 | - | 3,026 | - |
| Deferred Revenues | 1,868 | (329) | 425 | 1,964 | (2) |
| Compensated Absences | 1,092 | 5,237 | 3,379 | 9,708 | 3,053 |
| Other Liabilities | 38 | 234 | (1,808) | (1,536) | - |
| Total Adjustments | 11,845 | 181 | 23,393 | 35,419 | 6,157 |
| Net Cash Flows Provided (Used) by Operating Activities | $ 14,638 | $ (96,974) | $ (85,417) | $ (167,753) | $ (24,241) |
| **Noncash investing, financing, and related activities:** | | | | | |
| Capital assets contributed from/(to) the general government | $ 7,371 | $ - | $ 582 | $ 7,953 | $ 3,484 |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Note 1-Summary of Significant Accounting Policies

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

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

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

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

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

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

### A. The Reporting Entity

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

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

#### Component Units

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

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

### A. The Reporting Entity (Continued)

#### Component Units (Continued)

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

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

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

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

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

### A. The Reporting Entity (Continued)

#### Component Units (Continued)

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

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

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

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

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

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

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

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

### A. The Reporting Entity (Continued)

#### Related Organizations

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

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

### B. Measurement Focus and Basis of Accounting

#### Government-Wide Financial Statements

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

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

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

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

### B. Measurement Focus and Basis of Accounting (Continued)

#### Government-Wide Financial Statements (Continued)

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

#### Fund Financial Statements

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

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

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

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

### B. Measurement Focus and Basis of Accounting (Continued)

#### All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

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

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

#### Proprietary Funds

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

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

### B. Measurement Focus and Basis of Accounting (Continued)

#### Proprietary Funds (Continued)

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

Proprietary funds separate all activity into two categories: operating and non-operating revenues and expenses. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Proprietary fund operating expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and noncapital financing activities and investing activities.

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

#### Fiduciary Funds

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

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

### C. Basis of Presentation

**The County has presented the following major governmental funds:**

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

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

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

**The County has presented the following major proprietary funds:**

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

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

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

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

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

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

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

### C. Basis of Presentation (Continued)

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

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

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

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

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

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

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

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

### D. Assets, Liabilities and Net Assets or Equity

#### 1. Deposits and Investments

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

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

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

### 1. Deposits and Investments (Continued)

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

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

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

### 2. Receivables

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

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

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

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

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

### 2. Receivables (Continued)

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

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

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

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

### 3. Inventory and Prepaid Items

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

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

### 4. Restricted Assets

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

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

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

### 4. Restricted Assets (Continued)

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

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

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

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

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

### 5. Capital Assets

#### Government-wide Statements

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

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

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

### 5. Capital Assets (Continued)

#### Government-wide Statements (Continued)

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

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

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

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

| Assets | Years |
|---|---|
| Buildings | 40-50 |
| Land Improvements | 20-25 |
| Vehicles | 5-12 |
| Office Equipment | 5-10 |
| Building Improvements | 20 |
| Infrastructure | 20 |
| Computer Equipment | 5 |

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

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

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

### 5. Capital Assets (Continued)

#### Government-wide Statements (Continued)

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

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

#### Fund Financial Statements

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

### 6. Compensated Absences

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

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

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

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

### 6. Compensated Absences (Continued)

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

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

### 7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Gains and losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. Bonds payable are reported net of the applicable bond premium or discount and gains or losses, as applicable. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

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

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

### 8. Equity Classifications

**Government-wide Statements**

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

a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.

b. Restricted net assets- Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**Fund Statements**

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

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

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

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

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

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

### 8. Equity Classifications (Continued)

**Fund Statements (Continued)**

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

### 9. Allowance for Doubtful Accounts

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

### 10. Capitalization of Interest

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

### 11. Obligation for Bond Arbitrage Rebate

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

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

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

#### 12. Landfill Post-Closure Costs

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

#### 13. Capital Contributions

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

#### 14. Deferred Revenues

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

#### 15. Pension Obligations

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

#### 16. Encumbrances

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

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

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

### 16. Encumbrances (Continued)

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

### 17. Claims and Judgments

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

## Note 2- Stewardship, Compliance, and Accountability

### Budgetary Information

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

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

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

### Budgetary Information (Continued)

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

### Budgetary Basis of Accounting

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

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

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

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

### County Tax Rate Limit (Amounts Expressed in Dollars)

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

## Note 3- Deposits and Investments

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

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

[This section intentionally left blank]

## Note 3- Deposits and Investments (Continued)

**Reconciliation of Cash and Investments:**

| | | |
|---|---|---|
| **Statement of Net Assets:** | | |
| Cash and Investments | | $ 153,261 |
| Cash and Investments- Restricted | | 79,898 |
| | **Subtotal** | **233,159** |
| **Statement of Fiduciary Net Assets:** | | |
| Cash and Investments | | |
| Pension Trust Fund | | 1,523,183 |
| Agency Fund | | 23,524 |
| | **Total** | **$1,779,866** |

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

### Cash Deposits

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

### Custodial Credit Risk-Deposits

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

### Investments

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

## Note 3- Deposits and Investments (Continued)

### Investments (Continued)

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

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

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

### Custodial Credit Risk-Investments

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

## Note 3- Deposits and Investments (Continued)

### Interest Rate Risk-Investments

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

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

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

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

### Credit Risk-Investments

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

[This section intentionally left blank]

## Note 3- Deposits and Investments (Continued)

### Credit Risk-Investments (Continued)

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

### Concentration of Credit Risk-Investments

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

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

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

## Note 3- Deposits and Investments (Continued)

### Concentration of Credit Risk-Investments (Continued)

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

The County's investment policy also limits the use of reverse repurchase agreements to transactions with commercial banks located in the State of Wisconsin to a period of time on longer than 14 days. The County enters into reverse repurchase agreements for cash flow purposes only.

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

### Cash Deposits-Pension Trust Fund

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

### Custodial Credit Risk Deposits-Pension Trust Fund

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

### Investments-Pension Trust Fund

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

## Note 3- Deposits and Investments (Continued)

### Investments-Pension Trust Fund (Continued)

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

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

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

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

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

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## Note 3- Deposits and Investments (Continued)

### Interest Rate Risk-Investments Pension Trust Fund

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

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

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

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

### Credit Risk-Investments-Pension Trust Fund

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

## Note 3- Deposits and Investments (Continued)

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

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

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

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

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

## Note 3- Deposits and Investments (Continued)

### Concentration of Credit Risk-Investments-Pension Trust Fund

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

### Foreign Currency Risk Investments-Pension Trust Fund

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

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

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

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

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## Note 4- Receivables

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

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

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

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

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

All amounts are expected to be collected within one year.

## Note 4- Receivables (Continued)

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

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

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

**Deferred Revenue - Governmental Activities:**

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

**Deferred Revenue - Business-Type Activities:**

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

## Note 5- Capital Assets

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

### Primary Government

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

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

| | |
|---|---|
| General Capital Assets, Net | $570,410 |
| Internal Service Fund Capital Assets, Net | 62,203 |
| **Total** | **$632,613** |

## Note 5- Capital Assets (Continued)

### Primary Government (Continued)

Depreciation was charged to governmental functions as follows:

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

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

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

## Note 5- Capital Assets (Continued)

### Primary Government (Continued)

Depreciation was charged to business-type activities as follows:

| | |
|---|---|
| Airport | $ 13,754 |
| Behavioral Health | 733 |
| Transit System | 13,083 |
| **Total** | **$ 27,570** |

### Discretely Presented Component Units

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

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

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

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

| | |
|---|---|
| Land | $ 170 |
| Building | 1,730 |
| Building Improvements | 861 |
| Furniture and Fixtures | 164 |
| Less: Accumulated Depreciation | (115) |
| **Capital Assets, Net** | **$ 2,810** |

## Note 5- Capital Assets (Continued)

### Construction Commitments

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

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

## Note 5- Capital Assets (Continued)

### Construction Commitments (Continued)

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

## Note 5- Capital Assets (Continued)

### Construction Commitments (Continued)

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

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

### Asset Impairment

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

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## Note 6- Interfund Transfers

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

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

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

## Note 7- Leases

### Operating Leases- Primary Government

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

| Year Ending December 31 | Amount |
|---|---|
| 2006 | $ 1,569 |
| 2007 | 1,277 |
| 2008 | 1,156 |
| 2009 | 934 |
| 2010 | 937 |
| | $ **5,873** |

## Note 8- Long-term Liabilities

### Changes in Long-term Liabilities

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

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

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

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

Compensated Absences consist of the following:

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

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

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

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

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

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

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

### Governmental Activities

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

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

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

### Governmental Activities (Continued)

**Governmental Activities**
**General Obligation Debt**

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

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

### Governmental Activities (Continued)

**Governmental Activities**
**General Obligation Debt**

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

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

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

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

### Governmental Activities (Continued)

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

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

| | |
|---|---|
| Highways and Bridges | $ 1,565 |
| Transit, Parks Rec and Culture, Health & Human Services, & General Government | 22,970 |
| Parks, Recreational and Cultural Facilities | 75 |
| **Total** | $ 24,610 |

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

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

### Business-type Activities

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

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

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

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

### Business-type Activities (Continued)

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

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

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

### Business-type Activities (Continued)

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

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

### Business-type Activities- Revenue Bonds

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

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

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

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

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

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

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

### Advance and Current Refundings

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

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

### Advance and Current Refundings (Continued)

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

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

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

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

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

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

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

### Prior-Year Defeasance of Debt

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

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

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

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

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

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

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

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

## Note 9- Net Assets

### Governmental Activities

Restricted net assets consist of the following:

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

### Business-type Activities

Restricted net assets consist of the following:

| | | |
|---|---|---|
| Net Assets- Restricted for Revenue Bonds | $ | 10,328 |
| Net Assets- Restricted for Capital Asset Needs at the Airport | | 3,414 |
| **Total** | **$** | **13,742** |

### Discretely Presented Component Units

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

| | | |
|---|---|---|
| Restricted Building Account-War Memorial | $ | 36 |
| Research Development Fund-Research Park | | 104 |
| **Total** | **$** | **140** |

[This section intentionally left blank]

## Note 9- Net Assets (Continued)

### Discretely Presented Component Units (Continued)

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

**Temporarily Restricted**

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

**Permanently Restricted**

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

## Note 10- Risk Management

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

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

## Note 10- Risk Management (Continued)

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

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

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

## Note 11- Related Party Transactions

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

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

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

## Note 11- Related Party Transactions (Continued)

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

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

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

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

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

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

## Note 11- Related Party Transactions (Continued)

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

## Note 12- Subsequent Events

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

## Note 13- Commitments and Contingencies

### Claims and Other Legal Proceedings

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

### Storm and Sanitary Sewer System

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

## Note 13- Commitments and Contingencies (Continued)

### Intergovernmental Awards

Intergovernmental awards are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the County may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, would not be material to the accompanying government-wide and fund financial statements at December 31, 2005.

