

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 1, 2006

NEW ISSUE-FULL BOOK ENTRY

RATINGS: *Fitch Ratings:*
Moody's:
Standard & Poor's:
(See "RATINGS" herein)

In the opinion of Quarles & Brady LLP and Carpenter Laster & Jones, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law, interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

MILWAUKEE COUNTY, WISCONSIN

\$31,595,000

**General Obligation Corporate Purpose Bonds, Series 2006A
(the "Bonds")**

Bonds Dated: April 1, 2006

Principal Due: October 1, as shown on inside cover page

The Bonds bear interest at the interest rates specified on the inside cover page of this Official Statement, payable semi-annually on April 1 and October 1, commencing April 1, 2007.

The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount. Proceeds of the Bonds will be used to finance essential purpose projects within the County, including highways and bridges, general capital improvement projects and public art projects.

The Bonds will be issued as fully registered obligations and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company (DTC), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

A bid for not less than \$31,342,060 must be submitted, along with a certified or cashier's check or a Financial Surety Bond, payable to the County in the amount of \$315,950. Bidders shall specify interest rates in integral multiples of 1/20 or 1/8 of 1%. Rates must be in non-descending order.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

BIDS RECEIVED: March 9, 2006 (Thursday) until 10:00 a.m., Central Time, by the Director, Department of Administrative Services, in Room 308 of the Milwaukee County Courthouse.

BID OPENING: March 9, 2006 (Thursday) at 10:00 a.m., Central Time, in the presence of a special bid opening committee, in Room 201 of the Milwaukee County Courthouse.

AWARD: March 9, 2006 (Thursday) after the conclusion of the 12:00 noon, Central Time, meeting of the County Board Finance and Audit Committee, by the County Board of Supervisors.

The date of this Official Statement is _____, 2006.

This Preliminary Official Statement and the information herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

\$31,595,000

General Obligation Corporate Purpose Bonds, Series 2006A

<u>Due</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u>
2007	\$1,465,000			
2008	1,150,000			
2009	0			
2010	1,175,000			
2011	2,525,000			
2012	2,525,000			
2013	2,525,000			
2014	2,525,000			
2015	2,525,000			
2016	2,525,000			
2017	2,525,000			
2018	2,525,000			
2019	2,525,000			
2020	2,525,000			
2021	2,555,000			

No dealer, broker, salesman or other person has been authorized by the County, the Financial Advisor or the Underwriters to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the County, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources, which are believed to be reliable, but it is not to be construed as a representation by the Financial Advisor or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

Table of Contents	iii
Introduction to Official Statement	v
Official Terms of Offering	vii
The Bonds	
The Bonds	1
Use of Bond Proceeds	1
Security and Financing	1
Optional Redemption	2
Form of the Bonds	2
Book-Entry-Only System	2
Bond Insurance	3
Ratings	4
Underwriting	4
Financial Advisors	4
Litigation	4
Legality	4
Tax Exemption	5
Exemption from State Securities Registration	5
<u>Not</u> Bank-Qualified Obligations	6
Undertaking to Provide Continuing Disclosure	6
Certification	6
County Government	
General	6
Government and Administration	6
County Executive's Office	7
Legislative	8
Financial Management	8
Services Provided by the County	12
Labor Relations	19
Milwaukee County Retirement System	19
Community Characteristics	
Demographic Trends	22

Location and Transportation System.....	22
Education.....	22
Economic Profile and Trends	22
Labor Force Statistics (Annual Averages).....	23
Financial Institutions.....	23
Major Employers in the County.....	24
Major Industrial Taxpayers in the County.....	25
Major Non-Industrial Taxpayers in the County.....	26
Major Construction Projects Planned and In Process in the County (City of Milwaukee).....	27
Major Construction Projects Planned and In Process in the County (Other Municipalities)	27
 Debt Structure	
Payment Record	28
Future Financing	28
Bonds and Notes Authorized But Not Issued.....	28
General Obligation Debt Margin.....	28
Other County Obligations	29
Milwaukee County General Obligation Debt	30
Indebtedness of the County	31
Interim Borrowing for Operations.....	31
Indirect General Obligation Debt of the County	32
Trend of Direct Debt and Indirect Debt at December 31.....	33
Debt as a Percent of Equalized Value and Per Capita Debt	33
 Financial Information	
Tax Assessment.....	33
Equalized Values (In Millions of Dollars).....	34
Property Tax Levies and Collections	
Last Five Years (In Millions of Dollars)	35
Property Tax Levies and Collections	
Last Five Years-City of Milwaukee (In Millions of Dollars).....	35
Property Tax Rates for County Levies	36
Levy Limits.....	36
Proposed Taxpayer Protection Constitutional Amendment: Limit on Revenue.....	37
Property Tax Credits	38
Property Tax Collections.....	39
Other Major County Revenues	39
Statements of Revenues, Expenditures and Changes in Fund Balance	41
Statements of Revenues, Expenses, and Changes in Retained Earnings	42
Adopted 2005 and 2006 Budgets.....	43
Summary 2006 Capital Improvements Budget.....	44
Five-Year Capital Improvement Program.....	47
Proposed Form of Bond Counsel Opinion	Appendix I
Annual Financial Statements	Appendix II
Continuing Disclosure Certificate	Appendix III
Official Bid Form.....	Attached
Agreement As To Use Of Electronic Bidding	Attached

INTRODUCTION TO OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding Milwaukee County's \$31,595,000 General Obligation Corporate Purpose Bonds, Series 2006A (referred to as the "Bonds") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer

Milwaukee County, Wisconsin

Security

The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount. A direct irrevocable tax will be levied upon all taxable property in the County upon award of the Bonds. (See "The Bonds - Security and Financing" herein.)

Purpose

Proceeds of the Bonds will be used to finance essential purpose projects within the County, including highways and bridges, general capital improvement projects and public art projects.

Optional Redemption

The Bonds maturing in the years 2016 and thereafter are subject to redemption at the option of the County on October 1, 2015 and on any date thereafter. Redemption may be in whole or in part of the Bonds subject to prepayment. The amounts and maturities of the Bonds to be redeemed shall be selected by the County. If only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid will be chosen by lot. All prepayments shall be a price of par, plus accrued interest to the date of redemption.

Form and Payment: Book-Entry-Only System

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company (DTC), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. (See "Book-Entry Only System" herein.)

Tax Status

The Bonds will be accompanied by an opinion of Bond Counsel that, assuming continued compliance with the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income of the owners of the Bonds and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Professional Consultants

The following professionals are providing services in connection with the Bonds:

Registrar: Milwaukee County
County Treasurer's Office
Milwaukee, Wisconsin

Bond Counsel: Quarles & Brady LLP
Milwaukee, Wisconsin
and
Carpenter Laster & Jones
Brookfield, Wisconsin

Financial Advisor: Public Financial Management, Inc.
Milwaukee, Wisconsin

General Terms of the Bonds

The Bonds are authorized and issued pursuant to the constitution and laws of the State of Wisconsin, including Chapter 67 of the Wisconsin Statutes, and resolutions adopted by the County Board of Supervisors.

The Bonds are offered subject to receipt of the unqualified approving legal opinion of Quarles & Brady LLP of Milwaukee, Wisconsin, and Carpenter Laster & Jones, Brookfield, Wisconsin, bond counsel to the County. Delivery of the Bonds will be without cost to the purchaser within 50 days following the date of their award.

Continuing Disclosure

The County will covenant to provide continuing disclosure in regard to the Bonds.

Additional Information

Questions regarding the Bonds or the Official Statement can be directed to Public Financial Management, Inc., 115 South 84th Street, Milwaukee, Wisconsin 53214, (414/771-2700), the County's Financial Advisor, or Pamela Bryant, Capital Finance Manager, Milwaukee County Department of Administrative Services, 901 North Ninth Street, Room 308, Milwaukee, Wisconsin 53233, (414/278-4396).

OFFICIAL TERMS OF OFFERING

**\$31,595,000
MILWAUKEE COUNTY, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2006A
(BOOK-ENTRY-ONLY SYSTEM)**

Sealed bids and electronic bids for the Bonds will be received by the Director, Department of Administrative Services on Thursday, March 9, 2006 until 10:00 a.m., Central Time, at 901 North Ninth Street, Room 308, Milwaukee County Courthouse, Milwaukee, Wisconsin 53233, after which the sealed bids will be opened and electronic bids will be retrieved and tabulated by a special bid opening committee for submission to the County Board Finance and Audit Committee at a meeting at 12:00 p.m. (noon) of the same day. Electronic bids must be submitted through PARITY (see “Electronic Bidding” below). Consideration of award of the Bonds will be by the County Board of Supervisors at the conclusion of the County Board Finance and Audit Committee meeting.

DETAILS OF THE BONDS

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company (DTC), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds.

The Bonds will be dated April 1, 2006, the date of original issue, and will bear interest payable on April 1 and October 1 of each year, commencing April 1, 2007. Interest will be computed upon the basis of a 360-day year of twelve, 30-day months and will be rounded pursuant to the rules of the MSRB. The Bonds will mature on October 1 in the amounts and years as follows:

Principal	Year	Principal	Year
\$1,465,000	2007	\$2,525,000	2015
1,150,000	2008	2,525,000	2016
0	2009	2,525,000	2017
1,175,000	2010	2,525,000	2018
2,525,000	2011	2,525,000	2019
2,525,000	2012	2,525,000	2020
2,525,000	2013	2,555,000	2021
2,525,000	2014		

OPTIONAL REDEMPTION

The County may elect to prepay on October 1, 2015, and on any day thereafter, Bonds due on or after October 1, 2016. Redemption may be in whole or in part of the Bonds subject to prepayment. If only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid will be chosen by lot. All prepayments shall be at a price of par plus accrued interest to the date of redemption.

ELECTRONIC BIDDING

Bids for the Bonds may be submitted electronically through PARITY. Bidders who intend to submit electronic bids must submit the completed Agreement as to Use of Electronic Bidding by the end of business on the day prior to the bid opening. The County assumes no responsibility or liability for bids submitted through PARITY. If any provisions in this Official Terms of Offering conflict with information provided by PARITY, this Official Terms of Offering shall control. Further information about these services may be obtained from:

PARITY
1359 Broadway, 2nd Floor
New York, NY 10018
Eric Washington
(212) 404-8102

SECURITY AND PURPOSE

The Bonds will be general obligations of the County for which the County will pledge its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limitation as to rate or amount. Proceeds of the Bonds will be used to finance essential purpose projects within the County, including highways and bridges, general capital improvement projects and public art projects.

TYPE OF BID

A bid for not less than \$31,342,060 and accrued interest on the total principal amount of the Bonds shall be filed with the undersigned or submitted electronically (as described above) prior to the time set for the opening of bids. Sealed bids shall be labeled "Bid for \$31,595,000 General Obligation Corporate Purpose Bonds, Series 2006A." Bids for the Bonds may also be submitted through Public Financial Management, Inc., the County's Financial Advisor. Bids must be made using the Official Bid Form, and all electronic bids shall be deemed to incorporate the provisions of the Official Bid Form.

Also, prior to the time set for bid opening, a certified or cashier's check or a Financial Surety Bond in the amount of \$315,950, payable to the order of the County, shall have been filed with the undersigned or Public Financial Management, Inc. If a check is used, it must accompany each bid. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Wisconsin, and such bond must be submitted to Public Financial Management, Inc. or to the County prior to the opening of bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that purchaser (the "Purchaser") is required to submit its deposit to the County or its Financial Advisor in the form of a cashier's check (or wire transfer such amount as instructed by the County or its Financial Advisor) no later than 3:30 p.m., Central Time, on the next business day following the award. If such deposit is not received by that time, the Financial Surety Bond may be drawn on by the County to satisfy the Deposit requirement. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the Deposit will be retained by the County. No bid shall be withdrawn after the time set for opening bids unless the meeting of the County Board of Supervisors scheduled for consideration of the bids is adjourned, recessed, or continued to another date without award of the Bonds having been made. Bonds of the same maturity shall bear interest at a single rate from the date of the Bonds to the date of maturity, which rate shall not exceed the rate specified for Bonds of any subsequent maturity. Rates bid must be expressed in integral multiples of 1/20 or 1/8 of 1 percent.

AWARD

The Bonds will be awarded to the bidder offering the lowest dollar interest cost to be determined on a true interest cost basis. The County's computation of the true interest cost of each bid, from the dated date of the Bonds, April 1, 2006 and in accordance with customary practice, will be controlling.

The County will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the General Obligation Corporate Purpose Bonds, (ii) reject all bids without cause, and (iii) reject any bid which the County determines to have failed to comply with the terms herein.

Within 24 hours of award of the Bonds, the successful bidder shall provide the County with the initial reoffering prices to the public of each maturity of the Bonds; a complete listing of all syndicate members; and confirmation of the acquisition of credit enhancement, if any. Simultaneously with or before delivery of the Bonds, the successful bidder shall furnish to the County, a certificate in form and substance acceptable to bond counsel (a) confirming the initial reoffering prices, (b) certifying that a bona fide reoffering of the Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), and (c) stating the prices at which a substantial portion

of each maturity of the Bonds were sold to the public (excluding bond houses, brokers, and other intermediaries).

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers, such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about April 3, 2006, the Bonds will be delivered without cost to the Purchaser through the Depository Trust Company in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Quarles & Brady LLP, and Carpenter Laster & Jones, bond counsel to the County, which opinion will accompany the Bonds, and of customary closing papers, including a non-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal or equivalent funds, which shall be received at the offices of the County, or its designee, not later than 11:00 a.m., Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the County, or its agents, the Purchaser shall be liable to the County for any loss suffered by the County by reason of the Purchaser's non-compliance with said terms for payment.

NOT BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be bank-qualified tax-exempt obligations pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

In order to assist bidders in complying with SEC Rule 15c2-12, as amended, the County will covenant to undertake (pursuant to a Resolution to be adopted by the County Board of Supervisors), to provide annual reports and timely notice of certain events for the benefit of beneficial owners of the Bonds. The details and terms of the undertaking are set forth in a Continuing Disclosure Certificate to be executed and delivered by the County, a form of which is included in the Preliminary Official Statement and in the Final Official Statement.