## Note 14- Other Post-employment Benefits

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

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

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

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

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

## Note 15-Employee Retirement Systems and Pension Plans

### Plan Description and Provisions

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

**Employees' Retirement System of the County of Milwaukee ("ERS") –** Substantially all full-time employees of the County are participants in the ERS, which was created by Section 201.24 of the County Ordinances, and which is a single-employer defined benefit pension plan that is substantially non-contributory.

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

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

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

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

### Plan Description and Provisions (Continued)

times the participant's five-year final average monthly salary, as defined in labor agreements, multiplied by the number of years of credited service. The amount of normal retirement benefit payable for a participant whose continuous membership began after January 1, 1982 is as follows: 2.5% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan and DA investigators hired before July 1, 1995; 2% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan, DA investigators hired after June 30, 1995; 2% for elected officials, firefighters and non-represented firefighters beginning January 1, 1999; and 1.5% for all other participants, of the participant's three-year final average monthly salary, as defined in the Ordinance and labor agreements, multiplied by the number of years of credited service.

Those employees whose membership in the ERS began after December 31, 1981, or for a non-represented Deputy Sheriff, whose service began after June 30, 1995, will have all service credited after January 1, 2001 with a 2% multiplier. Also, for each year of pension service earned after January 1, 2001, eight years of service earned prior to January 1, 2001, shall be credited with an additional .5% multiplier.

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

Beginning in 2001, the ERS also provides for a "back drop" pension benefit that permits an employee to receive both a lump-sum cash payment and a monthly pension benefit upon retirement. The lump-sum cash payment is the total of the monthly pension benefits, adjusted for COLA increases, that a member will be entitled to from a prior date (back drop date) to the date that the member terminates employment plus interest compounded monthly. The backdrop date must be at least one year prior to the termination date and the member must have been eligible to retire as of that date. In addition the member will be entitled to a COLA adjusted monthly pension benefit as if the member had retired on the backdrop date. Non-represented employees and elected officials hired on or after March 15, 2002 are not eligible to receive the backdrop pension benefit and individuals elected after March 15, 2002 are not eligible to receive the additional .5% pension benefit multiplier. All benefit payments under the plan are subject to the limitations prescribed by Section 415 of the IRS Code.

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

### Plan Description and Provisions (Continued)

Participants should refer to applicable ordinances or labor agreements for more complete information.

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

**OBRA 1990 Retirement System of the County of Milwaukee (OBRA) –** The County established the OBRA 1990 Retirement System of the County of Milwaukee ("OBRA") to cover seasonal and certain temporary employees who are not enrolled in the ERS. The OBRA is a single-employer defined benefit pension plan that is non-contributory.

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

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

### Summary of Significant Accounting Policies- Pension Fund

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

**Expenses –** Administrative expenses incurred by the County related to the ERS are payable by the ERS to the County. Such expenses totaled $ 973 and $1,054 in 2005 and 2004, respectively.

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

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

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

cash investments are valued at cost, which approximates fair value. Investments in venture capital partnerships are valued at estimated fair value, as provided by the ERS's venture capital investment manager. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method. Assets of the OBRA are commingled for investment purposes with the assets of the ERS.

**Valuation of International Securities–** Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

**Security Lending –** The Milwaukee County Employees' Retirement System is authorized by County Ordinance and Board of Trustee policies to lend its investment securities. The ERS"s custodian manages the securities lending activity. The Securities Lending Agreement may be terminated at anytime by either party upon written notice to the other party. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior-period losses during the year. There are no income distributions owing on the securities lent. The average term of loans is one week.

The ERS participates in a security-lending program for the lending of corporate bonds, equity and government securities to qualified brokers. Collateral received for securities loaned consists primarily of cash. Other forms of collateral are letters of credit and government agency securities. Collateral for domestic issues is set at 102% of the fair value of the securities loaned at the time of the initial transaction. If the value falls to 100% of the fair value of the securities loaned, additional collateral is obtained to reestablish collateral at 102% of the fair value of the securities loaned. Collateral for international securities is maintained at a level of 105% of the fair value of securities loaned at all times. The net investment income earned on collateral is divided between the custodian, as a fee for its services under the programs and the ERS, according to agreed upon rates. For 2005 and 2004, the net investment income realized from the security lending was $ 318 and $ 291, respectively.

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

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

Securities loaned and the collateral held were as follows:

| | As of December 31 | |
|---|---|---|
| | 2005 | 2004 |
| Fair Value of Securities Loaned: | $ 126,529 | $ 111,030 |
| Fair Value of Collateral: | $ 130,135 | $ 114,406 |
| Percent Collateral to Securities Loaned: | 102.85% | 103.04% |

The collateral received from security lending transactions is recorded as assets at quoted fair value on the financial statement date. The ERS records an identical amount as a liability, representing the obligation of the ERS to return the collateral at the time the borrower of the ERS's securities returns those securities.

The collateral received from securities lending transactions includes cash of $ 126,947 and $ 111,140 and U.S. Treasury securities of $ 3,188 and $ 3,266, for the years ending December 31, 2005 and 2004, respectively. Under the terms of the securities lending agreement, the ERS has the right to sell or pledge the cash collateral. Non-cash collateral in the amount of $ 3,188 and $ 3,266 for years ended December 31, 2005 and 2004, respectively, is controlled by the custodian and, correspondingly, is not reflected in the financial statements.

### Actuarial Assumptions and Methods

The schedules of funding progress presented in the supplementary schedules were determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

[This section intentionally left blank]

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

### Actuarial Assumptions and Methods (Continued)

| | ERS | OBRA |
|---|---|---|
| Valuation Date | 1/1/06 | 1/1/06 |
| Actuarial Cost Method | Entry Age Normal | Unit Credit Method |
| Amortization Method | Level Percent of Payroll, Open | Level Percent of Payroll, Open |
| Remaining Amortization Period | 30 Years | 30 Years |
| Asset Valuation Method | 5-Year smoothing of difference between total expected return versus actual return | Market |
| **Actuarial Assumptions:** | | |
| Investment Rate of Return | 8.5% | 8.5% |
| Projected Salary Increases | 5.5% | 5.0% |
| Mortality | RP 2000 Morality Table | RP 2000 Morality Table |
| Inflation Rate | 3.0% | 3.0% |

### 2005 Changes in Plan Provisions or Actuarial Assumptions

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

### 2006 Changes in Plan Provisions or Actuarial Assumptions

- Increased annual compensation limit to $ 220,000.
- Increased annual benefit limit to $ 175,000.
- Decrease in the discount rate to 8.0%

### Contributions Required and Contributions Made

The ERS' funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages for annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Payroll contribution rates are determined using the Entry Age Normal method of funding. The ERS also uses the level percentage of payroll method to amortize the unfunded liability over a 30-year period in 2005. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

The County makes contributions to the ERS based upon actuarially determined contribution requirements, as well as additional contributions at the discretion of the County Board. Actuarially determined contribution requirements are set

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

### Contributions Required and Contributions Made (Continued)

during the County's budget process. The data available for the determination is based upon the prior fiscal year's demographics. The actuarially determined contribution requirements set during the budgeting process may differ from the annual required contribution (ARC) for the current period as a result of changes in plan provisions implemented subsequent to approval of the County budget. During the year, the ERS accrues only those contributions that the County is statutorily required to pay. This consists of those contributions that were included in the County's current year budget and any additional contributions that may have been committed at the discretion of the County Board.

Three year Trend Information for the ERS and OBRA are as follows:

| | Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|---|
| ERS | 12/31/05 | $ 37,608 | 94.2% | $ - |
| | 12/31/04 | 33,248 | 105.7% | (2,000) |
| | 12/31/03 | 25,242 | 134.6% | - |

| | Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|---|
| OBRA | | | | |
| | 12/31/05 | $ 386 | 94.5% | $ - |
| | 12/31/04 | 338 | 103.1% | - |
| | 12/31/03 | 280 | 100.0% | - |

County contributions totaling $ 35,415 and $ 35,143 were recorded in 2005 and 2004 respectively. The 2005 contribution was less than and 2004 contribution was greater than the total actuarial required contribution using the Entry Age Normal method of funding with normal cost computed as a level percentage of pay. The County's contributions to the ERS were 18.0% and 16.8% of annual covered payroll for 2005 and 2004, respectively.

OBRA's funding policy provides for an annual County contribution at an actuarially determined rate. Liabilities and contributions are computed using the Unit Credit method of funding. OBRA also used the Unit Credit method to amortize the unfunded liability over a 30-year period. The actuarial accrued liability of OBRA at December 31, 2005 and 2004 was $3,530 and $ 2,872

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

### Contributions Required and Contributions Made (Continued)

respectively, leaving net assets available less than the actuarial accrued liability of ($ 2,440) and ($ 1,928) respectively. The County made contributions to the OBRA system totaling $ 365 in 2005.

## Note 16-New Accounting Pronouncements

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement establishes uniform financial reporting standards for other post employment benefits (OPEB) plans and is effective for fiscal periods beginning after December 15, 2005. The approach followed in this statement reflects differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, stand-alone financial reports of OPEB plans, the public employee retirement systems, or third parties that administer them. This statement also provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans that are not a trust fund. The County is currently studying the impact to the financial statements that GASB Statement No. 43 will impose. The County will implement Statement No. 43 beginning with the year ended December 31, 2006.