OFFICIAL STATEMENT

A copy of the County's Preliminary Official Statement, dated March 1, 2006, may be obtained by contacting Public Financial Management, Inc., 115 South 84th Street, Milwaukee, Wisconsin 53214, (414/771-2700) or Pamela Bryant, Capital Finance Manager, Milwaukee County Department of Administrative Services, 901 North Ninth Street, Milwaukee, Wisconsin 53233, (414/278-4396). The Preliminary Official Statement may be obtained from the following website: www.i-dealprospectus.com. The Preliminary Official Statement is in a form deemed final as of its date for purposes of Securities and Exchange Rule 15c2-12(b)(1), but is subject to minor revision, amendment and completion in a Final Official Statement in accordance with the Rule.

By awarding the Bonds to any underwriter or underwriting syndicate, the County agrees that within seven business days after the date of such award it shall provide the senior managing underwriter of the successful syndicate with copies of a Final Official Statement. The senior managing underwriter of the successful syndicate will be supplied with Final Official Statements in a quantity sufficient to meet its request. Up to 50 copies of the Final Official Statement will be furnished without cost.

The County designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each participating underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the County (i) it shall accept such designation and (ii) it will enter into a contractual relationship with all participating underwriters of the County for purposes of assuring the receipt by each such participating underwriter of the Final Official Statement.

/s/ Linda Seemeyer, Director
Department of Administrative Services

SCHEDULE OF BOND YEARS
\$31,595,000
MILWAUKEE COUNTY, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2006A

<u>Year</u>	<u>Principal</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
2007	\$1,465,000	2,197.500	2,197.500
2008	1,150,000	2,875.000	5,072.500
2009	0	0.000	5,072.500
2010	1,175,000	5,287.500	10,360.000
2011	2,525,000	13,887.500	24,247.500
2012	2,525,000	16,412.500	40,660.000
2013	2,525,000	18,937.500	59,597.500
2014	2,525,000	21,462.500	81,060.000
2015	2,525,000	23,987.500	105,047.500
2016 ¹	2,525,000	26,512.500	131,560.000
2017 ¹	2,525,000	29,037.500	160,597.500
2018 ¹	2,525,000	31,562.500	192,160.000
2019 ¹	2,525,000	34,087.500	226,247.500
2020 ¹	2,525,000	36,612.500	262,860.000
2021 ¹	2,555,000	39,602.500	302,462.500

1. Subject to optional call.

Average Maturity: 9.57 Years.

Bonds Dated: April 1, 2006.

Call Feature: Bonds maturing on or after October 1, 2016 are callable on October 1, 2015 and on any date thereafter at par. (See "Official Terms of Offering.")

Interest Due: April 1, 2007 and each October 1 and April 1 thereafter to maturity.

Interest Rates: Rates are to be in integral multiples of 1/8 or 1/20 of 1%, in non-descending order, one rate per maturity.

Price: Not Less Than \$31,342,060.

Principal Due: October 1, 2007-2021 inclusive.

OFFICIAL STATEMENT

MILWAUKEE COUNTY, WISCONSIN \$31,595,000 General Obligation Corporate Purpose Bonds, Series 2006A

Introductory Statement

This Official Statement is provided to furnish information in connection with the sale of \$31,595,000 General Obligation Corporate Purpose Bonds, Series 2006A (referred to as the "Bonds") by Milwaukee County, Wisconsin (the "County"). The Bonds are issued pursuant to the constitution and laws of the State of Wisconsin, including Chapter 67 of the Wisconsin Statutes, and resolutions adopted by the County Board of Supervisors. The Bonds are general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes, which taxes may, under current law, be levied without limit as to rate or amount.

Financial Management

For a general discussion of the County's financial management, as well as a general discussion of recent and prospective operating results please refer to the section "Financial Management."

THE BONDS

Use of Bond Proceeds

Proceeds of the Bonds will be used finance capital projects totaling \$31,187,655 for general County purposes pursuant to the County's 2006 Adopted Capital Improvement Budget (See pages 44 through 46 for a summary of the adopted capital improvements.) A summary of major expenditure categories is as follows:

<u>Description</u>	<u>Bond Amount</u>
Construction, improvement and maintenance of highways and bridges	\$1,435,000
Acquisition, replacement and improvement of buses and other equipment and facilities for the mass transit transportation system; environmental projects; the development, construction, improvement, renovation and equipping of park, recreational and cultural facilities; health and human services projects, including the renovation and improvement of buildings and parking lots; the construction, renovation, improvement and equipping of public safety facilities, general government buildings and other County buildings and related improvements; the construction of marina improvements; and the acquisition of capital equipment.	30,105,000
Construction, acquisition and development of public art projects.	55,000
Total for Corporate Purpose Bonds, Series 2006A	\$31,595,000

In addition to project costs of \$31,187,655, the issue includes \$150,000 for the cost of issuance, \$252,940 for the underwriter's discount and \$4,405 in unallocated proceeds.

Security and Financing

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

The first levy for the Bonds will be made in 2006 for collection in 2007. The first-half taxes are expected to be available to meet the interest payment due on April 1 each year with respect to the Bonds. Surplus first-half taxes and all second-half taxes will be used to meet each October 1 principal and interest payment with respect to the Bonds.

Optional Redemption

The County may elect to prepay on October 1, 2015, and on any day thereafter, Bonds due on or after October 1, 2016. Redemption may be in whole or in part of the Bonds subject to prepayment. The amounts and maturities of the Bonds to be redeemed shall be selected by the County. If only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid will be chosen by lot. All prepayments shall be at a price of par plus accrued interest to the date of redemption.

FORM OF THE BONDS

The Bonds will be designated “Milwaukee County, Wisconsin General Obligation Corporate Purpose Bonds, Series 2006A.” As originally issued, the Bonds will be dated as of April 1, 2006. The Bonds will be issued as fully registered bonds without coupons and, when issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company (DTC), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See “Book-Entry-Only System” herein.)

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners

will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

BOND INSURANCE

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment at the option of the

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

RATINGS

Application for ratings have been made to Fitch Ratings (“Fitch”), One State Street Plaza, New York, New York; Moody’s Investors Service, Inc. (“Moody’s”), 99 Church Street, New York, New York; and Standard & Poor’s Corporation (“S&P”), 25 Broadway, New York, New York. If a rating is assigned, it will reflect only the opinion of the rating agencies. Any explanation of the significance of the rating may be obtained only from the rating agencies.

UNDERWRITING

The County has sold the Bonds at public sale to _____, as Underwriters, for a price of \$_____ and accrued interest, to bear interest at the rates set forth on the inside cover page of this Official Statement. The Underwriters propose to offer the Bonds to the public at the initial public offering prices which will produce the yields set forth on the inside cover page of this Official Statement. After the Bonds are released for sale to the public, the offering prices and other selling terms may from time to time be varied by the Underwriters.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc., Milwaukee, Wisconsin, as financial advisors (the “Financial Advisors”) in conjunction with the issuance of the Bonds. The Financial Advisors have relied upon governmental officials, the Official Statement, and other sources to provide assistance to the County. The Financial Advisors have not been engaged, nor have they undertaken, to independently verify the accuracy of such information. The Financial Advisor has not participated in the preparation of the Official Statement. The Financial Advisors are not public accounting firms and have not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisors will not participate in the underwriting of the Bonds.

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

LITIGATION

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

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

LEGALITY

The Bonds are subject to approval as to certain matters by Quarles & Brady LLP of Milwaukee, Wisconsin, and Carpenter Laster & Jones, Brookfield, Wisconsin, bond counsel to the County. Quarles & Brady LLP and Carpenter Laster & Jones will not pass on accuracy, completeness, or sufficiency of the Official Statement. Quarles & Brady LLP and Carpenter Laster & Jones have not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

Legal opinions in substantially the form set out in Appendix I herein will be delivered by bond counsel at closing.

TAX EXEMPTION

General

Quarles & Brady LLP and Carpenter Laster & Jones, as bond counsel to the County, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law in substantially the following form: "The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the Bonds) issued prior to enactment.

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes. Investors should consult their tax advisors with respect to state and local tax consequences of holding the Bonds.

Changes in Federal Tax Law

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation.

EXEMPTION FROM STATE SECURITIES REGISTRATION

Pursuant to Chapter 551, Wisconsin Statutes, certain municipal securities, including the Bonds, are required to be registered with the Wisconsin Department of Financial Institutions Division of Securities prior to offering unless an exemption from registration is provided by law or regulation. Subject to certain conditions, securities are presently exempt if the auditor's report accompanying the issuer's most recent annual financial statements states that such statements have been prepared in accordance with generally accepted accounting principles.

In the opinion of the County, the Bonds will be exempt from registration based upon the auditor's report accompanying the County's financial statements for the fiscal year ended December 31, 2004.

NOT BANK-QUALIFIED OBLIGATIONS

The Bonds will not be designated "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), pursuant to the Bond Resolution, the County will covenant to enter into an undertaking (the "Undertaking") for the benefit of holders of the Bonds to provide certain financial information and operating data relating to the County to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board (MSRB) and to any state information depository. The terms and conditions of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the County at the time the Bonds are delivered. The Certificate will be in substantially the form attached hereto as Appendix III. The County has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the County to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

CERTIFICATION

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

COUNTY GOVERNMENT

General

Milwaukee County is located in southeastern Wisconsin on the Lake Michigan shoreline. The County covers an area of approximately 242 square miles and consists of ten cities and nine villages. The City of Milwaukee, which acts as the County seat, contains approximately 63 percent of the County's population and 46 percent of its taxable property value. Milwaukee County serves as the population, economic and financial center of the State.

The County was first incorporated in 1835 by the Michigan Territorial Government. In 1837, it was divided by the Wisconsin Territorial Legislature. Nine years later it was divided again to its present size.

Government and Administration

Milwaukee County is governed by a County Executive and a 19-member Board of Supervisors. The County Executive and County Supervisors are elected to nonpartisan four-year terms. Each Supervisor is elected from a district with an average population of approximately 50,000. In addition, six constitutional officers are elected to serve two-year terms on a partisan basis.

County Officials

(Initial year in office follows name)

County Executive:

County Clerk:

Register of Deeds:

Treasurer:

Clerk of Circuit Court:

Sheriff:

District Attorney:

Scott Walker (2002)

Mark Ryan (1999)

John La Fave (2003)

Dan Diliberti (2005)

John Barrett (1999)

David A. Clarke, Jr. (2002)

E. Michael McCann (1969)

Board of Supervisors

Lee Holloway – Chairperson (1992)

Richard D. Nyklewicz, Jr. - 1st Vice Chairperson (1975)

Ryan McCue- 2nd Vice Chairperson (2002)

Mark A. Borkowski (1992)

Gerry P. Broderick (2002)

Paul M. Cesarz (2002)

Toni M. Clark (2003)

Elizabeth M. Coggs - Jones (1988)

Lynne D. De Bruin (1992)

Dan Devine (2004)

Marina Dimitrijevic (2004)

Willie Johnson, Jr. (2000)

Michael Mayo, Sr. (1994)

Roger H. Quindel (1992)

Joseph A. Rice (2004)

James J. Schmitt (1998)

John F. Weishan, Jr. (2000)

Peggy West (2004)

James G. White (1996)

County Executive's Office

Milwaukee County was the first county in the State of Wisconsin to establish an executive branch. The following five cabinet officers are appointed by the County Executive to assist in carrying out these executive functions:

- Director-Department of Administrative Services
- Director-Department of Health and Human Services
- Director-Department of Administrative Services - Human Resources
- Director-Department of Parks, Recreation and Culture
- Director-Department of Public Works¹

1. In 2004 the Departments of Public Works and Parks, Recreation and Culture were merged into the Department of Parks and Public Infrastructure. In the 2006 Adopted Budget the previous organizational structure was reestablished.

In addition, the County Executive appoints and manages heads of the following departments:

- Zoological Gardens
- Department on Aging
- Veterans Service Office
- Labor Relations
- Child Support
- Corporation Counsel
- House of Correction
- Office for Persons with Disabilities
- Division of Intergovernmental Relations
- Department of the Medical Examiner

Functions of the County Executive's Office include: coordination and direction of administrative and management functions of the County government not otherwise vested by law in boards, commissions or other elected officers; appointment of department heads, except where statute provides otherwise, and members of boards and commissions, subject to confirmation by the County Board; preparation and submission of an annual County budget to the County Board; submission annually, and otherwise if necessary, of a message to the County Board setting forth the condition of the County and recommending changes and improvements in County programs and services; and, review for approval or veto of all resolutions and ordinances enacted by the County Board.

Legislative

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

The Chairperson of the County Board of Supervisors is elected by the members of the County Board following their election every four years and is responsible for: presiding at Board meetings; ruling on procedural matters; representing the Board at official functions; and making appointments to County Board committees, special subcommittees, boards and commissions.

The standing committees of the County Board meet periodically and make recommendations to the Board, which formally approves, modifies or disapproves those recommendations. Standing committees include:

- Finance and Audit
- Personnel
- Health and Human Needs
- Intergovernmental Relations
- Parks, Energy and Environment
- Transportation, Public Works and Transit
- Economic and Community Development
- Judiciary, Safety and General Services
- Committee of Whole

Financial Management

Budgeting

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

State Statute 59.60(3m) specifies that all County accounting and budgeting procedures shall comply with generally accepted accounting principles (GAAP). A summary of the County's budgets for 2005 and 2006 is presented on page 43 of this Official Statement. Also, presented on page 47 is a summary of expenditure appropriations for the County's five-year (2006-2010) Capital Improvements program.

Accounting Policies and Budgetary Control

The Fiscal Affairs Division of the Department of Administrative Services monitors the accounting policies and procedures followed by County departments. The County's accounting records for governmental and agency funds are maintained on a modified accrual basis of accounting. Under this method, revenues are recorded when measurable and available; expenditures are recorded when the goods or services are received and the liabilities are incurred. Proprietary and the pension trust funds of the County are maintained on an accrual basis of accounting. Under this method, revenues are recorded when the services are performed; expenditures are recorded when the goods or services are received and the liabilities are incurred. For a further discussion of accounting policies in the County, see the "Notes to the Financial Statements" contained in Appendix II.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Milwaukee County for its Comprehensive Financial Report for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Milwaukee County has received a Certificate of Achievement for the last 26 consecutive years (December 31, 1979 through December 31, 2004). The County is in the process of compiling the CAFR for the year ended December 31, 2005.

Budgetary control is maintained by a formal appropriation and encumbrance system. Encumbrances are made against appropriations prior to the release of a purchase order to a vendor, or prior to the issuance of a check when a liability is incurred without a purchase order. Liabilities that exceed appropriation balances are not paid until an increased appropriation is made available. Encumbered appropriations are carried forward at the end of the year by means of encumbrance reserves. These reserves are restored to departmental appropriation accounts in the following year. Expenditures are then recorded when the services or materials are received. A summary of operating results for general fund and all proprietary funds for the years 2000-2004 is presented on pages 41 and 42 of this Official Statement. Excerpts from the County's 2004 financial statements are included as Appendix II. Milwaukee County realized a deficit of \$1,573,366 for fiscal year 2004.