In May 2004, GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1." This statement amends the portions of NCGA (National Council on Governmental Accounting) Statement 1, Governmental Accounting and Financial Reporting Principles, which guide the preparation of the statistical section and is effective for fiscal periods beginning after June 15, 2005. This amendment adds new information that financial statement users have identified as important and eliminates certain previous requirements. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, to assess the economic condition of a government. The County will implement Statement No. 44 beginning with the fiscal year ended December 31, 2006.

In June 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits and is effective for fiscal periods beginning after December 15, 2006. Annual OPEB cost for most employers will be based on actuarially

## Note 16-New Accounting Pronouncements (Continued)

determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The County is currently studying the impact to the financial statements that implementing GASB Statement No. 45 will impose. The County will implement Statement No. 45 beginning with the fiscal year ended December 31, 2007.

# REQUIRED SUPPLEMENTARY INFORMATION

## Schedules of Funding Progress and Employer Contributions

## Employee's Retirement System

**Retirement System**

Substantially all full-time employees of the County are participants in the Employees' Retirement System of the County of Milwaukee (Retirement System), which is a single-employer defined benefit pension plan that is non-contributory.

**OBRA**

The County established the OBRA 1990 Retirement System of the County of Milwaukee to cover seasonal and certain temporary employees who are not enrolled in the Retirement System.

# County Of Milwaukee
# Required Supplementary Information
# Schedules of Funding Progress
(In Thousands of Dollars)

| | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability-AAL (b) | Funded Ratio (a/b) | (Overfunded) Unfunded AAL-UAAL (b-a) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|---|
| Retirement System | | | | | | | |
| | 1/1/06 | $ 1,454,302 | $ 1,909,321 | 76.17% | $ 455,019 | $ 225,722 | 201.58% |
| | 1/1/05 | 1,424,918 | 1,782,884 | 79.90% | 357,966 | 209,796 | 170.60% |
| | 1/1/04 | 1,446,726 | 1,707,999 | 84.70% | 261,273 | 233,478 | 111.90% |
| | 1/1/03 | 1,446,860 | 1,542,045 | 93.80% | 95,185 | 234,679 | 40.60% |
| | 1/1/02 | 1,620,157 | 1,492,072 | 108.60% | (128,085)* | 238,387 | (53.7%)** |
| | 1/1/01 | 1,670,601 | 1,499,261 | 111.40% | (171,340)* | 238,195 | (71.9%)** |
| OBRA | | | | | | | |
| | 1/1/06 | $ 1,090 | $ 3,530 | 30.88% | $ 2,440 | $ 8,353 | 29.2% |
| | 1/1/05 | 944 | 2,872 | 32.90% | 1,928 | 8,406 | 22.9% |
| | 1/1/04 | 790 | 2,535 | 31.15% | 1,745 | 8,397 | 20.8% |
| | 1/1/03 | 674 | 2,049 | 32.90% | 1,376 | 8,596 | 16.0% |
| | 1/1/02 | 662 | 1,890 | 35.00% | 1,228 | 8,713 | 14.1% |
| | 1/1/01 | 613 | 1,846 | 33.20% | 1,233 | 8,783 | 14.0% |

* These amounts represent actuarial value of assets in excess of actuarial accrued liabilities.

** These percentages represent the amount of overfunded actuarial assets as a percentage of payroll.

Note: Analysis of the dollar amounts of plan assets, actuarial accrued liability, and unfunded (overfunded) actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

# County Of Milwaukee
# Required Supplementary Information
# Schedules of Employer Contributions
# For the Year Ended December 31

| | Fiscal Year | Annual Pension Costs | Annual Required Contribution (ARC) | Contribution | Percentage Contributed | Net Pension Obligation |
|---|---|---|---|---|---|---|
| Retirement System | | | | | | |
| | 2005 | $ 37,608 | $ 37,438 | $ 35,415 | 94.60% | $ - |
| | 2004 | 33,248 | 33,248 | 35,249 | 106.02% | (2,000) |
| | 2003 | 25,242 | 23,131 | 33,981 | 146.91% | - |
| | 2002 | 8,528 | 7,536 | 2,580 | 34.23% | 10,914 |
| | 2001 | 8,586 | 8,586 | 268 | 30.80% | 5,938 |
| | 2000 | - | - | - | - | - |
| OBRA | | | | | | |
| | 2005 | $ 386 | $ 386 | $ 365 | 94.50% | $ - |
| | 2004 | 338 | 338 | 348 | 103.10% | - |
| | 2003 | 280 | 280 | 280 | 100.00% | - |
| | 2002 | 275 | 275 | 275 | 100.00% | - |
| | 2001 | 250 | 250 | 250 | 100.00% | - |

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# OTHER SUPPLEMENTARY INFORMATION

## Combining and Individual Fund Financial Statements and Schedules

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# BUDGETARY COMPARISON

07/14/06

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

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| Revenues: | | | | |
| Intergovernmental | $ 280,033 | $ 288,381 | $ 275,467 | $ (12,914) |
| Property Taxes | 227,334 | 227,334 | 228,628 | 1,294 |
| Charges for Services | 206,998 | 216,361 | 213,361 | (3,000) |
| Sales Taxes | 62,431 | 62,431 | 61,646 | (785) |
| Investment Income and Rents | 9,690 | 9,690 | 7,657 | (2,033) |
| Fines and Forfeits | 3,189 | 2,769 | 2,823 | 54 |
| Licenses and Permits | 500 | 500 | 442 | (58) |
| Other | 29,193 | 29,431 | 30,205 | 774 |
| Total Revenues | 819,368 | 836,897 | 820,229 | (16,668) |
| Expenditures: | | | | |
| Current: | | | | |
| County Board | 4,945 | 5,103 | 4,828 | 275 |
| Department of Audit | 2,305 | 2,317 | 2,230 | 87 |
| Veterans Service | 282 | 553 | 519 | 34 |
| Disadvantaged Business Development | 581 | 689 | 546 | 143 |
| Procurement | 893 | 808 | 696 | 112 |
| Office of Handicapped | 621 | 675 | 643 | 32 |
| County Executive | 935 | 997 | 962 | 35 |
| Civil Service Commission | 63 | 55 | 55 | - |
| Personnel Review Board | 163 | 176 | 173 | 3 |
| Corporation Counsel | 1,815 | 1,892 | 1,616 | 276 |
| Department of Human Resources | 4,445 | 4,428 | 4,374 | 54 |
| Department of Administrative Services | 3,313 | 3,350 | 3,300 | 50 |
| Housing | 18,014 | 21,175 | 20,948 | 227 |
| Legislative, Executive and Staff | 38,375 | 42,218 | 40,890 | 1,328 |
| County-funded State Court Services | 39,491 | 41,234 | 40,230 | 1,004 |
| Child Support Enforcement | 18,030 | 18,651 | 17,810 | 841 |
| Courts and Judiciary | 57,521 | 59,885 | 58,040 | 1,845 |
| Election Commission | 567 | 547 | 516 | 31 |
| County Treasurer | 1,088 | 1,304 | 1,336 | (32) |
| County Clerk | 573 | 606 | 606 | - |
| Register of Deeds | 4,198 | 6,512 | 6,279 | 233 |
| General Governmental Services | 6,426 | 8,969 | 8,737 | 232 |

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

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| Sheriff | $ 73,524 | $ 74,758 | $ 72,787 | $ 1,971 |
| House of Correction | 45,286 | 44,619 | 44,462 | 157 |
| District Attorney | 15,459 | 16,743 | 15,732 | 1,011 |
| Public Safety and Non-Departmental Court | 3,875 | 3,876 | 3,863 | 13 |
| Public Safety | 138,144 | 139,996 | 136,844 | 3,152 |
| Highway Maintenance | 16,245 | 16,011 | 14,643 | 1,368 |
| Administration | 2,507 | 2,417 | 1,928 | 489 |
| Public Works and Highways | 18,752 | 18,428 | 16,571 | 1,857 |
| County Health Related Programs | 30,489 | 31,957 | 30,282 | 1,675 |
| Department on Aging | 18,381 | 18,511 | 18,072 | 439 |
| Department on Aging -- CMO | 144,228 | 152,742 | 138,493 | 14,249 |
| Department of Human Services | 178,031 | 183,546 | 179,052 | 4,494 |
| Human Services | 371,129 | 386,756 | 365,899 | 20,857 |
| Department of Parks | 37,070 | 37,723 | 36,588 | 1,135 |
| Zoological Department | 19,792 | 19,760 | 19,125 | 635 |
| UW Extension Service | 330 | 349 | 322 | 27 |
| Parks, Recreation and Culture | 57,192 | 57,832 | 56,035 | 1,797 |
| Other | 15,709 | 17,382 | 16,429 | 953 |
| Total Expenditures | 703,248 | 731,466 | 699,445 | 32,021 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 116,120 | 105,431 | 120,784 | 15,353 |
| Other Financing Sources (Uses): | | | | |
| Application of Fund Balance Reserved for 2005 Appropriations | (3,534) | (3,534) | (3,534) | - |
| Transfers In | - | - | 23,294 | 23,294 |
| Transfers Out | (106,370) | (95,681) | (130,348) | (34,667) |
| Transfers To Component Units | (6,216) | (6,216) | (6,216) | - |
| Total Other Financing Sources (Uses) | (116,120) | (105,431) | (116,804) | (11,373) |
| Net Change in Fund Balance | - | - | 3,980 | 3,980 |
| Fund Balances -- Beginning | 8,984 | 8,984 | 8,984 | - |
| Fund Balances -- Ending | $ 8,984 | $ 8,984 | $ 12,964 | $ 3,980 |

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

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| Revenues: | | | | |
| Investment Income and Rents | $ - | $ - | $ 484 | $ 484 |
| Other | 6,896 | 7,308 | 7,300 | (8) |
| Total Revenues | 6,896 | 7,308 | 7,784 | 476 |
| Expenditures: | | | | |
| Current -- Other | - | - | 527 | (527) |
| Debt Service: | | | | |
| Principal Retirement | 36,477 | 36,477 | 24,657 | 11,820 |
| Interest | 14,395 | 15,471 | 16,232 | (761) |
| Total Expenditures | 50,872 | 51,948 | 41,416 | 10,532 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (43,976) | (44,640) | (33,632) | 11,008 |
| Other Financing Sources (Uses): | | | | |
| Net Refunding Bonds Issued and Used | - | - | 427 | (427) |
| Transfers In | 36,231 | 36,895 | 32,835 | (4,060) |
| Transfers Out | - | - | (4,781) | (4,781) |
| Total Other Financing Sources (Uses) | 36,231 | 36,895 | 28,481 | (9,268) |
| Net Change in Fund Balance | (7,745) | (7,745) | (5,151) | 1,740 |
| Fund Balances - Beginning | 8,130 | 8,130 | 8,130 | - |
| Fund Balances - Ending | $ 385 | $ 385 | $ 2,979 | $ 1,740 |

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

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| Revenues: | | | | |
| Intergovernmental | $ 14,803 | $ 21,972 | $ 23,712 | $ 1,740 |
| Sales Tax | 1,022 | 1,022 | 1,027 | 5 |
| Investment Income and Rents | 28 | 899 | 52 | (847) |
| Other | 5,456 | 2,187 | - | (2,187) |
| Total Revenues | 21,309 | 26,080 | 24,791 | (1,289) |
| Expenditures: | | | | |
| Other | - | - | 1,581 | (1,581) |
| Capital Outlay | 53,418 | 98,176 | 81,764 | 16,412 |
| Total Expenditures | 53,418 | 98,176 | 83,345 | 14,831 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (32,109) | (72,096) | (58,554) | 13,542 |
| Other Financing Sources (Uses): | | | | |
| General Obligation Bonds Issued | 32,109 | 35,487 | 24,610 | (10,877) |
| Premium on Debt Issued | - | - | 518 | 518 |
| Transfers In | - | 36,609 | - | (36,609) |
| Transfers Out | - | - | (4,003) | (4,003) |
| Total Other Financing Sources (Uses) | 32,109 | 72,096 | 21,125 | (50,971) |
| Net Change in Fund Balance | - | - | (37,429) | (37,429) |
| Fund Balances - Beginning | 12,302 | 12,302 | 12,302 | - |
| Fund Balances - Ending | $ 12,302 | $ 12,302 | $ (25,127) | $ (37,429) |

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Airports Enterprise Fund
For the Year Ended December 31, 2005
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Rentals and Other Service Fees | $ 45,999 | $ 46,155 | $ 44,793 | $ (1,362) |
| Admissions and Concessions | 10,193 | 10,193 | 10,744 | 551 |
| Total Charges for Services | 56,192 | 56,348 | 55,537 | (811) |
| Other Revenues | 51 | 51 | 62 | 11 |
| Total Operating Revenues | 56,243 | 56,399 | 55,599 | (800) |
| Operating Expenses: | | | | |
| Personnel Services | 14,399 | 14,642 | 14,082 | 560 |
| Contractual Services | 12,715 | 14,377 | 14,659 | (282) |
| Intra-County Services | 9,284 | 9,284 | 9,207 | 77 |
| Commodities | 1,831 | 1,950 | 1,892 | 58 |
| Depreciation and Amortization | 13,251 | 13,251 | 13,751 | (500) |
| Maintenance | 735 | 1,363 | 898 | 465 |
| Other | 361 | 648 | 1,317 | (669) |
| Total Operating Expenses | 52,576 | 55,515 | 55,806 | (291) |
| Operating Income (Loss) | 3,667 | 884 | (207) | (1,091) |
| Nonoperating Revenues (Expenses): | | | | |
| Intergovernmental Revenues | 107 | 307 | 312 | 5 |
| Investment Income | 896 | 896 | 1,001 | 105 |
| Interest Expense | (6,639) | (6,639) | (6,088) | 551 |
| Total Nonoperating Revenues (Expenses) | (5,636) | (5,436) | (4,775) | 661 |
| Income (Loss) Before Transfers | (1,969) | (4,552) | (4,982) | (430) |
| Add Depreciation on Capital Assets Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants | 3,033 | 3,033 | 7,371 | 4,338 |
| Transfers In | - | 1,519 | 39 | (1,480) |
| Transfers Out | (1,064) | - | (1,301) | (1,301) |
| Change in Net Assets | $ - | $ - | $ 1,127 | $ 1,127 |

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Behavioral Health Enterprise Fund
For the Year Ended December 31, 2005
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Charges for Services: | | | | |
| Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances | $ 44,288 | $ 44,588 | $ 47,777 | $ 3,189 |
| Net Patient Service Revenues | 44,288 | 44,588 | 47,777 | 3,189 |
| Rentals and Other Service Fees | 46 | 46 | 39 | (7) |
| Admissions and Concessions | 12 | 12 | 8 | (4) |
| Total Charges for Services | 44,346 | 44,646 | 47,824 | 3,178 |
| Other Revenues | 13,076 | 13,326 | 12,046 | (1,280) |
| Total Operating Revenues | 57,422 | 57,972 | 59,870 | 1,898 |
| Operating Expenses: | | | | |
| Personnel Services | 66,859 | 68,722 | 69,121 | (399) |
| Contractual Services | 8,500 | 9,066 | 9,167 | (101) |
| Intra-County Services | 5,289 | 5,302 | 3,792 | 1,510 |
| Commodities | 6,782 | 6,946 | 7,438 | (492) |
| Depreciation and Amortization | 815 | 815 | 730 | 85 |
| Maintenance | 73 | 145 | 212 | (67) |
| Other | 65,041 | 65,165 | 67,055 | (1,890) |
| Total Operating Expenses | 153,359 | 156,161 | 157,515 | (1,354) |
| Operating Income (Loss) | (95,937) | (98,189) | (97,645) | 544 |
| Nonoperating Revenues (Expenses): | | | | |
| Intergovernmental Revenues | 60,709 | 61,801 | 61,136 | (665) |
| Interest Expense | (356) | (224) | (208) | 16 |
| Total Nonoperating Revenues (Expenses) | 60,353 | 61,577 | 60,928 | (649) |
| Income (Loss) Before Transfers | (35,584) | (36,612) | (36,717) | (105) |
| Add Depreciation on Capital Assets Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants | - | - | (826) | (826) |
| Transfers In | 35,584 | 36,612 | 36,226 | (386) |
| Transfers Out | - | - | (619) | (619) |
| Change in Net Assets | $ - | $ - | $ (1,936) | $ (1,936) |

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Transit Enterprise Fund
For the Year Ended December 31, 2005
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Rentals and Other Service Fees | $ 125 | $ 125 | $ 119 | $ (6) |
| Transit Fares | 42,979 | 42,979 | 42,854 | (125) |
| Total Charges for Services | 43,104 | 43,104 | 42,973 | (131) |
| Other Revenues | 2,733 | 2,897 | 4,815 | 1,918 |
| Total Operating Revenues | 45,837 | 46,001 | 47,788 | 1,787 |
| Operating Expenses: | | | | |
| Personnel Services | 104,573 | 104,573 | 105,718 | (1,145) |
| Contractual Services | 25,094 | 25,125 | 23,055 | 2,070 |
| Intra-County Services | 742 | 742 | 793 | (51) |
| Commodities | 9,459 | 9,459 | 12,131 | (2,672) |
| Depreciation and Amortization | 13,000 | 13,000 | 13,083 | (83) |
| Maintenance | 839 | 853 | 1,127 | (274) |
| Other | 832 | 997 | 807 | 190 |
| Total Operating Expenses | 154,539 | 154,749 | 156,714 | (1,965) |
| Operating Income (Loss) | (108,702) | (108,748) | (108,926) | (178) |
| Nonoperating Revenues (Expenses): | | | | |
| Intergovernmental Revenues | 78,834 | 78,963 | 79,133 | 170 |
| Interest Expense | (1,484) | (1,095) | (1,025) | 70 |
| Total Nonoperating Revenues (Expenses) | 77,350 | 77,868 | 78,108 | 240 |
| Income (Loss) Before Transfers | (31,352) | (30,880) | (30,818) | 62 |
| Add Depreciation on Capital Assets Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants | 10,000 | 10,000 | 582 | (9,418) |
| Transfers In | 21,352 | 20,880 | 23,619 | 2,739 |
| Transfers Out | - | - | (5,155) | (5,155) |
| Change in Net Assets | $ - | $ - | $ (11,772) | $ (11,772) |

# COMBINING STATEMENTS

## Other Governmental Funds

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

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

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

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

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

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

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

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

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Zoo | Parks | Persons with Disabilities | Behavioral Health Division | Airport | Health and Safety | Total Nonmajor Governmental Funds |
| **ASSETS** | | | | | | | |
| Cash and Investments | $ 546 | $ 415 | $ 122 | $ 478 | $ - | $ 46 | $ 1,607 |
| Cash and Investments -- Restricted | - | - | - | - | 34,155 | - | 34,155 |
| Receivables -- Other | - | 243 | - | - | - | - | 243 |
| Prepaid Items | 31 | - | - | - | - | - | 31 |
| Total Assets | $ 577 | $ 658 | $ 122 | $ 478 | $ 34,155 | $ 46 | $ 36,036 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable | $ 35 | $ - | $ - | $ - | $ - | $ - | $ 35 |
| Other Liabilities | 1 | - | - | - | - | - | 1 |
| Total Liabilities | 36 | - | - | - | - | - | 36 |
| Fund Balances: | | | | | | | |
| Reserved | 541 | 658 | 122 | 478 | 34,155 | 46 | 36,000 |
| Total Fund Balances | 541 | 658 | 122 | 478 | 34,155 | 46 | 36,000 |
| Total Liabilities and Fund Balances | $ 577 | $ 658 | $ 122 | $ 478 | $ 34,155 | $ 46 | $ 36,036 |