2005 Fiscal Year

The 2005 first quarter report for Milwaukee County presented in April 2005 projected an ending deficit of \$2 million. At that time, the Department of Administrative Services (DAS) updated this projection with information available after the first report had been submitted. This updated report presented in May 2005 described an increase in the year-end 2005 deficit projection to \$6.9 million.

In July 2005, in response to this report, the County implemented (with minor adjustments) the corrective action plan recommended by DAS to address this projected \$6.9 million deficit. Departments funded with property tax levy had their expenditures reduced by an amount equal to 5% of their 2005 property tax levy. This corrective action plan generated \$10.7 million in expenditure savings. Approximately \$7.3 million of this was transferred from department budgets and deposited in the Appropriation for Contingencies to offset the projected deficit and address unanticipated budget issues that might arise after this corrective action was adopted. The remaining \$3.4 million was then allocated to reconcile expenditure and revenue shortfalls in various departments.

In December 2005 DAS estimated that the County would end the year with a surplus of approximately \$1.8 million. In January 2006 this surplus projection was adjusted to a breakeven (or \$0) due to an anticipated deficit in the Parks Department of \$2.3 million. DAS is in the early stages of completing its analysis of departmental results, balance sheet accounts and carryovers as it proceeds with the closing for 2005. The final results will not be known until June 2006. Based on the available financial information, the County is still anticipated to breakeven for 2005.

2006 Fiscal Concerns

Early estimates for 2006 suggest the County will operate with a deficit of \$8.9 million unless corrective action is taken over the course of the year. The 2006 projected deficit is based on excess expenditures and revenue shortfalls in departments during 2005 that were not known until after the 2006 Budget was adopted. Budgets that are estimated to deficit in 2006 are Parks (\$2.7 million), Courts (\$1.5 million), House of Corrections (\$650,000), and Appropriation for Contingencies (\$4.0 million).

The projected \$2.7 million deficit in the Parks Department 2006 budget is the result of the preliminary final results for the department in 2005, which will require an adjustment to the 2006 revenue budget. DAS provided a 2006 corrective action plan for the Parks Department, along with the disclosure of the 2005 deficit, to the Board of Supervisors in January 2006. The Board of Supervisors has deferred action on a 2006 corrective action plan for the Parks Department until 2005 final results are known. In the interim, DAS has taken an aggressive stance to manage the Parks 2006 budget and is engaged, on a weekly basis, to assure appropriate management of Parks' finances.

However, absent the implementation of a corrective action plan the Parks Department will likely generate an operating deficit for 2006.

Additional projected shortfalls for 2006 are the result of revenues and savings not being realized at the 2006 budgeted levels in Courts and House of Correction. The 2006 Courts budget included “salary savings” of \$1 million that must be achieved through holding positions vacant. This target is unlikely to be realized, as the most recent projection based on payroll data indicates a projected deficit of \$1.5 million in salaries. The 2006 House of Correction budget is based on the closure of 6 of the dormitories and continuation of housing State prisoners. Current population needs for 2006 have the HOC currently operating with 5 dormitories closed. This development, if sustained, results in a deficit of \$400,000 (annual cost of operating a dormitory). Additionally, the State has informed the County that it will cancel its contract for housing State prisoners. No date has been determined for the termination of this contract. If the agreement is terminated in 2006, the House of Correction could lose net revenues of \$250,000, raising the total the projected for 2006 to \$650,000.

The County’s budgeted contingency fund for 2006 included \$10.2 million in health insurance related revenues based on reduced employer premiums, the implementation of co-payments and prescription drug pricing structures, particularly for retirees, and increased employee contributions that will go into effect on July 1, 2006. In January 2006 an estimate, based on current enrollment data, updated projected revenues to \$6.2 million, which is \$4.0 million lower than originally budgeted. The budget assumed 10,278 employees would enroll in the new County health care plan in 2006: 4,504 active employees and 5,744 retirees. Based on preliminary data, the actual enrollment was 10,581 participants: 4,566 active employees and 6,015 retirees or 303 additional participants.

The Department of Administrative Services is in the process of assessing the County’s overall fiscal situation and will be developing a corrective action plan for addressing the projected deficit for 2006 that will be presented to the Board of Supervisors in early 2006. The County’s ability to achieve a balanced operating budget in 2006 will depend on its success in adopting and implementing a corrective action plan, as well as its ability to achieve currently projected revenues and control other budgeted expenditures.

Future Fiscal Concerns

In an attempt to understand the near-term and long-term challenges facing the County, DAS has conducted a careful review of the County’s fiscal situation and has prepared a preliminary five-year fiscal projection of County budgets from 2007 to 2011. These are projections based on current information and are subject to revision. This review has identified a structural problem resulting from expenditure commitments that exceed received and earned revenues over the five years. The table below illustrates the projected annual gaps, in millions of current dollars, which the County may be facing over these five years.

Milwaukee County Five -year Preliminary Projection

	2007	2008	2009	2010	2011
	Projection	Projection	Projection	Projection	Projection
Annual Gap (Projected Expenditures and Revenues)	(\$74.2)	(\$38.9)	(\$36.4)	(\$34.5)	(\$37.5)
Annual Gap w/Wage Increases	(\$82.2)	(\$48.0)	(\$46.0)	(\$44.7)	(\$48.3)

Within the next five years (2007-2011) expenditures, driven by employee benefits (health insurance, pension contributions and OPEB), are projected to escalate at a rate that exceeds revenue growth. (Current preliminary estimates for future health insurance, pension contributions and OPEB liabilities do not incorporate actuarial analyses, which are still to be completed.) Although employee benefit cost pressures are not unique to Milwaukee County government, the consequences for the County, without significant corrective action, are potentially significant. Over this same period revenues, with the exception of property taxes and Federal Transportation Revenue, are anticipated to remain relatively flat. Increases to the property tax levy reflect the maximum allowable levy based on the State cap imposed in 2005. In 2005, legislation was approved that created another cap on property tax levy for the years 2005 to 2007. For purposes of the forecasting analysis, DAS assumed that the cap would remain in place for the years 2007 to 2011. Federal Transportation Revenue is anticipated to decline over the forecast period.

Healthcare costs are projected to increase by 17 percent per year over the next five years. The annual projected increases range from \$12 million in 2007 to \$37 million in 2011. No other budget category is expected to increase as dramatically as employee health insurance. The County's budgeted pension contribution is \$27.4 million in 2006, which reflects funding for normal costs. An actuarial review in October 2005 by Milliman, Inc., the actuary for the County's Employee Retirement System, stated that the "recommended" future pension contribution could be \$50 million or more. The projected contribution for 2007 is \$50 million or a \$23 million increase over the 2006 budget based on Milliman's October 2005 estimate. This would follow a pension funding plan designed to improve the funding position of the County's Employee Retirement System from its current funded level of 79% to a funded level of 100% at the end of the ERS's adopted funding plan, approximately 30 years. Projected future contribution increases are projected to increase \$3 million a year for each remaining year of the five-year period, e.g., \$53 million in 2008, and \$56 million in 2009. In early 2006, the County Executive will convene an advisory group to recommend proposals for addressing the County's future pension funding, including a possible move to a defined contribution funding mechanism. See "Milwaukee County Retirement System" section for more detailed information.

In addition to the increased pension contribution, there is an anticipated expenditure increase of \$29 million to fund, in accordance with GASB 45, the initial year of OPEB liabilities for County proprietary funds that receive property tax levy.

The combination of the foregoing anticipated expense increases, current revenue assumptions and present statutorily imposed tax caps would result in a significant excess of expenditures over revenues in 2007, and in each succeeding year for the period examined. If the County were unable to implement adequate corrective actions in a timely manner, increasing gaps between revenues and expenditures would risk significant adverse consequences for the County, its budgeting, its operations and, potentially, its ability to meet its operating obligations as they become due.

Resolving this structural imbalance will require Milwaukee County to review its current expenditure commitments, revenue streams and the cost pressures outlined above. The County will then need to decide whether it will reduce expenditure commitments to accommodate the projected costs of health benefits, pension contributions and OPEB or seek and implement new revenue sources. This will necessitate a reevaluation by the County of its core functions, and the funding assumptions used to support them.

DAS is currently reviewing options to address this structural imbalance. Among the options being reviewed are reductions in expenditure commitments, as well as new revenue sources. DAS intends to present a report outlining potential options designed to resolve this structural imbalance, to the County Executive and Board of Supervisors sometime in the near future for their deliberation over the extent and timing of corrective actions.

Auditing

The Milwaukee County Audit Department is an extension of the legislative branch of Milwaukee County and provides the County Board of Supervisors with a constant overview and independent review of County operations. The Audit Department is responsible not only for overseeing the external audit of the financial statements but also for reviews of internal accounting and administrative controls, compliance with applicable laws and regulations, economy and efficiency of operations and effectiveness in achieving program results. The Department's audits are performed in accordance with generally accepted government audit standards. In addition, the County retains the services of independent public accountants to perform audits of both the basic financial statements and of federal and state grants. The audits of the basic financial statements and of federal and state grants are conducted in accordance with auditing standards generally accepted in the United States; Government Auditing Standards issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the provisions of the State of Wisconsin State Single Audit Guidelines. The 2004 Milwaukee County Basic Financial Statements, including the report of the independent public accountants thereon, are presented in Appendix II.

Capital Planning

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

Debt Administration

The Finance and Audit Committee monitors all anticipated borrowing plans of the County on a continuing basis. The County's Financial Advisor, in conjunction with the County, has reviewed, discussed and developed the details and manner of the sale that were associated with this issue. In 1994, Milwaukee County established new policies and revised existing policies that directly and indirectly affect its borrowing practices including development of guidelines for maximum debt burdens and maximum maturity and modifications to the procedures for accepting competitive bids.

The County Board has also adopted policies limiting the amount of corporate purpose bonds issued by the County to finance capital projects. Under this policy, corporate purpose bond issuance could not exceed a maximum of \$30 million through fiscal year 2008 and in each subsequent fiscal year could be increased by no more than three percent over the principal amount of the preceding year's issue.

The 2005 Corporate Purpose Issue amount was \$3,340,000 below the bonding cap amount of \$27,950,000 for 2005. The 2006 bond amount of \$31,595,000 is \$2,645,000 above the bonding cap amount provided for under the debt management policy. In total, the amount of debt issued is consistent with the debt management policy since the aggregate amount of the 2005 and 2006 issues does not exceed the aggregate bonding cap amount for those years.

Investment Policy

The County may purchase investment securities at prevailing market rates as allowed by Wisconsin State Statutes (S.66.0603(1m)) and Milwaukee County Ordinance. To the extent possible, the County attempts to match its investments with anticipated cash flow requirements. In the absence of individual security maturity limitations specified in the Wisconsin State Statutes, the County does not directly invest in securities maturing more than ten years from the date of purchase. The following percentage ranges of portfolio investments apply to the investment categories currently allowed by Wisconsin Statute:

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

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

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.

Services Provided by the County

Health and Human Services

Department of Health and Human Services (DHHS) (formerly the Department of Human Services) - DHHS provides a wide range of life-sustaining, life-saving and life-enhancing services to children and adults through age 60. Programs focus on providing services for delinquent youth, persons who are developmentally disabled,

physically disabled, mentally ill, homeless and those in need of financial assistance. Many of the services provided are mandated by State Statute and/or provided through a State/County contract. DHHS consists of five service areas: Director's Office, Economic Support Division, Delinquency and Court Services Division, Disabilities Services Division, Management Services Division.

The Director's Office provides guidance, support, and administrative direction to all DHHS divisions including the Behavioral Health Division and the County Health Programs Division. The DHHS Director reports directly to the County Executive as a cabinet officer.

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

The Delinquency and Court Services Division administers a 120-bed Juvenile Detention Center, juvenile court intake, custody intake and probation services, support staff for the operation of the Children's Court, predispositional secure/non-secure out-of-home placement resources, the First Time Offender program and post-dispositional placement resources for adjudicated delinquents. The Division is also charged by the State for the cost of juveniles sentenced to a State juvenile correctional facility. Purchased programs that serve alleged and adjudicated delinquent youth - including programs that are designed to divert such youth from State facilities - are administered in this Division. The Juvenile Detention Center is staffed and maintained as a 24-hour, secure correctional facility, which primarily houses juveniles being held pending trial who are a threat to the community. Custody Intake staff screen Children's Court intake referrals from police for the Juvenile Detention Center. Court Intake staff prepare case reports and histories for the Children's Court judges, and Probation staff supervise youth adjudicated for delinquent behavior in the community.

The Disabilities Services Division provides human services to adults between the ages of 18 and 60 and children with disabilities and their families. Services are targeted at populations with special needs including persons with physical and developmental disabilities and individuals who are homeless and experiencing a housing crisis. A wide variety of services are provided, including case management for long-term support, residential services, work and day services, community living support services, community treatment, community support, adult day care, fiscal agent services and service access and prevention. Many of these services enable persons to live in the community and avoid institutional placements. The Division also utilizes a Resource Center, which was implemented as part of the 2003 Budget.

The Management Services Division provides contract administration and quality assurance, building operations and procurement services to the Director's Office, Delinquency/Court Services, Economic Support and Disabilities Services Divisions. In addition, it provides accounting, business office/collections and payroll services to the above entities as well as to the Behavioral Health Division and the County Health Programs Division. The Division also includes the costs for County-wide services such as Risk Management, Audit, Payroll and other functions. Budgeting and human resources functions previously provided under this Division are now provided in cooperation with the Department of Administrative Services.

DHHS - County Health Programs (formerly County Health Related Programs) – The DHHS - County Health Programs (CHP) is comprised of programs that pertain to health services for County residents or visitors. The Division develops, implements and evaluates programs, opportunities and partnerships related to improving or providing for the health of Milwaukee County citizens. The Division creates and maintains innovative, high-quality, community-based services which serve target populations in a cost-effective/efficient, customer-focused manner through a variety of partnerships by utilizing a systematic approach for service integration and delivery. The Division has three areas of service: Administration, the Emergency Medical Services Program, and the General Assistance Medical Program (GAMP).

CHP Administration contains costs associated with the overall management of the Division and the provision of coordinated employee health services. Administration costs include charges from other County departments and general operating expenses not allocated directly to other sections of the Division.

The Emergency Medical Services (EMS) Program (Paramedics) is a Milwaukee County-managed and sponsored program designed to benefit the entire community. There are seven major components to the area-wide service: the Community Support component which provides reimbursement via grants to municipalities that provide the paramedic transport units serving Milwaukee County; the Education/Training Center for initial and refresher paramedic education and other EMS-related courses; a Quality Assurance program which reviews and monitors service delivery; the Health Information Center which collects, enters and maintains patient care data; the Communication Center which is staffed with emergency medical communicators to coordinate on-line medical control and hospital notification for local and regional emergency calls and Flight for Life dispatch; the Equipment and Supplies Center which orders and delivers supplies, monitors controlled substances, facilitates equipment repair and maintains compliance with Trans 309; and the AHA Community Training Center, which provides and coordinates Milwaukee County employee and public education for Cardio-Pulmonary Resuscitation (CPR), Automatic External Defibrillator, Advanced Life Support and Pediatric Advanced Life Support courses. Medical direction and control for the EMS Division is provided through a professional services contract with the Medical College of Wisconsin. These services are funded by property tax levy and are partially offset with revenues from the Paramedic Cost Recovery Program and revenues generated from the delivery of education services as well as paramedic services at community activities.

The General Assistance Medical Program (GAMP) is the health care financing system for medically indigent persons currently residing within Milwaukee County. During 1995, the State of Wisconsin developed a medical relief block grant for Milwaukee County, with State reimbursement limited to \$16.6 million. In 1999, the State of Wisconsin established an Intergovernmental Transfer Program (ITP) that captured additional Federal funds and reduced County tax levy support for GAMP. This program was expanded in 2002 and again in 2003 for the purpose of increasing funds for medical providers. Under the expanded ITP program, the County issues a payment to the State of Wisconsin Bureau of Healthcare Financing that is used as a match for Federal supplemental payments and disproportionate share payments for hospital services.

DHHS - Behavioral Health Division (formerly Mental Health Division) - The DHHS - Behavioral Health Division (BHD) provides care and treatment of persons with disorders related to alcohol and substance abuse and developmentally, emotionally and mentally ill adults, children and adolescents through contracts with community agencies, outpatient care, day treatment services and inpatient care. Services include intensive short-term treatment, as well as extended care of persons with serious mental illness. Acute hospital admissions are initiated by voluntary application or through legal detention methods such as court commitment. The Adult and Child Inpatient Services require Title-XIX certification and appropriate State licensing to capture Title-XIX and other third-party reimbursement. The extended care portions of this agency require Federal certification as a Skilled Nursing Facility and Facility for the Developmentally Disabled, allowing for State reimbursement. Day treatment is offered to patients who have progressed to the stage where inpatient hospitalization is no longer indicated, but who require more intensive treatment than is available in an outpatient facility. The Community Services Branch provides both mental health and alcohol and other drug addiction (AODA) services through contract with community service providers or at community clinics. Programs are managed by the Behavioral Health Division Administrator under the jurisdiction of the Director of the Department of Health and Human Services, the Combined Community Services Board, the County Executive and the Milwaukee County Board of Supervisors.

Department on Aging – The Milwaukee County Department on Aging was created in the 1991 budget to serve as Milwaukee County's designated Area Agency on Aging under the Older Americans Act and as the County's designated unit to administer aging programs. The Department plans for and services the growing needs of Milwaukee County's large and diverse older adult population. It is the one dedicated, specialized agency within Milwaukee County government to represent and serve the needs of the elderly. The Department reports directly to the County Executive and provides staff support to the Milwaukee County Commission on Aging. Services provided by the Department on Aging are designed to provide an appropriate mix of community-based care and direct services to prevent the inappropriate and costly institutionalization of older adults.

The Department on Aging is the designated Aging Resource Center and Care Management Organization for older people in Milwaukee County under the State of Wisconsin's Family Care initiative. Family Care replaces the State's numerous Long Term Support programs, including the Community Options Program (COP), COP Waiver, and Community Integration Program (CIP) with a single, integrated Long Term Care entitlement program. The Department's Care Management Organization coordinates all long-term care services, including home and community based services and institutional services for eligible elders who require publicly funded long term care services. In return for coordinating and managing these services, the Department's CMO receives a capitated rate payment per member per month from the State.

Parks, Recreation and Culture

The Department of Parks, Recreation and Culture: The Parks Department administers and operates the Milwaukee County Park System of 15,000 acres comprised of 150 parks and parkways. Budgeted operating revenues from County levy for 2006 support approximately 49 percent of the cost of the Parks Department. Major facilities of the Park System include:

Horticultural Facilities—The Mitchell Park Horticultural Conservatory is a unique structure of three conoidal glass domes, each 85 feet high and 140 feet wide. One dome displays a Tropical biome; the second, an Arid biome; and the third, a changing, themed floral show. The 2006 capital improvement budget allocated \$600,000 for structural repairs and painting of the domes. The Wehr Nature Center, with its distinct wetlands, oak savanna, prairie, and woodland habitats, strives to foster environmental awareness and a conservation ethic in Milwaukee County's citizens through programming for school children, and events for families. The Boerner Botanical Gardens offer specialty gardens including a Rose Garden that is a Display Garden for All America Rose Selections. Boerner's Trial Garden also plays a role in the All America Selections evaluation of floral and vegetative plant material.

Boerner Botanical Gardens Education and Visitors Center (the "Center") - In effort to foster education and interest in horticulture, gardening and nature, Milwaukee County and the Friends of Boerner Botanical Gardens (the "Friends") constructed a 52,000 square-foot, \$10.3 million facility called the Boerner Botanical Gardens Education and Visitors Center in partnership. The Center opened in May of 2003. This public-private partnership between the County and the Friends is detailed in a Memorandum of Understanding and Development Agreement executed in 2000 and 2001. A new agreement is expected in 2006 where the Friends will continue to provide education programming and a third partner will maintain daily operation and provide special events at the Center.

In May of 2002, the County and Friends expanded the scope of their public/private partnership to include the issuance of revenue bonds. On behalf of the Friends of Boerner, the County approved the sale of \$7,265,000 Variable Rate Demand Revenue Bonds (Friends of the Boerner Botanical Gardens) Series 2002. These revenue bonds are payable only from payments made to the bond trustee by the Friends of Boerner and are secured by a letter of credit; the County has no obligation to pay any of the debt service on the bonds.

Sports Facilities—Golf Courses are available to all levels of golfer, from the beginner's Par 3 course, to the pro's Premium Course at Brown Deer, home to the PGA's US Bank Championship. The Department further provides facilities for indoor and outdoor swimming, including two family aquatic parks, two splash pads, and 37 free wading pools. The Wilson Indoor Ice Arena is home to many an ice-hockey tournament as well as competitions for aspiring figure skaters. Sports fields and courts are maintained for leagues as well as for the enjoyment of picnic patrons. Fields are available for softball, Little League, soccer, tennis, volleyball, cricket, rugby, and many other sports.

Recreation and Leisure—Community Centers offer both active recreation in supervised sports activities and leisure recreation in game room gatherings. The Centers work with the community to offer programs that are most needed, such as daylong-supervised activities during school breaks and summer day camps. The public marina at McKinley and the leased South Shore Marina offer slips to annual tenants as well as transient boaters. The McKinley Marina is a 706-slip facility located near the downtown area on Lake Michigan. The Marina can accommodate vessels up to 60 feet long and includes an eight-lane boat-launching site. The South Shore Marina consists of a six-lane boat-launching site and a beach. The Department maintains three additional launch sites.

Leisure recreation is also found in other areas of the Park System. The Oak Leaf Recreational Trail offers over 100 miles of off-road paved paths, park drives, and municipal streets that loop through all the major parks in the Park System. The Seven Bridges Trail and the Oak Leaf Birding Trail offer further opportunities for citizens to be re-energized by nature.

Picnic/Pavilion Rental-- Each year thousands of families gather in the parks and pavilions for reunions, birthday parties, wedding receptions, and other personal celebrations. Facilities are available throughout Milwaukee County. Area businesses also take advantage of these rentals for picnics and meetings. School groups and youth organizations also have the opportunity to “camp in the country” without ever leaving the County—at the two overnight lodges.

Other facilities under the supervision of the Parks Department include: two indoor gymnasiums, two parks with bandshells, four indoor auditoriums and several garden plazas and terraces.

Zoological Department - The Milwaukee County Zoo includes a number of major exhibits including the Heritage Farm, an exhibit featuring a working farm and dairy complex, the Peck Welcome Center, the Sea Lion exhibit, the Polar Bear exhibit with underwater viewing, the Aviary, the Australian building which displays three koalas, the Apes of Africa, the Education Facility, the Dolphin Pool, the Lake Evinrude Deck, the Primate Building, the Aquarium/Reptile Building and the Special Exhibits Building. The current 200-acre site, which originally opened in 1960, now has approximately 153,000 square feet of facilities.

In 2003, construction of the Animal Health Center was completed, funded by the County, the Zoological Society and gifts from trusts and foundations. This facility serves to further enhance the veterinary care of the animal collect, offering a 1,000 square foot observation area for the public to view and animal care treatment rooms, shallow pools for waterfowl, cold rooms for penguins and warm rooms for reptiles. In 2004, the Karen Peck Katz Conservation Education Center was completed. It features additional space for education, including eight classrooms to host workshops and programs. It also is an example of “green” construction that consists of the use of environmentally friendly material and a rooftop of plants.

In 2005, the \$7.2 million reconstruction of the Feline Building was completed. This was a shared project funded through the public-private partnership between the County and the Zoological Society. The project features larger and more natural looking exhibit spaces for the 18 felines housed at the Zoo. A 2006 appropriation of \$1.5 million was approved for various major maintenance projects to provide repair to aging infrastructure throughout the Zoo. This includes: heating and ventilation upgrades of the Zoo’s winter quarters; improvements to restrooms to bring to ADA standards; and, improvements to the aviary to repair holes in the mesh and skylight frames.

Milwaukee Public Museum - The Milwaukee Public Museum (MPM) transitioned into a public-private partnership March 31, 1992 where the not-for-profit agency MPM, Inc. operates the museum and the County owns the building and artifacts. A board of directors manages MPM, Inc. with some members appointed by the County Board and County Executive. An initial lease and management agreement that was renewed in 1997 provided a base level funding of \$4.3 million annually from the County for management and operation. The agreement reduces the base funding annually by five-percent reduction from previous contribution. In 2006 the County contribution was approved at \$3,502,376, as established by the currently ruling contract.

Significant operating deficits were disclosed by the Milwaukee Public Museum in the spring of 2005. The County Executive and County Board of Supervisors created a five-member work-group to understand the situation and assess the efficacy of any Milwaukee County support for the Museum. The work-group consisted of County staff from the County Board, Department of Administrative Services, Department of Audit and Corporation Counsel.

Numerous discussions occurred between the work-group, MPM board members, interim MPM staff and representatives of banks holding outstanding MPM debt on the status of MPM and possible options to resolve MPM’s financial difficulties. Among the options discussed were: closure of the Museum, direct operation of the MPM by the County, or assisting the Museum in securing additional bank loans utilizing a County guarantee.

In late June 2005, the County, two bank lenders (M&I Marshall and Ilsley Bank and Chase Bank), and representatives of the MPM Executive Committee agreed on a proposal that would provide an additional \$6 million in working capital to enable the MPM to remain financially viable. The Lenders offered half of this amount as a working capital line of credit with interest at a rate based on LIBOR plus 50 bps or the prime rate (as selected by MPM); the other half as an amortizing term loan with interest at a fixed rate of 5 percent. In order to be eligible for the working capital resources from the bank lenders, the County agreed to guarantee the repayment of this new \$6 million lending facility.

On June 30, 2005, the Milwaukee County Board of Supervisors approved the guarantee of \$6 million, which was subsequently signed by the County Executive. The County's guarantee amount will be reduced dollar-for-dollar as the Museum raises private funding and begins to repay the debt. The guarantee is subject to being invoked if the Museum cannot make scheduled debt payments or does not achieve certain fund-raising targets. In that case, the County will begin to make debt service payments in accordance with the original servicing agreement between MPM and the banks.

Two additional terms were set in motion as part of the County's approval of the guarantee. First, the Lenders and the County have required the MPM to adopt a break-even financial workout plan and a budget plan through MPM's FY2006 (which ends August 2006). The major components of this workout budget were dramatic reductions to expenses, including a 45-percent reduction in staff, benefit give-backs by employees and an across the board wage reduction, as well as increase in revenues through higher admission fees and more aggressive fund-raising efforts.

Secondly, an independent, five-person financial oversight committee appointed by the County Executive and County Board Chairman was created. To implement this change in financial accountability and responsibility, MPM's by-laws were amended to enable delegation of certain financial responsibilities to the oversight committee. The oversight committee's purpose is to: review and approve loan draw requests by MPM management; monitor and enforce the implementation of the break-even business plan; and provide additional checks that all working capital is used for its intended purposes. The oversight committee, which includes three ex-officio members representing the County Executive, the County Board, and the Chairman of the Museum's Board of Directors, meet monthly to carry out its responsibilities. The oversight committee will continue to serve until the debt is extinguished or until such time that the County Board and the County Executive deem appropriate.

As of January 2006, the outstanding amount of the working capital loan for which the County is liable with its guarantee is \$4.4 million. MPM made two payments totaling \$350,000 and has committed pledges exclusively for debt reduction at \$1.2 million.

The Marcus Center for the Performing Arts - This cultural center hosts the Milwaukee Symphony Orchestra, Milwaukee Ballet Company, Florentine Opera, Milwaukee Youth Symphony, First Stage Milwaukee and other special arts groups/events entertainment. This facility has undergone a \$23.1 million interior and exterior rehabilitation with \$9.2 million exterior re-cladding and approximately \$13.9 million of interior improvements. In 2005, the County provided nearly \$500,000 to upgrade the stage lighting system. The Marcus Center ended 2005 with a break even operating budget. Its expenses are budgeted at \$4.4 million annually that includes the County's contribution of \$1.28 million.

Transportation Division - The Division consists of the following functions:

Airports - Milwaukee County operates two airports: General Mitchell International Airport (GMIA) and Lawrence J. Timmerman (LJT) Airport. Both of the airports are supported by user fees. All airport administrative, maintenance and operational expenses are guaranteed through contractual agreements with the major carriers serving GMIA.