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

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Zoo | Parks | Persons with Disabilities | Behavioral Health Division | Airport | Health and Safety | Total Nonmajor Governmental Funds |
| Revenues: | | | | | | | |
| Investment Income and Rents | $ 32 | $ - | $ 2 | $ - | $ 514 | $ - | $ 548 |
| Charges for Services | 674 | 53 | - | - | - | - | 727 |
| PFC Revenues | - | - | - | - | 9,917 | - | 9,917 |
| Other | 81 | 257 | 20 | 2 | - | 23 | 383 |
| Total Revenues | 787 | 310 | 22 | 2 | 10,431 | 23 | 11,575 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Human Services | - | - | 1 | 14 | - | - | 15 |
| Parks, Recreation and Culture | 805 | 153 | - | - | - | - | 958 |
| Other | - | - | - | - | 648 | - | 648 |
| Total Expenditures | 805 | 153 | 1 | 14 | 648 | - | 1,621 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (18) | 157 | 21 | (12) | 9,783 | 23 | 9,954 |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | - | - | - | - | 2,843 | - | 2,843 |
| Total Other Financing Sources (Uses) | - | - | - | - | 2,843 | - | 2,843 |
| Net Changes in Fund Balance | (18) | 157 | 21 | (12) | 12,626 | 23 | 12,797 |
| Fund Balances -- Beginning | 559 | 501 | 101 | 490 | 21,529 | 23 | 23,203 |
| Fund Balances -- Ending | $ 541 | $ 658 | $ 122 | $ 478 | $ 34,155 | $ 46 | $ 36,000 |

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# COMBINING STATEMENTS

## Internal Service Funds

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

**Public Works Services**
This fund is used to account for various services provided to other County departments including:

> **Professional Services** - provides engineering, architectural and administrative services.
>
> **Central Services** - provides custodial and equipment maintenance services.
>
> **Fleet Maintenance** - controls, supervises and maintains all automotive equipment owned by the County.

**Risk Management**
This fund accounts for risk financing, loss control and insurance-related activities for the County and its employees.

COUNTY OF MILWAUKEE
Combining Balance Sheet
Internal Service Funds
December 31, 2005
(In Thousands)

| | Information Management Services | Public Works Services | Risk Management | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and Investments | $ 3,214 | $ 5,430 | $ 9,297 | $ 17,941 |
| Accounts Receivable (Net of Allowances for Uncollectible Accounts) | 63 | 429 | 40 | 532 |
| Due From Other Governments | - | 280 | - | 280 |
| Inventories | - | 677 | - | 677 |
| Prepaid Items | 99 | - | - | 99 |
| Total Current Assets | 3,376 | 6,816 | 9,337 | 19,529 |
| Capital Assets: | | | | |
| Land | - | 1,382 | - | 1,382 |
| Construction in Progress | 7,458 | 10,680 | 4 | 18,142 |
| Land Improvements | - | 10,922 | - | 10,922 |
| Building and Improvements | 16 | 92,324 | - | 92,340 |
| Furniture, Machinery and Equipment | 29,734 | 38,516 | 114 | 68,364 |
| Total Capital Assets | 37,208 | 153,824 | 118 | 191,150 |
| Less Accumulated Depreciation | (24,542) | (104,296) | (109) | (128,947) |
| Net Capital Assets | 12,666 | 49,528 | 9 | 62,203 |
| Total Assets | $ 16,042 | $ 56,344 | $ 9,346 | $ 81,732 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | $ 532 | $ 863 | $ 1 | $ 1,396 |
| Accrued Liabilities | 167 | 476 | 9,120 | 9,763 |
| Deferred Revenues | - | 197 | 63 | 260 |
| Bonds Payable - Current Portion | 1,808 | 4,675 | - | 6,483 |
| Compensated Absenses | 539 | 1,254 | 34 | 1,827 |
| Total Current Liabilities | 3,046 | 7,465 | 9,218 | 19,729 |
| Long-Term Liabilities: | | | | |
| Compensated Absences | 1,288 | 2,917 | 116 | 4,321 |
| Bonds Payable -- Long-Term | 9,824 | 26,797 | - | 36,621 |
| Total Long-Term Liabilities | 11,112 | 29,714 | 116 | 40,942 |
| Total Liabilities | 14,158 | 37,179 | 9,334 | 60,671 |
| **Net Assets** | | | | |
| Unrestricted | 850 | 1,109 | 3 | 1,962 |
| Invested in Capital Assets, Net of Related Debt | 1,034 | 18,056 | 9 | 19,099 |
| Total Net Assets | 1,884 | 19,165 | 12 | 21,061 |
| Total Liabilities and Net Assets | $ 16,042 | $ 56,344 | $ 9,346 | $ 81,732 |

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

| | Information Management Services | Public Works Services | Risk Management | Total |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Charges for Services | $ 11 | $ 33,613 | $ 6,089 | $ 39,713 |
| Other | - | 658 | 70 | 728 |
| Total Operating Revenues | 11 | 34,271 | 6,159 | 40,441 |
| Operating Expenses: | | | | |
| Personnel Services | 9,395 | 25,195 | 572 | 35,162 |
| Contractual Services | 4,770 | 7,702 | 53 | 12,525 |
| Intra-County Services | (54) | 2,863 | (126) | 2,683 |
| Commodities | 201 | 4,222 | 3 | 4,426 |
| Depreciation and Amortization | 2,575 | 5,661 | 1 | 8,237 |
| Maintenance | 22 | 1,002 | - | 1,024 |
| Insurance and Claims | - | - | 5,533 | 5,533 |
| Other | - | 1,249 | - | 1,249 |
| Total Operating Expenses | 16,909 | 47,894 | 6,036 | 70,839 |
| Operating Income (Loss) | (16,898) | (13,623) | 123 | (30,398) |
| Nonoperating Revenues (Expenses): | | | | |
| Intergovernmental Revenues | 139 | 571 | - | 710 |
| Loss on Disposal of Capital Assets | (1,063) | (3,063) | - | (4,126) |
| Interest Expense | (439) | (1,055) | - | (1,494) |
| Total Nonoperating Revenues (Expenses) | (1,363) | (3,547) | - | (4,910) |
| Income (Loss) Before Contributions and Transfers | (18,261) | (17,170) | 123 | (35,308) |
| Capital Contributions | 3,484 | (74) | - | 3,410 |
| Transfers In | 18,260 | 16,526 | - | 34,786 |
| Transfers Out | (2,623) | (4,685) | (127) | (7,435) |
| Change in Net Assets | 860 | (5,403) | (4) | (4,547) |
| Net Assets -- Beginning | 1,024 | 24,568 | 16 | 25,608 |
| Net Assets -- Ending | $ 1,884 | $ 19,165 | $ 12 | $ 21,061 |

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

| | Information Management Services | Public Works Services | Risk Management | Total |
|---|---|---|---|---|
| Cash Flows Provided (Used) by Operating Activities: | | | | |
| Receipts from Customers and Users | $ (28) | $ 34,292 | $ 6,117 | $ 40,381 |
| Payments to Suppliers | (5,238) | (14,412) | (5,754) | (25,404) |
| Payments to Employees | (9,678) | (25,902) | (955) | (36,535) |
| Payments for Interfund Services Used | 54 | (2,863) | 126 | (2,683) |
| Net Cash Flows Provided (Used) by Operating Activities | (14,890) | (8,885) | (466) | (24,241) |
| Cash Flows Provided (Used) by Noncapital Financing Activities: | | | | |
| Intergovernmental Revenues | 139 | 571 | - | 710 |
| Transfers From Other Funds | 18,260 | 16,526 | - | 34,786 |
| Transfers (To) Other Funds | (2,623) | (4,685) | (127) | (7,435) |
| Net Cash Flows Provided (Used) by Noncapital Financing Activities | 15,776 | 12,412 | (127) | 28,061 |
| Cash Flows Provided (Used) by Capital and Related Financing Activities: | | | | |
| Principal Payment on Bonds | (1,325) | (4,122) | - | (5,447) |
| Interest Paid on Bonds | (440) | (1,076) | - | (1,516) |
| Proceeds from Bonds | 958 | 4,564 | - | 5,522 |
| Acquisition of Capital Assets | (988) | (4,627) | - | (5,615) |
| Net Cash Flows Provided (Used) by Capital and Related Financing Activities | (1,795) | (5,261) | - | (7,056) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (909) | (1,734) | (593) | (3,236) |
| Cash and Cash Equivalents at Beginning of Year | 4,123 | 7,164 | 9,890 | 21,177 |
| Cash and Cash Equivalents at End of Year | $ 3,214 | $ 5,430 | $ 9,297 | $ 17,941 |

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

| | | | | |
|---|---|---|---|---|
| Operating Income (Loss): | $ (16,898) | $ (13,623) | $ 123 | $ (30,398) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities: | | | | |
| Depreciation and Amortization | 2,575 | 5,661 | 1 | 8,237 |
| (Increase) Decrease in Assets: | | | | |
| Accounts Receivable | (22) | 51 | (40) | (11) |
| Due From Other Governments | - | (58) | - | (58) |
| Inventories | - | 195 | - | 195 |
| Prepaid Items | 11 | - | - | 11 |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | (245) | (432) | (165) | (842) |
| Accrued Liabilities | (1,123) | (2,856) | (447) | (4,426) |
| Deferred Revenues | (28) | 28 | (2) | (2) |
| Compensated Absences | 840 | 2,149 | 64 | 3,053 |
| Total Adjustments | 2,008 | 4,738 | (589) | 6,157 |
| Net Cash Flows Provided (Used) by Operating Activities | $ (14,890) | $ (8,885) | $ (466) | $ (24,241) |