GMIA is a modern air transportation center of 2,386 acres located six miles south of the City of Milwaukee's central downtown. Seven major carriers and six regional carriers provide about 220 daily departures from GMIA. Midwest Airlines has a hub operation at GMIA. Every major United States city is served non-stop or direct, and connections are available to cities throughout the world. A total of 7,268,000 passengers used GMIA in 2005.

Based on a 20-year Airport financial plan completed in 1994 and updated in 1997, a noise mitigation program that will eventually benefit 3,850 homeowners near the Airport is underway. To date, 1,495 homes and multi-family units have been, or are in the process of being, sound insulated.

In addition, Airport growth led to the need for a parking structure addition at GMIA. Construction commenced in 2000. The approximately 3,000-vehicle addition, located north of the existing structure at GMIA, was completed in November 2002. The estimated total cost of the structure and related infrastructure was \$81.0 million. It is anticipated that revenues from parking operations will be sufficient to support the expansion. Milwaukee County issued \$83,565,000 in revenue bonds to finance this capital project in early 2000.

In January 2003, the County sold \$7,125,000 in general airport revenue bonds to complete the financing of the construction of the parking facility. The bond proceeds replaced parking revenues that were anticipated to assist with the financing of the facility but were not realized.

In March 2004, the County sold \$37,360,000 in PFC-backed general airport revenue bonds primarily for expansion of the C Concourse and improvements to the D Concourse and various airport improvements. In December 2005, the County sold \$29,010,000 in PFC-backed general airport revenue bonds for the continued expansion of the C Concourse and completion of the improvements to the D Concourse and to finance various airport improvements.

The revenue bonds are secured by parking revenues from the parking facility and revenues from the signatory airlines. Milwaukee County has no obligation to retire the debt from any other source of funds.

The County does not anticipate issuing any airport revenue bonds in 2006 to finance projects at GMIA. Financing for Airport projects included in the 2006 Adopted Capital Improvements Budget will be issued in 2007. The bonds will be secured by passenger facility charges and general airport revenues.

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

Mass Transit - The Milwaukee County Transit System (MCTS) has an active bus fleet of 478 buses serving 55 routes and approximately 48.0 million annual revenue passengers. Budgeted fare revenue and Federal and State aid account for approximately 88.9 percent of operating costs. MCTS also has a paratransit program for persons with disabilities.

Other Public Works - In addition to the airport and mass transit systems summarized above, the County maintains 68 centerline miles of freeways, 97 centerline miles of state trunk highways and approximately 87 centerline miles of county trunk highways, and 60 centerline miles of parkways. Other typical public works functions include buildings and grounds maintenance, fleet management and professional architectural and engineering services. 2006 budgeted operating revenues support approximately 84.8 percent of the costs of these departments.

Courts and Judiciary

Milwaukee County, the first judicial administrative district of the State system, currently has 47 judges and 24 full-time equivalent court commissioners. State and other non-tax revenues support approximately 41.4 percent of the cost of this function. The Child Support Division (formerly Child Support Enforcement Division) is reflected as a court and judiciary-related department.

Public Safety

The category of Public Safety includes the Sheriff's Department, District Attorney, Medical Examiner and House of Correction. For 2006, budgeted operating revenues support approximately 19.7 percent of the costs of these departments.

The Criminal Justice Facility includes a 990-bed jail, three courtrooms, a municipal court hearing room and administrative offices for jail staff and District Attorney staff. In addition to operating the jail, the Sheriff's Department provides law enforcement services, security services to other County departments and criminal and civil process service. The Sheriff's Department patrols freeways within the County and receives State aid for this service.

The House of Correction 2006 budgeted population is approximately 2,320 persons, comprised of 725 Huber Work Release inmates, 130 municipal offenders, 125 State probation and parole holds, 460 jail overflow and 530 sentenced inmates. An additional 350 inmates are expected to be monitored by electronic surveillance.

General Governmental Services

This function includes a County Treasurer, County Clerk, Register of Deeds and Election Commission. As a group, operating revenues supports approximately 115.5 percent of these costs. This represents a 4.0 percent decrease from the 2005 budgeted amount. The revenue reduction is primarily due to decreased revenue from interest collected on delinquent taxes in the Treasurer's Office and an increase in internal Countywide charges for the Register of Deeds Office.

Labor Relations

Milwaukee County has 5,715 regular full-time equivalents. The number of filled positions fluctuates on a seasonal basis, and some positions are being held vacant pending availability of funds.

Pursuant to Chapter 79 of the Milwaukee County Ordinances, the Department of Labor Relations has general responsibility for the negotiations and administration of all collective bargaining agreements, to establish labor relations training programs for supervisory staff, and to conduct on behalf of Milwaukee County all procedures ordered by the Wisconsin Employment Relations Commission, the U.S. Department of Labor or the Wisconsin Department of Industry, Labor and Human Relations.

In addition, this Department, under the direction of the Milwaukee County Executive and the Milwaukee County Personnel Committee, implements policy decisions. The Department annually reviews the wages, hours and conditions of employment for all employees, and submits recommendations to the Milwaukee County Executive and the Milwaukee County Board of Supervisors. Approximately 84.4 percent of all regular full-time employees of Milwaukee County are organized and represented by labor organizations as described below.

Union	Approximate Number of Employees Represented	Contract Expiration Date
Milwaukee District Council 48 AFSCME, AFL-CIO and Affiliated Locals ¹	3,701	12/31/2004
Milwaukee Deputy Sheriff's Association	560	12/31/2006
Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO	358	12/31/2006
Milwaukee Building and Construction Trades Council, AFL-CIO ¹	91	12/31/2004
Association of Milwaukee County Attorneys	49	12/31/2006
Technicians, Engineers and Architects of Milwaukee County	42	12/31/2006
Milwaukee County Firefighters Association ¹	18	12/31/2004
District No. 10 International Association of Machinists and Aerospace Workers	6	12/31/2006
Total Represented Employees	4,825	

1. DC48, County Firefighters and the Building Trades have not settled their respective contracts as of January 1, 2006.

Milwaukee County Retirement System

The ERS of the County of Milwaukee was established in 1938. It became, in most instances, non-contributory in 1969. The ERS is currently a defined benefit pension plan. The normal retirement age is the earlier of age 60, or for non-union and certain union employees, when age and years of service total 75. Participants hired prior to January 1, 1982 receive pension benefits equal to 2.5% for deputy sheriffs and 2 percent for all other participants, of the

average monthly salary in the final three years of earnings multiplied by the years of service, limited to 80 percent of pay, excluding any post-retirement increases. Participants hired after December 31, 1981 receive pension benefits equal to a percentage of their five-year final average monthly salary multiplied by the years of service, limited to 80 percent of pay, also excluding any post-retirement increases. These percentages are: 2.5% for deputy sheriffs, deputy sheriff lieutenants, deputy sheriff ECPs and DA investigators hired before July 1, 1995 (2% if hired after June 30, 1995); 2% for elected officials; 2% for firefighters and non-represented firefighters as of January 1, 1999; and 1.5% for all other participants. A post retirement annual increase of two percent over the first full month's benefits is provided. There are also accidental or ordinary disability, deferred, reduced early and survivors' pensions. Retirement age and benefits vary for deputy sheriffs, elected officials, firefighters and District Attorney investigators, per union contracts.

In 2000 the County approved a number of changes to the system, effective January 1, 2001, that applied to all participants except deputy sheriffs:

- The vesting requirement was set to 5 years and most participants were immediately vested at age 60.
- The County would pay the accrued sick allowance in full upon retirement for participants hired before January 1, 1994; in 2002 the County adjusted this benefit for non-represented employees to pay for the first 400 hours of accrued sick allowance and 16% of any additional hours³.
- A bonus of 7.5% per year, up to a maximum of 25%, was added to the final average salary for participants who joined the system before January 1, 1982, or July 1, 1995 for a non-represented Deputy Sheriff.
- A .5% multiplier was added for all service credit earned after January 1, 2001 for participants who joined the system after December 31, 1981, or June 30, 1995 for non-represented Deputy Sheriffs.
- For each year of pension service earned before January 1, 2001, an additional multiplier of 0.5% was granted for each eight years of past service.
- For all non-sheriff members, a back drop benefit option was added that provided a lump sum cash payment for the total of monthly benefits, adjusted for COLA increases and plus compound interest, that the member would be entitled to from a prior (back drop) date to the date the member terminates employment.

Contributions due from the County to the ERS consist of amounts sufficient to fund the annual normal cost (the actuarial liability for future benefits and expenses allocated to the year) and the amortization of the unfunded or over-funded actuarial accrued liability plus interest (the proposed funding level for 2006 would cover only the annual normal cost. Please see below). A substantial portion of the current year's contribution is paid to the ERS in the following year.

The County makes contributions to the ERS based upon actuarially determined contribution requirements, with adjustments made at the discretion of the County Board and County Executive. Actuarially determined requirements are set during the County's budget process. The ERS funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, accumulate sufficient assets to

³ In 2002, the County changed the sick pay out benefit upon retirement for non-represented employees by reverting to the previous pay out (400 hours plus 16 hours for each additional 100 hours or part thereof). This change (2002 Sick Pay Change) has had the impact, as stated above, of accelerating retirements prior to the effective date of this change, plus increasing the sick payout expense. A recent analysis showed the total cost of sick pay outs to County retirees was \$7,015,000 in 2002, \$2,666,600 in 2003 and \$12,866,100 in 2004. These costs were either absorbed in departmental budgets or were formally recognized by the County setting aside segregated funds to cover the payout costs on behalf of County departments.

A lawsuit, filed in 2002, was pending in State court against the County seeking to have the 2002 Sick Pay Change, described above, 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 are being set aside in 2005 financial projections to begin to cover costs of any settlement.

pay benefits when due. Payroll contribution rates are determined using the Aggregate Entry Age Normal method of funding. The ERS also uses the level percentage of payroll method to amortize the unfunded liability over a 30-year period. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation. The rate of return assumption used by the County is 8.5%, a rate consistent with most other public-sector pension systems.

As of January 1, 2005, the most recent valuation date, the pension plan had an unfunded actuarial accrued liability of \$357,966,328, based on an actuarial value of liabilities of \$1,782,883,932 and actuarial accrued assets of \$1,424,917,604. The funded ratio on January 1, 2005 was 79.9 percent. The method used to calculate the liability is in accordance with GASB 25. In computing these values, all of the assumptions used in the annual valuation for pension expense, including the changes noted above, were incorporated.

Changes in 2001 and 2002 to certain employee benefits have resulted in some County employees retiring at an accelerated schedule. Hundreds of employees have retired annually since these benefit enhancements were approved, including 350 in 2002, 290 in 2003 and more than 750 in 2004. Retirees declined in 2005 to 186. Nonetheless, the accelerated retirements from 2002-2004 reduced employee contributions for health care benefits by changing the status of employees to retirees, plus they also increase the cost of accumulated sick leave paid at retirement. Many of these positions were temporarily held vacant to provide cost savings to offset this drop in employee health care contributions and increased sick leave payout expense. The changes in retirement sick leave payout benefits are described below.

The enhancements and accelerated retirement rate have caused a severe strain on the County's budget. In 2001 the County contributed \$2.65 million to the ERS and \$2.58 million in 2002. The 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, the County budgeted for and contributed \$35.1 million, and in 2005 it contributed \$37.8 million. 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 from 8.5% to 8.0%

The Adopted 2006 Budget appropriated \$27.4 million for ERS. This amount is a decrease of \$7.9 million from the 2005 Adopted Budget. The \$27.4 million figure includes \$19.2 million that represents the normal cost for 2006 of the ERS system assuming an 8.5% rate of return on investments. The 2006 appropriation does not include full funding to cover the annual amortization of the systems unfunded liability that will require an additional contribution of \$18.5 million.

An analysis of the cost impact of not fully funding the annual amortization of the systems unfunded liability was conducted by Milliman, Inc. and presented to the County on October 17, 2005. This limited scope review indicated that not fully funding the systems unfunded liability will:

- Likely result in a redistribution of taxes to later generations of taxpayers by deferring current obligations.
- Likely result in a larger budgeted contribution in 2007.
- Likely result in higher total contributions due to lost investment earnings in the trust.

The County Executive wants to facilitate a discussion within the County over the future of the ERS. This deliberation is required because enhancements to the ERS approved in 2001 were done so without consideration of the long-term effects. The County Executive plans to convene a County Executive Advisory Committee on Pensions in 2006 for the purpose of investigating and recommending possible future pension models and funding mechanisms. The Advisory Committee will consider transitioning the current system from a defined benefit system into a defined contribution system, as well as examining a proper employee pension contribution. These recommendations will be submitted by the County Executive to the County Board prior to the 2007 budget cycle.

In addition, the County has successfully reduced pension benefits and contracts with most County unions effective in 2005. The contracts include the elimination of the Rule of 75 and the back drop. One union, DC 48 (AFSCME), which represents just under half the County's employees, has not yet adopted a contract with these changes. Further, the County Executive in 2006 will propose legislation that will reduce the pension multiplier from 2% to 1.6% and eliminate the back drop.

COMMUNITY CHARACTERISTICS

Demographic Trends

According to the Wisconsin Department of Administration, Milwaukee County's estimated population for 2005 is 938,995, which is a .04 percent decrease from the 2004 population estimate.

Location and Transportation System

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 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 3.7 million tons of cargo. Major commodities included in this tonnage were steel, coal, salt, grain and cement. In June of 2004, a high-speed auto/passenger ferry service began between Milwaukee and Muskegon, Michigan.

Education

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

Economic Profile and Trends

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, 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 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, paper products and leather goods are also produced in significant quantities.

Milwaukee area businesses seem more optimistic toward future business activity for the first quarter of 2006, according to the first quarter business outlook survey by the Metropolitan Milwaukee Association of Commerce (MMAC). 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) manufacturers expressed slightly more optimism for increased sales than non-manufacturers. Eighty-two percent of manufacturers 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 9 percent expect job declines and the remaining 37 percent see no change in employment. The following tables provide an overview of some of the economic trends and financial resources for Milwaukee County.

Note: As of January 2005 the Wisconsin Department of Workforce Development no longer seasonally adjusts metro area unemployment rates, thus seasonally unadjusted rates are provided in this report and will be presented in

future reports. Some caution should be taken in using seasonally unadjusted figures, particularly comparing the present unemployment rate to that posted one month ago. Such comparisons may be capturing the results of seasonal hiring practices rather than just the true underlying economic trend.

Labor Force Statistics for Milwaukee County

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	
				<u>Milwaukee County</u>	<u>National Average</u>
2000	488,873	467,194	21,679	4.4%	4.0%
2001	489,702	463,156	26,546	5.4%	4.7%
2002	485,347	452,760	32,587	6.7%	5.8%
2003	486,268	451,656	34,612	7.1%	6.0%
2004	486,813	439,040	29,463	6.3%	5.5%

The Milwaukee County average annual unemployment rate for 2004 increased by 0.8 percentage point to 6.3 percent compared to the national average rate of 5.5 percent. However, this is the first annual decrease in Milwaukee County's annual unemployment rate in the last three years. The average unemployment rate for Milwaukee County through August 2005 is 5.9 percent.

Financial Institutions

Milwaukee County's stability as a business and financial center has long been strengthened by financial resources provided through its numerous banks, savings and loan associations, credit unions, investment banks and other financial establishments.

**Total Assets and Deposits of the Five Largest Banks in Milwaukee County as of December 31, 2005
(In Thousands)**

<u>Bank</u>	<u>Total Assets</u>	<u>Total Deposits</u>
M & I Marshall & Ilsley Bank	\$37,916,341	\$25,232,775
Bank Mutual	3,507,276	2,145,646
Guaranty Bank	1,869,457	1,551,915
North Shore Bank	1,804,915	1,232,338
Wauwatosa Savings Bank	1,769,699	1,519,970

Source: State of Wisconsin, Department of Financial Institutions, February, 2005.

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Major Employers in the County¹

<u>Employer</u>	<u>Type of Business or Service</u>	<u>2004 Employment</u>
Milwaukee Public Schools	Education	11,910
Aurora Health Care	Health care	11,119
U.S. Government (Excludes Zablocki ² Medical Center)	Government	15,427
City of Milwaukee	Government	7,776
Covenant Health Care System Inc.	Health care	5,716
Milwaukee County ³	Government	5,151
M & I Marshall & Ilsley	Holding company banking/finance and data services	4,662
Northwestern Mutual Life Insurance	Insurance	4,661
University of Wisconsin-Milwaukee	Education	4,307
Medical College of Wisconsin	Medical school/academic/health care	3,901
Columbia – St. Mary’s Inc. Hospital	Health care	3,379
Rockwell Automation	Manufacturer electrical/electronic products	3,178
WE Energies ²	Utility	2,747
Harley-Davidson Motor Company	Manufacturer, motorcycles	2,653
SBC Wisconsin	Communications	2,358
Children’s Hospital of Wisconsin	Health care	2,348
US Bank	Finance, banking	2,248
Clement Zablocki Veterans Medical Center ²	Health care	2,140
Marquette University	Education	2,063
Assurant Health (formerly Fortis)	Health care	1,934
Johnson Controls, Inc. ⁴	Manufacturer, electronic control systems, automobile	1,841
Miller Brewing Company ⁵	Manufacturer, beer and aluminum containers	1,618

Note: Data reflects full-time equivalent employees (FTEs).

Source: Milwaukee County Department of Administrative Services, March 2004 survey of employers.

1. Briggs & Stratton Corporation participated in the Milwaukee County Employee Survey in prior years; however didn’t submit a response for year-end 2004.
2. Due to changes in methodology, U. S. Government, and Clement Zablocki Medical Center reported higher numbers of FTEs for year-end 2004.
3. Milwaukee County experienced significant decreases due to retirements. Additionally, FTE count is base on year-end count of full-time employees plus one quarter of part-time employees.
4. Johnson Controls, Inc closed their Atlanta, Georgia office. Several employees from the Atlanta office relocated to the Milwaukee Office.
5. On August 11, 2003, Miller Brewing Co. announced plans to eliminate 200 positions, mainly at their Milwaukee corporate headquarters.

Major Industrial Taxpayers in Milwaukee County

<u>Name of Company</u>	<u>Type of Business or Service</u>	<u>2004 Full Market Value</u>	<u>% of County's 2004 Full Market Value (Excludes TID)</u>
Harley-Davidson	Manufacturer, motorcycles	\$133,898,300	0.27%
Miller Brewing Company	Manufacturer, beer and aluminum containers	74,066,400	0.15
Johnson Controls Inc.	Manufacturer, automotive batteries and seating, building controls and plastic containers	48,022,000	0.10
Journal/Sentinel Inc.	Publishing, printing and broadcasting	43,242,700	0.09
Rockwell Automation	Manufacturer, electrical/electronic products	38,712,700	0.08
Delphi Automotive	Manufacturer, automotive electronics	28,771,300	0.06
Briggs & Stratton Corporation	Manufacturer, small engines, automotive locks and keys	28,227,400	0.06
P.P.G. Industries Inc.	Manufacturer, coatings and resins	21,930,400	0.04
GE Medical Systems	Manufacturer, medical equipment	22,448,300	0.04
Quad/Graphics Inc.	Printing	19,988,400	0.04
Patrick Cudahy	Manufacturer, processed meats	15,793,000	0.03
Centerpoint Properties	Real estate development	15,436,900	0.03
Hondo Incorporated	Manufacturer, beverage containers and bottling of beverages	14,028,500	0.03
Tower Automotive	Manufacturer, automobile and truck frames	13,659,800	0.03
Brady Worldwide Inc	Manufacturer, safety and facility identification	20,414,000	0.03
Falk Corporation/Sub Sunstrand	Manufacturer, power transmissions	12,733,900	0.03
All Glass Aquarium	Manufacturer, aquariums	12,189,000	0.02
Emmpak Foods, Inc.	Manufacturer, fresh and processed meats	12,049,000	0.023
Bostik Findley Inc.	Manufacturer, adhesives and sealants	11,828,200	0.02
Badger Meter, Inc.	Manufacturer, of products using flow measurement	10,881,700	0.02
Super Steel Products	Manufacturer of metal products	10,472,300	0.02
Geneva Lakes Cold Storage	Storage and distributor of frozen pizzas	10,266,100	0.02
Aldrich Chemical	Manufacturer/distributor, specialty chemicals to research chemists	10,122,800	0.02
Garland Bros. Inc.	Landlord for Charter Manufacturing	9,823,800	.02
Joy Global (Harnischfeger Corp.)	Manufacturer, mining and materials handling equipment, engineering	9,764,300	0.02
Ball Corporation	Supplier of rigid metal and plastic packaging products	9,380,600	0.02

Source: Wisconsin Department of Revenue, January 2005. 2005 data is not available at the time of print

* Ranking of some companies previously reported has changed primarily due to changes in personal property related to depreciation of assets.

Major Non-Industrial Taxpayers in the County

<u>Name of Company</u>	<u>Type of Business or Service</u>	<u>2005 Full Market Value</u>	<u>% of County's 2005 Full Market Value (Excludes TID)</u>
Mayfair Property Inc.	Shopping mall	\$280,997,555	0.57%
Northwestern Mutual Life Insurance Co.	Insurance	254,665,793	0.51
US Bank Corp	Banking	239,447,655	0.48
Covenant Health Care	Real Estate	146,277,236	0.29
BRE Southridge Mall LLC	Real estate development	144,953,765	0.29
Metropolitan Associates	Real estate development	127,736,983	0.26
M & I Marshall & Ilsley Bank	Banking	122,828,390	0.25
Towne Realty	Real estate development	122,235,733	0.25
Marcus Corp/Milw City Ctr/Pfister	Hotels, theaters, convention center	114,424,369	0.23
NNN 411 East Wisconsin LLC*	Real estate development	94,807,332	0.19
Great Lakes Reit LLP	Real estate development	66,866,345	0.13
100 E. Wisconsin Avenue Joint Venture	Real estate development	60,594,793	0.12
Banc One Wisconsin Corporation	Banking	60,312,508	0.12
Geneva Exchange Fund*	Real estate development	59,873,985	0.12
Columbia St. Mary's	Health Care	54,121,472	0.11
Inland Western Midtown*	Real Estate	53,737,763	0.11
Liberty Property Limited	Real estate development	50,417,341	0.10
Centerpoint Properties	Real estate development	50,321,001	0.10
Flanders Westborough	Real estate development	49,022,422	0.10
Anthony A. Palermo	Real estate development	48,440,054	0.10
American Stores Prop Inc/Albertson	Retail Food Stores	47,429,484	0.10
Occidental	Real estate development	46,888,453	0.09
Dayton-Hudson (Marshall Field's Target)	Retail department stores	46,425,115	0.09
Robert Franseway, Springbrook Circle	Real estate development	41,177,248	0.08
Time Warner	Cable company	39,556,462	0.08

* For 2005, the Teachers Insurance is partially divested into NNN 411 East Wisconsin LLC. Boulder Venture is partially divested into Inland Western Midtown. Additionally, Opus Realty has been acquired by Geneva Exchange Fund.

Source: Wisconsin Department of Revenue, January 2006 and Survey of Municipal Assessors conducted by Milwaukee Metropolitan Sewerage District, February 2005.

**Major Construction Projects Planned and In Process in the County
(Projects of \$5.0 Million or More)¹**

Construction Projects Located in the City of Milwaukee²

**Estimated
Project Costs**

Aldridge Chemical	\$16,286,664
Harbor Front	10,500,000
Hanson's Landings	8,400,000
The Sterlings	6,500,000
WE Energies Valley Power Plant	5,980,000
The Meeting House	5,000,000
TOTAL	<u>\$52,666,664</u>

**Major Construction Projects Planned and In Process in the County
(Projects of \$5.0 Million or More)¹**

Construction Projects Located in Other Municipalities²

**Estimated
Project Costs**

Bayshore Town Center, Glendale	\$300,000,000
General Electric Healthcare, Wauwatosa-	80,000,000
Monticello Gardens, Franklin	24,000,000
St. Francis Outpatient Center, Franklin	21,600,000
Avian @ Tuckaway, Franklin	15,750,000
Woodlands of Franklin, Franklin	15,000,000
St. Francis Medical Office Building, Franklin	14,600,000
YMCA, Franklin	12,000,000
Milwaukee River Site, Glendale	10,000,000
Park Shore, St. Francis	10,000,000
Christiansen Labs, West Allis	10,000,000
University School of Milwaukee, River Hills	8,800,000
Woodlake Village, Franklin	6,800,000
Crestwood Commons, West Allis	5,000,000
TOTAL	<u>\$533,550,000</u>

Source: Municipal Planning Departments, March 2005.

1 Excludes projects and project costs financed by counties, cities and villages.

2 All projects currently under construction.

DEBT STRUCTURE

Payment Record

The County has never defaulted in the payment of the principal or interest on its debt obligations nor has the County issued any refunding securities for the purpose of preventing default in principal or interest on its debt obligations.

Future Financing

The County does not plan to issue any more debt in 2006.

Bonds and Notes Authorized But Not Issued (Excluding Series 2006A Bonds)

The County has authorized (but not issued) general obligation promissory notes in the principal amount of \$14,215,000 pursuant to a Credit Assistance Agreement with Midwest Airlines, Inc. See "Other County Obligations" on page 29 below.

General Obligation Debt Margin

Equalized Value of Property (Includes TID)	\$56,680,686,000	
Debt Limit (5% of Equalized Value)	\$2,834,034,300	
General Obligation Debt Outstanding ¹⁻¹¹	\$469,707,711	
Plus: These Corporate Purpose Bonds	\$31,595,000	
Sinking Funds	(\$39,245,239)	
Total General Obligation Debt	\$462,057,472	16.3%
Debt Margin	\$2,371,976,828	83.7%

- 1 On October 28, 1993, the County issued \$57,669,714 General Obligation Refunding Bonds, Series 1993A, to advance refund and defease certain maturities totaling \$50,875,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 1992A. On May 17, 2001, the County issued \$2,610,000 in taxable bonds to defease \$2,346,134 in outstanding bonds relating to the Milwaukee County Soccer Complex (see footnote 6). The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2005, \$16,165,242 of these refunding bonds remained outstanding.
- 2 On July 17, 1997, the County issued \$14,760,000 General Obligation Refunding Airport Bonds, Series 1997A, to refund certain maturities totaling \$14,650,000 of the County's outstanding General Obligation Airport Bonds, Series 1988A and 1990A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2005, \$3,045,000 of these refunding bonds remained outstanding.
- 3 On March 11, 1999, the County issued \$32,725,000 General Obligation Refunding Bonds, Series 1999A, to advance refund \$33,000,000 outstanding principal of its general obligation bonds. On May 17, 2001, the County defeased \$160,000 in outstanding bonds relating to the Milwaukee County Soccer Complex (see footnote 6). The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2005, \$21,970,000 of these bonds remained outstanding.
- 4 On May 27, 1999, the County issued \$2,290,000 General Obligation Museum Refunding Bonds, Series 1999A, to advance refund certain maturities totaling \$2,100,000 of the County's outstanding General Obligation Museum Bonds, Series 1994A. Outstanding debt for the 1994A Museum Bonds totaled \$7,990,000. The remaining balance was advance refunded with the proceeds of the revenue bonds issued by the County on behalf of the Milwaukee Public Museum Inc. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2005, \$1,355,000 of these refunding bonds remained outstanding.
- 5 On June 4, 2001, the County issued \$2,610,000 Taxable General Obligation Refunding Bonds, Series 2001A, to defease a portion of the General Obligation Refunding Bonds, Series 1993A and General Obligation Corporate Purpose Bonds, Series 1994A that related to the Milwaukee County Soccer Complex. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2005, \$1,500,000 of these refunding bonds remained outstanding.