# COMBINING STATEMENTS

## Fiduciary Funds

**Agency Funds**

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

COUNTY OF MILWAUKEE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended December 31, 2005
(In Thousands)

| | January 1, 2005 | Additions | Deductions | December 31, 2005 |
|---|---|---|---|---|
| **CIVIL COURT ORDERED AGENCY FUND FOR FAMILY SUPPORT/PAYMENTS** | | | | |
| Cash and Investments | $ 27,276 | $ 92,342 | $ 105,456 | $ 14,162 |
| **Total Assets** | $ 27,276 | $ 92,342 | $ 105,456 | $ 14,162 |
| Agency Deposits | $ 27,276 | $ 69,192 | $ 82,306 | $ 14,162 |
| **Total Liabilities** | $ 27,276 | $ 69,192 | $ 82,306 | $ 14,162 |
| **CARE MANAGEMENT ORGANIZATIONS WORKING CAPITAL RESERVE** | | | | |
| Cash and Investments | $ 2,708 | $ 66 | $ 2,761 | $ 13 |
| **Total Assets** | $ 2,708 | $ 66 | $ 2,761 | $ 13 |
| Agency Deposits | $ 2,708 | $ 66 | $ 2,761 | $ 13 |
| **Total Liabilities** | $ 2,708 | $ 66 | $ 2,761 | $ 13 |
| **OTHER AGENCY FUNDS** | | | | |
| Cash and Investments | $ 9,286 | $ 457,067 | $ 457,004 | $ 9,349 |
| Other Receivables | - | 32,869 | 32,869 | - |
| **Total Assets** | $ 9,286 | $ 489,936 | $ 489,873 | $ 9,349 |
| Accounts Payable | $ 176 | $ 25,926 | $ 24,958 | $ 1,144 |
| Agency Deposits | 9,110 | 47,316 | 48,221 | 8,205 |
| **Total Liabilities** | $ 9,286 | $ 73,242 | $ 73,179 | $ 9,349 |
| **SUMMARY** | | | | |
| Cash and Investments | $ 39,270 | $ 549,475 | $ 565,221 | $ 23,524 |
| Other Receivables | - | 32,869 | 32,869 | - |
| **Total Assets** | $ 39,270 | $ 582,344 | $ 598,090 | $ 23,524 |
| Accounts Payable | $ 176 | $ 25,926 | $ 24,958 | $ 1,144 |
| Agency Deposits | 39,094 | 116,574 | 133,288 | 22,380 |
| **Total Liabilities** | $ 39,270 | $ 142,500 | $ 158,246 | $ 23,524 |

# STATISTICAL SECTION (UNAUDITED)

**COUNTY OF MILWAUKEE**
**GOVERNMENT-WIDE EXPENSES BY FUNCTION***
(In Thousands)

| Year | Legislative and General Governmental Services | Courts and Judiciary | Public Safety | Public Works and Highways | Human Services | Parks Recreation and Culture | Interest and Other | Airport | Behavioral Health | Transit | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2002** | $ 68,662 | $ 49,860 | $ 115,415 | $ 79,991 | $ 281,934 | $ 72,174 | $ 37,832 | $ 42,333 | $ 134,958 | $ 144,946 | $ 1,028,105 |
| **2003** | 64,995 | 52,427 | 128,134 | 77,079 | 320,705 | 70,609 | 36,091 | 51,949 | 137,908 | 148,710 | 1,088,607 |
| **2004** | 74,134 | 54,715 | 136,896 | 82,543 | 345,251 | 69,861 | 26,588 | 54,720 | 147,055 | 154,003 | 1,145,766 |
| **2005** | 78,698 | 56,517 | 138,885 | 88,133 | 363,558 | 69,150 | 36,719 | 58,894 | 157,233 | 157,623 | 1,205,410 |

*In 2002 the County adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis- for State and Local Governments". The County was not required to restate the prior year's accounting data.

**COUNTY OF MILWAUKEE**
**GOVERNMENT-WIDE REVENUES***
(In Thousands)

| | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Property Taxes | Sales Taxes | Investment Income | Intergovernmental Revenue Non- Specific | Gain on Sale of Capital Assets | Other | Total |
| 2002 | $ 283,515 | $ 340,068 | $ 25,453 | $ 220,702 | $ 58,122 | $ 16,656 | $ 65,305 | $ 735 | $ 31,901 | $ 1,042,457 |
| 2003 | 325,367 | 342,252 | 19,345 | 221,265 | 59,788 | 11,079 | 74,590 | 156 | 42,609 | 1,096,451 |
| 2004 | 367,919 | 384,952 | 39,702 | 220,612 | 60,498 | 5,238 | 40,472 | 757 | 26,654 | 1,146,804 |
| 2005 | 407,106 | 411,366 | 10,537 | 228,628 | 62,673 | 5,840 | 40,242 | 124 | 33,730 | 1,200,246 |

*In 2002 the County adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis- for State and Local Governments". The County was not required to restate the prior years accounting data.

## COUNTY OF MILWAUKEE
## GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION **

### LAST TEN FISCAL YEARS
(In Thousands)

| Year | Legislative and General Governmental Services | Courts and Judiciary | Public Safety | Public Works and Highways | Human Services | Parks Recreation and Culture | Interest and Other | Total |
|---|---|---|---|---|---|---|---|---|
| 1996 | $ 36,529 | $ 40,478 | $ 81,732 | $ 18,240 | $ 294,614 | $ 39,821 | $ 3,477 | $ 514,891 |
| 1997 | 26,166 | 28,761 | 68,819 | 19,384 | 297,464 | 47,769 | 51,444 | 539,807 |
| 1998 | 26,982 | 30,934 | 77,424 | 23,293 | 330,208 | 47,919 | 44,413 | 581,173 |
| 1999 | 30,033 | 32,851 | 87,136 | 24,371 | 308,095 | 49,791 | 42,621 | 574,898 |
| 2000 | 33,095 | 35,360 | 97,851 | 10,441 | 279,878 | 52,251 | 48,299 | 557,175 |
| 2001 | 36,844 | 39,753 | 100,006 | 10,370 | 261,461 | 53,095 | 52,278 | 553,807 |
| 2002 | * 46,124 | * 50,889 | * 122,089 | * 13,008 | * 283,815 | * 66,921 | * 8,372 | * 591,218 |
| 2003 | * 46,032 | * 52,862 | * 126,758 | * 13,489 | * 322,013 | * 65,749 | * 6,759 | * 633,662 |
| 2004 | * 44,854 | * 55,748 | * 135,596 | * 16,553 | * 345,157 | * 61,640 | * 17,613 | * 677,161 |
| 2005 | * 46,977 | * 57,456 | * 136,398 | * 16,532 | * 362,755 | * 62,026 | * 15,981 | * 698,125 |

* Expenditures include fringe benefit allocation
** Includes the General Fund, only.

## COUNTY OF MILWAUKEE
## GENERAL GOVERNMENTAL REVENUES BY SOURCE *

### LAST TEN FISCAL YEARS
(In Thousands)

| Year | Property Taxes | Sales Tax** | Licenses and Permits | Fines and Forfeits | Interest on Investments and Rents | Inter-governmental | Charges for Services | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| **1996** | $ 168,950 | $ 46,307 | $ 389 | $ 3,233 | $ 9,511 | $ 322,399 | $ 40,800 | $ 16,383 | $ 607,972 |
| **1997** | 179,754 | 53,546 | 462 | 3,902 | 11,783 | 343,770 | 62,438 | 9,876 | 665,531 |
| **1998** | 189,999 | 52,043 | 459 | 4,139 | 12,727 | 378,603 | 56,659 | 10,080 | 704,709 |
| **1999** | 195,751 | 55,675 | 471 | 4,007 | 9,317 | 372,417 | 58,196 | 14,618 | 710,452 |
| **2000** | 198,485 | 55,772 | 464 | 3,692 | 20,111 | 318,575 | 59,758 | 32,726 | 689,583 |
| **2001** | 209,178 | 57,941 | 440 | 3,660 | 18,933 | 274,646 | 88,602 | 39,144 | 692,544 |
| **2002** | 220,430 | 55,450 | 399 | 3,276 | 14,390 | 251,202 | 132,324 | 24,756 | 702,227 |
| **2003** | 221,265 | 57,115 | 413 | 2,909 | 9,789 | 266,101 | 157,025 | 26,309 | 740,926 |
| **2004** | 220,612 | 58,834 | 443 | 3,129 | 6,974 | 276,179 | 180,925 | 26,133 | 773,229 |
| **2005** | 228,628 | 61,646 | 442 | 2,823 | 7,657 | 275,467 | 213,361 | 30,205 | 820,229 |

* Includes the General Fund, only.
** A Sales Tax for Milwaukee County was implemented April 1, 1991.

## COUNTY OF MILWAUKEE
## PROPERTY TAX LEVIES

### LAST TEN FISCAL YEARS
(In Thousands)

| Year | General County Purposes* | State Forestry Tax | Other | Total |
|---|---|---|---|---|
| **1996** | $ 167,859 | $ 6,290 | $ 653 | $ 174,802 |
| **1997** | 179,307 | 6,456 | 681 | 186,444 |
| **1998** | 188,946 | 6,688 | 690 | 196,324 |
| **1999** | 194,206 | 6,984 | 713 | 201,903 |
| **2000** | 206,729 | 7,646 | 765 | 215,140 |
| **2001** | 218,735 | 8,355 | 861 | 227,951 |
| **2002** | 219,494 | 8,856 | 875 | 229,225 |
| **2003** | 219,437 | 9,453 | 868 | 229,758 |
| **2004** | 225,884 | 10,231 | 893 | 237,008 |
| **2005** | 232,593 | 10,632 | 875 | 244,100 |

* Does not include Southeastern Wisconsin Regional Planning Commission (SEWRPC) taxes collected by the County.