- 6 On October 30, 2001, the County issued \$49,925,000 General Obligation Corporate Purpose Refunding Bonds, Series 2001A, to advance refund certain maturities totaling \$47,615,000 of the County's outstanding General Obligation Corporate Purpose Bonds, Series 1994A, 1995A and 1996A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2004, \$45,000,000 of these refunding bonds remained outstanding.
- 7 On October 30, 2001, the County issued \$1,450,000 General Obligation Airport Refunding Bonds, Series 2001A (AMT), to refund certain maturities totaling \$1,450,000 of the County's outstanding General Obligation Airport Bonds, Series 1992A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2005, \$870,000 of these refunding bonds remained outstanding.
- 8 On October 30, 2001, the County issued \$62,950,000 General Obligation Refunding Bonds, Series 2002A, to refund certain maturities totaling \$61,065,000 of the County's outstanding General Obligation Refunding Bonds, Series 1992A. The refunding bonds are included in this figure for total general obligation debt, and the refunded bonds are excluded. As of year-end 2005, \$39,325,000 of these refunding bonds remained outstanding.
- 9 On July 1, 2003, the County issued \$100,025,000 General Obligation Refunding Bonds, Series 2003A, to restructure the County's debt service payment schedule and allow the County to meet other budgetary demands. The refunding bonds are included in this figure for total general obligation debt, and the refunded bonds are excluded. The outstanding bonds are equal to the par amount of the bonds. The first principal payment on the bonds is due August 1, 2010.
- 10 On October 1, 2003, the County issued \$33,550,000 General Obligation Refunding Bonds, Series 2003B, to refund certain maturities totaling \$33,305,000 of the County's outstanding General Obligation Refunding Bonds, Series 1993A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2005, \$19,675,000 of these refunding bonds remained outstanding.
- 11 On November 1, 2005, the County issued \$63,025,000 General Obligation Refunding Bonds, Series 2005A, to refund certain maturities totaling \$63,865,000 of the County's outstanding General Obligation Building Bonds, Series 1997A, General Obligation Corporate Purpose Bonds, Series 1997A, General Obligation Corporate Purpose Bonds, Series 1998A, General Obligation Corporate Purpose Bonds, Series 1999A, and General Obligation Corporate Purpose Bonds, Series 2000A. The refunding bonds are included in this figure for outstanding bonds, and the refunded bonds are excluded. As of year-end 2005, \$63,025,000 of these refunding bonds remained outstanding.

Other County Obligations

In addition to issuing general obligation debt as described above, the County has undertaken other obligations in the form of financial guarantees for other entities. These include the following:

Midwest Airlines, Inc. Pursuant to a Credit Assistance Agreement dated as of October 1, 2003, between the County and Midwest Airlines, Inc. and Skyway Airlines, Inc., the County entered into a Standby Reimbursement Agreement with U.S. Bank National Association ("U.S. Bank") to provide for the guarantee of the obligations of Midwest and Skyway with respect to the letters of credit issued by U.S. Bank to support the \$8,300,000 City of Milwaukee Wisconsin Variable Rate Demand Industrial Revenue Bonds, Series 1998 (Midwest Express Airlines, Inc. Project) and the \$7,000,000 City of Milwaukee, Wisconsin Variable Rate Demand Industrial Development Revenue Bonds, Series 2001 (Skyway Airlines Project).

PIC Services LLC. In June 2004, the County executed a guaranty in favor of Bank One, NA, with respect to a construction and term loan made by Bank One, NA, to PIC Services LLC to finance acquisition and improvement of a facility to be used by the Private Industry Council of Milwaukee County, Inc. The maximum amount of the County's liability under this guaranty is \$1 million plus interest.

City of Wauwatosa Redevelopment Authority. In August 2004, the County agreed to guarantee the payment of the principal and interest due on the \$24,500,000 of bonds issued by the City of Wauwatosa Redevelopment Authority to provide certain financial incentives totaling approximately \$27,610,000 to Irgens Development Partners, LLC, as managing member of a partnership named Edison Technology Center LLC in order to induce General Electric Healthcare – Information Technologies and affiliated companies to move to a building constructed in the Milwaukee County Research Park.

Milwaukee Public Museum, Inc. As described on pages 16-17 above, the County has guaranteed the repayment of a working capital loan in the amount of \$6 million made to Milwaukee Public Museum, Inc. by M&I Marshall and Ilsley Bank and Chase Bank. As of January 2006, the outstanding amount of the working capital loan for which the County is liable with its guarantee is \$4.4 million. MPM made two payments totaling \$350,000 and has committed pledges exclusively for debt reduction at \$1.2 million

Milwaukee County General Obligation Debt

	<u>Levy Supported Debt</u>		<u>Revenue Supported Debt</u>				
	Corporate Purpose Debt (Excludes Airport Debt)		Airport Debt ¹		This Corporate Purpose Bond Issue		Total Debt Service
Year	Principal	Interest	Principal	Interest	Principal	Interest ²	
2006	\$ 36,499,662	\$ 18,363,926	\$ 2,745,577	\$ 855,170	\$ -	\$ -	\$ 58,464,335
2007	36,079,253	17,108,873	2,669,967	725,547	1,465,000	1,789,925	59,838,566
2008	44,282,755	15,675,659	1,724,357	599,285	1,150,000	1,144,939	64,576,995
2009	48,866,130	15,013,187	1,702,330	515,717	-	1,106,989	67,204,353
2010	45,178,378	13,188,003	1,468,184	431,811	1,175,000	1,106,989	62,548,365
2011	44,477,953	11,933,556	1,503,165	359,033	2,525,000	1,067,039	61,865,746
2012	45,076,338	8,187,795	1,758,662	292,418	2,525,000	979,421	58,819,634
2013	44,265,421	6,332,138	1,929,579	218,341	2,525,000	889,531	56,160,010
2014	41,621,844	4,560,510	1,933,156	137,943	2,525,000	797,621	51,576,075
2015	20,043,164	2,888,576	676,836	56,323	2,525,000	703,439	26,893,337
2016	17,116,294	1,996,203	298,706	22,957	2,525,000	607,489	22,566,649
2017	14,767,412	1,241,277	297,588	11,606	2,525,000	509,771	19,352,654
2018	6,065,000	596,300	-	-	2,525,000	410,539	9,596,839
2019	4,505,000	311,825	-	-	2,525,000	310,044	7,651,869
2020	2,155,000	107,750	-	-	2,525,000	208,286	4,996,036
2021	-	-	-	-	2,555,000	105,266	2,660,266
Total	\$ 450,999,603	\$ 117,505,579	\$ 18,708,108	\$ 4,226,152	\$ 31,595,000	\$ 11,737,284	\$ 634,771,727
Less Sinking Funds	<u>(36,499,662)</u>	<u>(18,363,926)</u>	<u>(2,745,577)</u>	<u>(855,170)</u>	-	-	<u>(58,464,335)</u>
Total	\$ 414,499,941	\$ 99,141,653	\$ 15,962,531	\$ 3,370,982	\$ 31,595,000	\$ 11,737,284	\$ 576,307,392

¹ General Obligation debt supported by revenues from the Airport pursuant to a lease agreement with the airlines.
(See "Indebtedness of the County" on page 32 of this Official Statement.)

² Estimated.

Indebtedness of the County

The schedule on page 30 shows the principal and interest payments due on existing County purpose obligations and debt service on the Bonds.

Approximately 88.5 percent of the County purpose obligations (including the Bonds) will be retired within ten years. The amount includes general obligation bonds issued by the County on behalf of the airports because this debt is general obligation debt of the County. County purpose obligations do not include revenue bonds issued by the County with respect to the airports. Approximately \$18.7 million or 3.73 percent of the County's outstanding 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.

Interim Borrowing for Operations

Pursuant to Wisconsin State law, Milwaukee County has the authority to borrow monies on an interim basis for operations. Under Section 59.60(9), Wisconsin Statutes, the County Board may make supplemental appropriations of available revenue and surplus funds to meet a public emergency affecting life, health, property or the public welfare. To the extent that unappropriated funds or realized revenues in excess of anticipated revenues are unavailable to meet the emergency, the County Board may issue tax anticipation notes.

Under Section 67.12(1)(a), Wisconsin Statutes, the County also has the authority to borrow money and issue tax and revenue anticipation notes in anticipation of the receipt of Federal or State aid, levied taxes or deferred payments to which it is entitled. The County last sold revenue anticipation notes on June 16, 1994. These notes matured on June 30, 1995. The County has no plans to issue revenue anticipation notes in 2006.

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Indirect General Obligation Debt of the County

<u>Governmental Unit</u> ¹	Outstanding Debt	% Debt	Amount of Debt
	<u>12/31/2004</u>	<u>Within County</u>	<u>Within County</u>
Villages:			
Bayside	\$ 10,835,065	96.09%	\$ 10,411,210
Brown Deer	9,843,875	100.00%	9,843,875
Fox Point	9,665,000	100.00%	9,665,000
Greendale	6,949,874	100.00%	6,949,874
Hales Corners	4,649,548	100.00%	4,649,548
River Hills	1,868,000	100.00%	1,868,000
Shorewood	17,073,550	100.00%	17,073,550
West Milwaukee	450,000	100.00%	450,000
Whitefish Bay	17,780,000	100.00%	17,780,000
Subtotal	\$ 79,114,912		\$ 78,691,057
Cities:			
Cudahy	\$ 29,696,273	100.00%	\$ 29,696,273
Franklin	24,800,000	100.00%	24,800,000
Glendale	32,516,190	100.00%	32,516,190
Greenfield	7,121,438	100.00%	7,121,438
Milwaukee	551,045,233	99.99%	551,021,495
Oak Creek	15,754,987	100.00%	15,754,987
Saint Francis	465,000	100.00%	465,000
South Milwaukee	22,000,000	100.00%	22,000,000
Wauwatosa	22,716,673	100.00%	22,716,673
West Allis	67,642,480	100.00%	67,642,480
Subtotal	\$ 773,758,274		\$ 773,734,536
School Districts:			
Brown Deer	\$ 5,293,893	100.00%	\$ 5,293,893
Cudahy	20,315,000	100.00%	20,315,000
Fox Point-Bayside	1,625,000	98.56%	1,601,601
Franklin	24,505,000	100.00%	24,505,000
Glendale-River Hills ²	400,000	100.00%	400,000
Greendale	1,240,000	100.00%	1,240,000
Greenfield	12,170,000	100.00%	12,170,000
Maple Dale-Indian Hill	1,575,000	100.00%	1,575,000
Milwaukee	121,597,070	99.91%	121,485,427
Milwaukee Area Tech. College	73,105,000	81.40%	59,509,701
Nicolet HS ²	-	99.38%	-
Oak Creek-Franklin	33,385,000	100.00%	33,385,000
St. Francis	5,532,761	100.00%	5,532,761
Shorewood	7,150,000	100.00%	7,150,000
South Milwaukee	51,010,000	100.00%	51,010,000
Wauwatosa	11,189,000	100.00%	11,189,000
West Allis-West Milwaukee	13,625,000	95.90%	13,065,963
Whitefish Bay	6,530,000	100.00%	6,530,000
Whitnall	9,693,638	100.00%	9,693,638
Subtotal	\$ 399,941,362		\$ 385,651,984
Metropolitan Sewerage District	692,618,826	99.91%	692,009,192
Total Overlapping Debt	\$ 1,945,433,374		\$ 1,930,086,770

1 The proportion of indirect debt attributable to Milwaukee County was determined by calculating the ratio of equalized value (with TID) located within Milwaukee County to city, village and school district totals. For the City of Milwaukee, property values located in Waukesha County are included in the allocation of City debt burdens. For Milwaukee Public Schools debt amounts, property values outside of Milwaukee County are excluded from indirect debt calculations.

2 All of the outstanding debt for the School District of Nicolet High School has been retired.

Source: Milwaukee County Department of Administrative Services, March 2005 survey of taxing jurisdictions.

Trend of Direct Debt and Indirect Debt at December 31

<u>Year</u>	<u>County</u>	<u>Milwaukee Metropolitan Sewerage District (MMSD)</u>	<u>Cities/Villages/Schools Debt</u>	<u>Total Direct and Indirect Year-End Debt</u>
2004	\$488,900,532	\$692,009,192	\$1,238,077,578	\$2,418,987,302
2003	468,897,238	659,419,334	1,171,067,871	2,299,384,443
2002	489,152,001	550,785,413	1,163,882,914	2,203,820,328
2001	490,578,626	417,082,428	1,117,217,735	2,024,878,789
2000	495,766,028	417,083,317	1,035,850,312	1,948,699,657

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

Debt as a Percent of Equalized Value and Per Capita Debt

<u>Year</u>	<u>Population</u>	<u>(Includes TID) Equalized Value</u>	<u>DIRECT DEBT</u> ¹			<u>TOTAL DIRECT AND INDIRECT DEBT</u>		
			<u>Total Direct Debt</u>	<u>Percent of Equalized Value</u>	<u>Per Capita Debt</u>	<u>Total Direct and Indirect Debt</u>	<u>Percent of Equalized Value</u>	<u>Per Capita Debt</u>
2004	939,358	\$51,153,360,200	\$488,900,532	0.96%	\$520	\$2,418,997,906	4.73%	\$2,575
2003	941,301	47,266,665,200	468,897,238	0.99	498	2,316,401,763	4.90	2,461
2002	941,091	44,279,623,800	489,152,001	1.10	520	2,203,820,328	4.98	2,342
2001	939,919	41,774,112,500	490,578,626	1.17	522	2,024,878,789	4.85	2,154
2000	940,164	38,230,329,600	495,766,028	1.30	527	1,948,699,657	5.10	2,073

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

FINANCIAL INFORMATION

Tax Assessment

The valuation of all real and personal property is the responsibility of the 19 city and village assessors within Milwaukee County with the exception of real and personal manufacturing property. The valuation of manufacturing property is the responsibility of the Wisconsin Department of Revenue.

Assessments are made as of January 1st of each year in accordance with the provisions of Wisconsin Statutes. The law requires that all property subject to assessment be valued in accordance with procedures set forth in the Wisconsin Property Assessment Manual. Assessments must be based on actual view or from the best information that the assessor can practicably obtain, and be at the full value, which could ordinarily be obtained at private sale.

Wisconsin courts have determined that the constitutional requirement for uniformity of assessment is met even though the assessment in question may be less than full value, provided all property within the tax district is assessed at the same proximate level. Beginning in 1986, all municipalities were required to assess taxable property at a minimum of 90 percent of State equalized values at least once every five years.

The assessment of a class of property may also be lowered to obtain uniformity. This procedure is also utilized by the Wisconsin Department of Revenue to equate full value assessments of manufacturing property to the local level of all taxable non-manufacturing assessments.

The State of Wisconsin equalizes local assessments to full values. This equalized valuation is the basis used in computing the five-percent State constitutional debt limitation.