## COUNTY OF MILWAUKEE
## PROPERTY TAX LEVIES AND COLLECTIONS

### LAST TEN FISCAL YEARS
(In Thousands)

| Year | Total Tax Levy | Current Tax Collections | Percent of Current Tax Collections | Delinquent Tax Collections | Total Tax Collections | Outstanding Delinquent Taxes | Percent of Total Tax Collections to Total Tax Levy | Percent of Delinquent Taxes to Total Tax Levy |
|---|---|---|---|---|---|---|---|---|
| **1996** | $ 168,950 | $ 166,632 | 98.6% | $ 4,968 | $ 171,600 | $ 6,585 | 101.6% | 3.9% |
| **1997** | 179,971 | 178,268 | 99.1% | 4,246 | 182,514 | 7,107 | 101.4% | 3.9% |
| **1998** | 189,627 | 188,130 | 99.2% | 4,852 | 192,982 | 7,280 | 101.8% | 3.8% |
| **1999** | 194,912 | 193,200 | 99.1% | 5,313 | 198,513 | 8,183 | 101.8% | 4.2% |
| **2000** | 196,723 | 195,158 | 99.2% | 6,375 | 201,533 | 8,471 | 102.4% | 4.3% |
| **2001** | 207,469 | 205,443 | 99.0% | 8,138 | 213,581 | 7,683 | 102.9% | 3.7% |
| **2002** | 219,596 | 217,329 | 99.0% | 7,394 | 224,723 | 8,615 | 102.3% | 3.9% |
| **2003** | 220,334 | 198,431 | 90.1% | 7,658 | 206,089 | 8,148 | 93.5% | 3.7% |
| **2004** | 226,721 | 221,804 | 97.8% | 7,778 | 229,582 | 8,316 | 101.3% | 3.7% |
| **2005** | 233,430 | 229,469 | 98.3% | 7,888 | 237,357 | 7,966 | 101.7% | 3.4% |

## COUNTY OF MILWAUKEE
## EQUALIZED VALUE OF TAXABLE PROPERTY*

### LAST TEN FISCAL YEARS
(In Thousands)

| Year | Real Property | Personal Property | | Total |
|---|---|---|---|---|
| **1996** | $ 30,368,359 | $ 1,909,456 | | $ 32,277,815 |
| **1997** | 31,450,790 | 1,991,328 | | 33,442,118 |
| **1998** | 32,784,096 | 2,138,022 | | 34,922,118 |
| **1999** | 34,866,296 | 1,538,755 | ** | 36,405,051 |
| **2000** | 36,544,713 | 1,685,616 | | 38,230,329 |
| **2001** | 39,961,380 | 1,812,732 | | 41,774,112 |
| **2002** | 42,586,834 | 1,692,790 | | 44,279,624 |
| **2003** | 45,617,895 | 1,648,770 | | 47,266,665 |
| **2004** | 49,624,948 | 1,528,412 | | 51,153,360 |
| **2005** | 55,054,796 | 1,625,890 | | 56,680,686 |

* Due to varying assessment policies in the municipalities of the County, the County uses equalized value of taxable property for tax levy purposes.

** Decline in 1999 is from computer equipment no longer being taxed as personal property.

## COUNTY OF MILWAUKEE
## PROPERTY TAX RATES PER $1,000 EQUALIZED VALUE*

### LAST TEN FISCAL YEARS

| Year | General County Purposes | State Forestry and SEWRPC Tax | Total |
|---|---|---|---|
| **1996** | $ 5.39 | $ 0.22 | $ 5.61 |
| **1997** | 5.62 | 0.22 | 5.84 |
| **1998** | 5.71 | 0.22 | 5.93 |
| **1999** | 5.64 | 0.22 | 5.86 |
| **2000** | 5.47 | 0.22 | 5.69 |
| **2001** | 5.52 | 0.22 | 5.74 |
| **2002** | 5.36 | 0.22 | 5.58 |
| **2003** | 5.07 | 0.22 | 5.29 |
| **2004** | 4.76 | 0.22 | 4.98 |
| **2005** | 4.54 | 0.22 | 4.76 |

* The above property tax rates represent the average rate applicable to the County as a whole. The County tax rate applicable to any single municipality within the County is based on that municipality's assessed valuation.

**COUNTY OF MILWAUKEE**
**PRINCIPAL TAXPAYERS**

**DECEMBER 31, 2005**
(In Thousands)

| Company | Type of Business | Full Market Value | Percent of County Equalized Value |
|---|---|---|---|
| Mayfair Property Inc. | Shopping mall | $ 280,998 | 0.51% |
| Northwestern Mutual Life Insurance Co. | Insurance | 254,666 | 0.46% |
| US Bank Corp | Banking | 239,448 | 0.44% |
| Covenant Health Care | Real Estate | 146,277 | 0.27% |
| BRE Southridge Mall LLC | Real estate development | 144,954 | 0.26% |
| Metropolitan Associates | Real estate development | 127,737 | 0.23% |
| M & I Marshall & Ilsley Bank | Banking | 122,828 | 0.22% |
| Towne Realty | Real estate development | 122,236 | 0.22% |
| Marcus Corp/Milw City Ctr/Pfister | Hotels, theaters, convention center | 114,424 | 0.21% |
| NNN 411 East Wisconsin LLC | Real estate development | 94,807 | 0.17% |
| Great Lakes Reit LLP | Real estate development | 66,866 | 0.12% |
| 100 E. Wisconsin Avenue Joint Venture | Real estate development | 60,595 | 0.11% |
| Banc One Wisconsin Corporation | Banking | 60,313 | 0.11% |
| Geneva Exchange Fund | Real estate development | 59,874 | 0.11% |
| Columbia St. Mary's | Health Care | 54,121 | 0.10% |
| Inland Western Midtown | Real Estate | 53,738 | 0.10% |
| Liberty Property Limited | Real estate development | 50,417 | 0.09% |
| Centerpoint Properties | Real estate development | 50,321 | 0.09% |
| Flanders Westborough | Real estate development | 49,022 | 0.09% |
| Anthony A. Palermo | Real estate development | 48,440 | 0.09% |
| American Stores Prop Inc/Albertson | Retail food stores | 47,429 | 0.09% |
| Miller Brewing Company | Mfg, beer and aluminum containers | 47,049 | 0.09% |
| Occidental | Real estate development | 46,888 | 0.09% |
| Dayton-Hudson (Marshall Field's Target) | Retail department stores | 46,425 | 0.08% |
| Robert Franseway,Springbrook Circle | Real estate development | 41,177 | 0.08% |
| Time Warner | Cable company | 39,556 | 0.07% |
| Journal-Sentinel Inc | Publishing, printing and broadcasting | 39,356 | 0.07% |
| H-D Capital Drive LLC | Mfg, Motorcycles | 33,965 | 0.06% |
| Johnson Controls Inc | Mfg, automotive batteries and seating, buildi | 33,832 | 0.06% |
| Briggs & Stratton Corp | Mfg, small engines, automotive locks and ke | 23,909 | 0.04% |
| Rockwell Automation Inc | Mfg, electrical/electronic products | 19,166 | 0.03% |
| Quad/Graphics Inc | Printing | 17,413 | 0.03% |
| Harley-Davidson Motor Co | Mfg, Motorcycles | 16,081 | 0.03% |
| Patrick Cudahy Inc | Mfg, processed meats | 15,793 | 0.03% |
| Hometown Inc | Mfg, Ice | 14,925 | 0.03% |
| Delphi Automotive Sys | Mfg, automoive electronics | 14,773 | 0.03% |
| Hondo Incorpirated | Mfg, beverage containers and bottling of bev | 14,029 | 0.03% |
| All Galss Aquarium Co | Mfg, aquariums | 13,020 | 0.02% |
| P P G Industries Inc | Mfg, coatings and resins | 12,837 | 0.02% |
| Centerpoint Properties | Real estate development | 11,060 | 0.02% |
| Vulcan Technologies | Mfg, Corrugated cartons and containers | 10,564 | 0.02% |
| Geneva Lakes Cold | Warehouse/ distributor of cold storage | 10,266 | 0.02% |
| Falk Corp/ Sub Sunstrand | Mfg, power transmissions | 9,767 | 0.02% |
| Tower Automotive | Mfg, automobile and truck frames | 9,429 | 0.02% |
| H - D Franklin LLC | Mfg, Motorcycles | 9,422 | 0.02% |
| **Total** | | $ 2,800,213 | 5.10% |

## COUNTY OF MILWAUKEE
## COMPUTATION OF LEGAL DEBT MARGIN

**DECEMBER 31, 2005**
(In Thousands)

| | |
|---|---|
| 2005 Equalized Valuation as Determined by the Supervisor of Assessments of the Wisconsin Department of Revenue | $56,680,686 |
| Debt Limit Rate | 5% |
| Debt Limit | 2,834,034 |
| Bonds and Notes Outstanding: | |
| Milwaukee County General Obligation Bonds and Notes | (482,008) * |
| **Legal Debt Margin** | $ 2,352,026 |

* Note: General Obligation Bonds, as reported in Note 8 of Notes to the Financial Statements, includes the 1993, 1995 - 2003 Bonds and Bond Unamortized Refinancing losses of $ 8,549

## COUNTY OF MILWAUKEE
## RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO EQUALIZED VALUATION AND GENERAL OBLIGATION BONDED DEBT PER CAPITA

### LAST TEN FISCAL YEARS

| Year | Population* | Equalized Value* | Bonded Debt* | Percent of Debt to Equalized Value | Bonded Debt Per Capita |
|---|---|---|---|---|---|
| **1996** | 964 | $ 32,277,815 | $ 479,856 | 1.49% | $ 498 |
| **1997** | 958 | 33,442,118 | 483,946 | 1.45% | 505 |
| **1998** | 957 | 34,922,118 | 489,928 | 1.40% | 512 |
| **1999** | 957 | 36,405,051 | 497,028 | 1.37% | 519 |
| **2000** | 955 | 38,230,329 | 495,766 | 1.30% | 519 |
| **2001** | 940 | 41,774,112 | 490,578 | 1.17% | 522 |
| **2002** | 941 | 44,279,624 | 489,152 | 1.10% | 520 |
| **2003** | 941 | 47,266,665 | 468,897 | 0.99% | 498 |
| **2004** | 939 | 51,153,360 | 488,901 | 0.96% | 521 |
| **2005** | 939 | 56,680,686 | 482,008 | 0.85% | 513 |

* Amounts expressed in thousands.
The population is based on Wisconsin Department of Administration estimates except for 2000 which is based on the United States census.

## COUNTY OF MILWAUKEE
## RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL EXPENDITURES

**LAST TEN FISCAL YEARS**
**(In Thousands)**

| Year | Principal | Interest | Total Debt Service | Total General Expenditures | Percent of Debt Service to General Expenditures |
|---|---|---|---|---|---|
| **1996** | $ 32,158 | $ 18,873 | $ 51,031 | $ 514,239 | 9.9% |
| **1997** | 33,801 | 19,041 | 52,842 | 537,792 | 9.8% |
| **1998** | 34,561 | 19,557 | 54,118 | 580,573 | 9.3% |
| **1999** | 32,431 | 18,722 | 51,153 | 574,299 | 8.9% |
| **2000** | 34,374 | 18,833 | 53,207 | 556,542 | 9.6% |
| **2001** | 36,150 | 19,199 | 55,349 | 551,858 | 10.0% |
| **2002** | 26,733 | 16,570 | 43,303 | 591,218 | 7.3% |
| **2003** | 35,826 | 18,267 | 54,093 | 633,662 | 8.5% |
| **2004** | 20,132 | 16,035 | 36,167 | 677,161 | 5.3% |
| **2005** | 24,657 | 16,232 | 40,889 | 698,125 | 5.9% |

## COUNTY OF MILWAUKEE
## DIRECT AND OVERLAPPING BONDED DEBT - GENERAL OBLIGATION BONDS
## DECEMBER 31, 2005
(In Thousands)

| Direct | Net Debt Outstanding | Percent Applicable to County | Amount Applicable to County |
|---|---|---|---|
| County of Milwaukee | $482,008 | 100.0% | $482,008 |
| **Overlapping** | | | |
| **Villages** | | | |
| Bayside | 10,255 | 96.1% | 9,860 |
| Brown Deer | 8,878 | 100.0% | 8,878 |
| Fox Point | 8,825 | 100.0% | 8,825 |
| Greendale | 5,651 | 100.0% | 5,651 |
| Hales Corners | 4,387 | 100.0% | 4,387 |
| River Hills | 1,685 | 100.0% | 1,685 |
| Shorewood | 15,186 | 100.0% | 15,186 |
| West Milwaukee | 8,070 | 100.0% | 8,070 |
| Whitefish Bay | 12,810 | 100.0% | 12,810 |
| **Cities** | | | |
| Cudahy | 29,915 | 100.0% | 29,915 |
| Franklin | 32,900 | 100.0% | 32,900 |
| Glendale | 37,545 | 100.0% | 37,545 |
| Greenfield | 6,391 | 100.0% | 6,391 |
| Milwaukee | 583,820 | 100.0% | 583,799 |
| Oak Creek | 14,920 | 100.0% | 14,920 |
| St. Francis | 445 | 100.0% | 445 |
| South Milwaukee | 28,485 | 100.0% | 28,485 |
| Wauwatosa | 32,180 | 100.0% | 32,180 |
| West Allis | 74,791 | 100.0% | 74,791 |
| **School Districts** | | | |
| Brown Deer | 4,980 | 100.0% | 4,980 |
| Cudahy | - | 100.0% | - |
| Foxpoint/Bayside | 6,030 | 98.6% | 5,943 |
| Franklin | 22,100 | 100.0% | 22,100 |
| Glendale-River Hills | - | 100.0% | - |
| Greendale | - | 100.0% | - |
| Greenfield | 15,520 | 100.0% | 15,520 |
| Maple Dale/Indian Hill | - | 100.0% | - |
| Milwaukee | 127,084 | 99.9% | 126,987 |
| Milwaukee Area Technical College | 75,165 | 81.9% | 61,557 |
| Nicolet High School | - | 0.0% | - |
| Oak Creek/Franklin | 34,765 | 100.0% | 34,765 |
| St. Francis | - | 100.0% | - |
| Shorewood | 7,150 | 100.0% | 7,150 |
| South Milwaukee | 50,571 | 100.0% | 50,571 |
| Wauwatosa | 11,189 | 100.0% | 11,189 |
| West Allis/West Milwaukee | 26,563 | 96.0% | 25,505 |
| Whitefish Bay | 5,590 | 100.0% | 5,590 |
| Whitnall | 8,366 | 100.0% | 8,366 |
| **Metropolitan Sewerage District** | 725,020 | 99.9% | 724,453 |
| **Total Overlapping Debt** | **2,037,232** | **99.2%** | **2,021,399** |
| **TOTAL** | **$ 2,519,240** | **99.4%** | **$ 2,503,407** |

## COUNTY OF MILWAUKEE
## DEMOGRAPHIC STATISTICS

### LAST TEN FISCAL YEARS

| Year | Population* | Effective Buying Income Per Capita | Effective Buying Income Per Capita In Base $ | Percent High School Graduates | Percent Unemployment** |
|---|---|---|---|---|---|
| **1996** | 963,903 | $ 15,321 (a) | $ 9,904 (b) | N/A | 4.1% |
| **1997** | 958,408 | 16,815 (a) | 10,662 (b) | N/A | 4.1% |
| **1998** | 957,058 | 17,121 (a) | 10,680 (b) | N/A | 4.0% |
| **1999** | 956,688 | N/A | N/A | N/A | 3.8% |
| **2000** | 955,026 | N/A | N/A | 87.8% (c) | 4.7% |
| **2001** | 939,919 | N/A | N/A | 78.0% (c) | 5.6% |
| **2002** | 941,091 | N/A | N/A | 72.9% (c) | 7.0% |
| **2003** | 941,301 | N/A | N/A | N/A | 7.3% |
| **2004** | 939,358 | N/A | N/A | N/A | 6.4% |
| **2005** | 938,995 | N/A | N/A | N/A | 5.9% |

* Department of Administration, State of Wisconsin/U.S. Census.

** State of Wisconsin, Department of Workforce Development, Bureau of Research and Statistics.

(a) Effective Buying Income per Capita, (Total EBI/Population) Sales and Marketing Management, Survey of Buying Power. Beginning in 1988, the Effective Buying Income variable excluded non-cash income items, which were previously included in this statistic. Sales and Marketing Management estimates that this reclassification reduces total national income by approximately 11 percent. No information is available for Milwaukee County. This change should be considered when comparing Effective Buying Income Per Capita from 1988 to 1991 due to the incorporation of the 1990 census data. This benchmarking makes it impossible to make meaningful comparisons between 1991 information and information published for prior years.

(b) Effective Buying Income Per Capita is base year dollars, (Total EBI (adjusted for inflation) /Population). Base year dollars (1980) Fiscal Trends, Milwaukee County.

(c) Per Wisconsin Department of Public Instruction. Information does not include private school graduates.

## COUNTY OF MILWAUKEE
## PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

### LAST TEN FISCAL YEARS

| | PROPERTY VALUE (1) * | | | | COMMERCIAL CONSTRUCTION (2) | | RESIDENTIAL CONSTRUCTION (2) | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Non-Residential | Residential | Exemptions | Total | No. of Permits | Value* | No. of Units | Value* | Bank Deposits (3) * |
| **1996** | $ 11,715,089 | $ 20,562,725 | $ 384,323 | $ 31,893,491 | 203 | $ 110,766 | 1,414 | $ 165,590 | $ 16,078,879 |
| **1997** | 12,103,833 | 21,338,285 | 374,337 | 33,067,781 | 292 | 133,524 | 1,580 | 140,352 | 18,029,348 |
| **1998** | 12,890,071 | 22,032,047 | 482,107 | 34,440,011 | 223 | 127,430 | 1,830 | 170,090 | 20,947,260 |
| **1999** | 13,053,491 | 23,351,560 | 598,008 | 37,003,059 | 359 | 219,270 | 1,094 | 88,326 | 14,931,834 |
| **2000** | 13,571,130 | 24,659,199 | 758,208 | 37,472,121 | 537 | 167,946 | 2,099 | 164,015 | 18,083,514 |
| **2001** | 14,833,850 | 26,940,262 | 967,915 | 40,806,197 | NA | NA | NA | NA | 26,083,397 (4) |
| **2002** | 15,338,727 | 28,940,897 | 962,958 | 43,316,666 | NA | NA | NA | NA | 25,385,979 (4) |
| **2003** | 16,100,336 | 31,166,329 | 1,153,286 | 46,113,380 | NA | NA | NA | NA | 28,053,510 (4) |
| **2004** | 17,139,290 | 34,014,070 | 1,367,695 | 49,785,665 | NA | NA | NA | NA | 30,917,059 (4) |
| **2005** | 18,705,977 | 37,974,709 | 1,779,212 | 54,901,474 | NA | NA | NA | NA | 31,682,644 (4) |

* Amount expressed in thousands.
(1) Source: Wisconsin Department of Revenue, Statistical Report of Property Valuations.
(2) Source: State of Wisconsin, Record of Building Permits Issued. In 2001, the State stop collecting the information for the commercial and residential construction
(3) Source: The Business Journal.
(4) Source: State of Wisconsin, Department of Financial Institutions

## COUNTY OF MILWAUKEE
## MISCELLANEOUS STATISTICAL DATA
## DECEMBER 31, 2005

| | |
|---|---|
| **Date of Incorporation** | 1835 |
| **Form of Government** | County Board - County Executive |
| **Area in Square Miles** | 242 |
| **All Motor Vehicles (Registered)** | 653,973 |
| **Dwelling Units (Occupied)** | 377,729 |
| **Miles of State Freeways and Highways Served** | 373 |
| **Recreation** | |
| Parks/Parkways | 150 |
| Acreage | 14,938 |
| Golf Courses | 14 |
| **Education - Number of Schools (Four-County Area)** | |
| Public Elementary | 321 |
| Public Junior and Senior High | 181 |
| Public K-12 Combination Schools | 19 |
| Private Elementary | 242 |
| Private Junior and Senior High | 27 |
| Private K-12 Combination Schools | 48 |
| Colleges and Universities | 20 |
| **General Mitchell International Airport** | |
| Number of Passengers Served | 7,268,000 |
| Number of Carriers - Commercial | 12 |
| Number of Runways | 5 |
| Acreage | 2,386 |
| Daily Departures/Arrivals | 480 |
| **Public Library** | |
| Cardholders | 536,756 |
| Circulation | 7,852,924 |
| Volumes | 4,702,559 |
| **Correction Facilities** | |
| House of Correction Capacity | 2,400 |
| Criminal Justice Facility | 990 |
| **County Employees** | |
| Regular - Full Time | 4,993 |
| Seasonal - Part Time | 748 |