Equalized Values 2001-2005 (In Millions of Dollars)

	2001	2002	2003	2004	2005
Residential	\$26,940	\$28,941	\$31,166	\$34,014	\$37,975
Commercial	11,634	12,197	13,013	14,182	15,642
Manufacturing	1,354	1,415	1,405	1,394	1,405
Agriculture	<u>33</u>	<u>34</u>	<u>34</u>	<u>35</u>	<u>34</u>
Total Real Estate	\$39,961	\$42,587	\$45,618	\$49,625	\$55,056
Personal Property	1,813	1,683	1,649	1,528	1,625
Total Real Estate and Personal Property	\$41,774	\$44,270	\$47,267	\$51,153	\$56,681
Adjustment for TID (Tax Incremental Districts)	<u>(968)</u>	<u>(963)</u>	<u>(1,159)</u>	<u>(1,428)</u>	<u>(1,787)</u>
Net Real Estate and Personal Property	\$40,806	\$43,307	\$46,108	\$49,725	\$54,894
Population	939,919	941,091	941,301	939,358	939,358
Equalized Value Per Capital (In Dollars)	\$43,415	\$46,028	\$48,983	\$52,935	\$58,437

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

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**Property Tax Levies and Collections Last Five Years
(In Millions of Dollars) ¹**

Levy For Budget Year	Fiscal Year				
	Taxes Collectible By County	Collection of Current Year Levy as of December 31	Percent of Current Year Levy Collected as of December 31	Total Tax ² Collections During the Year	Delinquent Taxes Outstanding at Year-end
2000	590.9	586.0	99.17%	592.4	8.4
2001	614.8	609.7	99.18%	617.9	7.7
2002	642.9	634.3	98.66%	650.3	8.7
2003	685.0	679.7	99.24%	686.8	8.9
2004	715.4	710.9	99.37%	719.0	7.9

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

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

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

Total taxes levied include municipal levies, assessments and charges. The individual municipalities collect these taxes until July 31 of the budget year. The portion of the total levy strictly for County purposes is approximately 18.4 percent of Total Taxes (column two) for the 2002 and 2003 budget years. The same is true of City of Milwaukee Total Taxes; about 18.4 percent are for County purposes. For tax collection procedures see the table below: County taxes collected by the City of Milwaukee.

Property Tax Levies and Collections Last Five Years – City of Milwaukee (in millions of dollars)

Year	Total Taxes Levied	Collection of Current Year Levy as of 12/31/03	Percent of Levy Collected as of 12/31/03	Total Tax ¹ Collections During Year	Delinquent Taxes Outstanding at Year-End
1999	483.6	472.9	97.8	481.4	21.6
2000	470.4	456.6	97.1	467.9	24.1
2001	518.1	505.3	97.0	520.1	22.0
2002	547.9	534.2	97.5	548.1	21.9
2003	568.5	539.8	97.3	575.5	24.9

Source: City of Milwaukee Comptroller's Office

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

The City of Milwaukee and Milwaukee County have entered into an intergovernmental cooperation agreement, whereby the City collects all delinquent County real estate taxes in the City of Milwaukee. The agreement was subsequently revised beginning with the collection of 1990 property taxes whereby the City purchases all unpaid County taxes in February of the first collection year, but periodically remits taxes until the end of July that are considered on time through the installment payment plan. The City also collects delinquent Metropolitan Sewerage District and State taxes levied in the City of Milwaukee.

Property Tax Rates for County Levies

In November of each year, the County Board adopts an annual budget for the ensuing calendar year. At that time levies on real and personal property are set. The information provided below reflects the budget year for which taxes are to be used, not the year in which taxes are levied. For example, information listed below 2005 represents the 2004 property tax levy used to finance the County's 2005 budget. The County Board adopted the 2006 budget on November 16, 2005. The levies summarized below include the state forestry tax and other administrative levies used for regional planning and other non-general County purposes.

(In Millions of Dollars)	2002	2003	2004	2005	2006
General County Purposes	\$274.7	\$276.4	\$278.7	\$288.3	\$297.3
County Sales Tax Credit	(55.9)	(56.9)	(59.3)	(62.4)	(64.7)
State Forestry Taxes/Other Administrative Levies	9.2	9.7	10.3	11.1	11.5
Total Net County Taxes	\$228.0	\$229.2	\$229.7	\$237.0	\$244.1
General County Purposes	6.73	6.38	6.05	5.80	5.42
County Sales Tax Credit	(1.37)	(1.32)	(1.29)	(1.26)	(1.18)
Net General County Purposes	5.36	5.06	4.76	4.54	4.24
State Forestry Taxes/Other Administrative Levies	0.22	0.22	0.22	0.22	0.20
Total Net County Taxes	5.58	5.28	4.98	4.76	4.44

Levy Limits

Property Tax Rate Limit

Section 59.605, Wis. Stats., imposed a property tax rate limit on Wisconsin counties, effective August 12, 1993. Separate limits were imposed for operating levy rates and the debt service levy rates. Initially, the baseline for the rate limit was the 1992 actual tax rate adopted for 1993 budget purposes. The County may not exceed these operating levy rates and debt levy rate limits unless one or more specified conditions apply, as described below. The statute establishes specific penalties for failure to meet the limit requirements. Among the penalties for exceeding the limits are reductions in state shared revenues and transportation aids.

Operating Budget Levy Rate The only conditions under which the maximum rate may be increased are if services are transferred between governmental units (transfers to other governmental units reduce the maximum rate) or if a referendum is approved by a majority of local electors to allow the maximum rate to be increased. An operating property tax rate of approximately \$3.39 per \$1,000 of equalized value was established for the County's 2006 general-purpose budget. The tax rate for total operating purposes including the Southeastern Wisconsin Regional Planning Commission levy and other administrative levies was \$3.40 per \$1,000 of equalized value.

Debt Service Levy Rate The conditions under which the debt service rate may be increased include: approval of issuance of debt at a referendum, adoption of a resolution by the County Board of Supervisors which sets forth its "reasonable expectation" that the issuance of the debt, which sets forth its "reasonable expectation" that the issuance of the debt will not cause the County to exceed its debt levy rate limit, actual authorization of the debt prior to the August 12, 1993 effective date of the rate limit, issuance of debt for regional projects as described in Section 67.05(7)(f), Wisconsin Statutes, issuance of debt to refund outstanding municipal obligations, or, adoption of a resolution to issue debt which is approved by a 3/4 vote of the members-elect of the County Board. In conformance with the conditions outlined above, the County levied a debt levy rate of \$.85 per \$1,000 of equalized value for the

2005 budget.

The Bonds were authorized by a $\frac{3}{4}$ vote of the members-elect of the County Board. The initial resolution authorizing the Bonds also set forth the County Board's reasonable expectation that the issuance of the Bonds will not cause the County to exceed its debt service rate limit. Therefore, the debt service levy rate allowed for the repayment of these Bonds is not limited under current law.

Levy Limit Legislation

The State of Wisconsin's Budget Bill (2005 Act 25) was signed by the Governor on July 25, 2005, after the exercise of numerous partial vetoes, and became effective on July 27, 2005. This legislation imposes a limit on property tax levies by cities, villages, towns and counties for a two-year period. It provides that no city, village, town or county may increase its tax levy in any year by a percentage that exceeds its valuation factor (which is defined as the percentage change in the municipality's January 1 equalized value due to new construction less improvements removed, but not less than two percent). This levy limit applies in addition to the tax rate limit described above.

This levy limitation is an overall limit, applying to levies for operations as well as for other purposes. Special provisions are made for general obligation debt service. With respect to obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. The Department of Revenue currently interprets this adjustment to be based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact municipalities that experience a reduction in offsetting revenues. The limits do not apply to debt service on obligations authorized on or after July 1, 2005.

The Bonds were authorized by adoption of resolutions after July 1, 2005.

Proposed "Taxpayer Protection" Constitutional Amendment: Limit On Revenue

On February 14, 2006, 2005 Assembly Joint Resolution 77 and its counterpart, 2005 Senate Resolution Joint Resolution 63, were introduced in the Wisconsin legislature. These resolutions propose an amendment to the Wisconsin Constitution, which is commonly referred to as the "Taxpayer Protection Amendment" (the "Proposed Amendment"). The Proposed Amendment would create a revenue limit for the State as well as local government units (including Wisconsin counties, cities, villages, towns, special purpose districts, school districts and technical college districts). The Proposed Amendment is similar in its intended effect to prior legislative proposals in Wisconsin commonly referred to as "Taxpayer's Bill of Rights" or "TABOR."

The Proposed Limit: For the 2009 calendar year, for calendar year local governments, or the 2010 fiscal year, for the State and fiscal year local governments, as applicable, the Proposed Amendment would prohibit the State or a local government unit from collecting more in "revenue" (see "*Revenue Subject to the Proposed Limit*," below) than the amount it collected in the previous calendar or fiscal year, respectively, increased by a certain percentage. The allowable percentage increase is the average of the annual percentage increases, if any, in the consumer price index for Milwaukee-Racine, or its successor index, for each of the three calendar or fiscal years preceding the previous year, but not to exceed the annual percentage increase, if any, in State personal income for the 2006 to 2007 calendar year, for calendar year local governments, or the 2007 to 2008 calendar year, for the State and fiscal year local governments, respectively. For the State, a special purpose district, a county, or a technical college district, the percentage is also increased by the percentage increase from the first to the second of the two years preceding the previous year in the population of the State, special purpose district, county, or technical college district. For a school district, the percentage is also increased by the percentage that is the average of the annual percentage increases, if any, for each of the three years preceding the previous year in enrollment of the students in 5-year-old kindergarten through the 12th grade. For a municipality (a city, village or town) the percentage also is increased by 60% of the percentage increase from the first to the second of the two previous years in property values attributable to new construction, less the value of any property removed or demolished, in the municipality.

For calendar years beginning in 2010, for calendar year local governments, and fiscal years beginning in 2011, for the State and fiscal year local governments, the Proposed Amendment would prohibit the State or a local government unit from collecting more in revenue than the maximum amount that it was permitted to collect in the previous calendar or fiscal year, as applicable, again increased by a certain percentage. The allowable percentage increase is the average of the annual percentage increases, if any, in the consumer price index for Milwaukee-Racine, or its successor index, for each of the three calendar or fiscal years preceding the previous calendar or fiscal year, but not to exceed the annual percentage increase, if any, in State personal income from the third to the second calendar or fiscal year preceding the current calendar or fiscal year. The percentage is also increased by the same additional amount described in the prior paragraph.

The proposed revenue limit could be exceeded, on a recurring or non-recurring basis, with the approval of voters at a referendum.

Revenue Subject to the Proposed Limit: Under the Proposed Amendment, “revenue” subject to the limit includes all moneys received from taxes, fees, licenses, permits, assessments, fines and forfeitures imposed by the State or a local government unit, lottery proceeds net of prizes, tribal gaming proceeds, and all moneys received from municipal obligations, but not including moneys generated from “municipal economic development bonds,” from the refinancing of municipal obligations, or from short-term cash flow borrowings. “Revenue” does not include moneys used for debt service on municipal economic development bonds, or monies received for the operation of a telephone, gas, electric, or water utility. Further, “revenue” does not include moneys generated from municipal obligations for the 2008 calendar year, for calendar year local governments, or the 2009 fiscal year, for the State and fiscal year local governments – which is the base year prior to the first year the revenue limit would be effective.

Other than the limited exceptions described above, the Proposed Amendment contains no exception for municipal obligations, whether issued prior to or after the effective date of the Proposed Amendment, nor for taxes raised to pay debt service on such obligations. Therefore, the taxes and other revenue to pay debt service on the Bonds would be subject to the limit imposed by the Proposed Amendment.

Procedural Requirements: Under Article XII of the Wisconsin Constitution, a proposed constitutional amendment requires adoption by two successive legislatures, each time by a majority vote of both houses, and subsequent ratification by a majority of electors voting in a statewide referendum at such time as the legislature shall prescribe. The Governor has no veto power over proposed constitutional amendments adopted by the legislature. Ratification at referendum is by a majority of the electors voting on the amendment. If the Proposed Amendment were passed by two successive legislatures, the earliest the ratifying referendum could be held is April of 2007.

Property Tax Credits

School Tax Credit - Wisconsin Statutes provide for a school tax credit, which is a direct payment by the State to the municipalities. This tax credit is used to reduce the public schools tax levy reflected on individual property tax bills. The school tax credit decreased two percent between 2003 and 2004. The 2003 net tax decreased 1.2 percent in the City of Milwaukee. The calculation of the net rate after the school tax credit excludes other tax credits identified below.

Lottery and Gaming Tax Credit - Wisconsin Statutes provide for a lottery and gaming tax credit financed with proceeds from the state lottery and other gaming revenues. This tax credit is also shown on individual property tax bills. Each taxpayer was required to own the home described on the tax bill and use it as a primary residence to qualify for the credit between 1991 and 1997. The Governor’s 1997-1999 budget modifies the credit to provide tax relief to all property taxpayers. In April of 1999, voters approved a change in the state constitution that again limited the lottery tax credit to homeowners’ primary residence. For 2004, the statewide average credit was \$93, and the average credit in Milwaukee County was \$92.

Homestead Credit - Indirectly related to property taxes, Wisconsin Statutes provide for a Homestead Credit. This is a direct claim by the taxpayer to the State whereby households with income of less than \$24,500 may qualify for a State income tax credit. This credit is based on the amount of property taxes paid. Renters are also eligible for this credit. Approximately 24 percent of Milwaukee County’s population utilized the Homestead Credit in fiscal year 2004. The average claim made by a Milwaukee County resident was \$535, compared to the programs maximum claim of \$1,450.

County Sales and Use Tax Credit - For Milwaukee County property taxpayers, the December, 1992 local property tax bill was modified to reflect property tax relief attributable to the local 0.5 percent County sales and use tax. For the homeowner of a typical \$150,000 home in Milwaukee County, property tax savings due to enactment of the sales and use tax totaled approximately \$177 for the 2006 budget.

Property Tax Collections

Real estate and personal property taxes become due as of January 31 of each year. Taxpayers may pay their property taxes in installments. The number of installment payments varies for each individual municipality. Municipalities initially collect all property taxes including county and school taxes. On or before January 15 and February 15, the city or village treasurer settles with other taxing jurisdictions including the County for all collections through December and January respectively. In municipalities, which have authorized the payment of real property taxes in three or more installments, the city or village treasurer additionally settles with the other taxing jurisdictions including the County on the 15th day of each month following the month in which an installment payment is required. The County subsequently has a tax settlement with the municipalities in August of each year. The County exclusively purchases all uncollected real property taxes from the municipality, issues a tax certificate and assumes the collection responsibility. As a last resort, the County Treasurer can foreclose after approximately two years. Tax liens are the first liens against real estate and remain valid for eleven years. The County maintains a Reserve for Taxes Receivable equal to all non-current taxes remaining due.

The tax collection procedure within the City of Milwaukee is substantially different than the procedure outlined above. The City has ten installments with the County portion being collected by the seventh payment. The City and the County entered into an intergovernmental cooperation agreement, whereby the City collected all delinquent County real estate taxes in the City of Milwaukee. The agreement was subsequently revised beginning with the collection of 1990 property taxes. The City now purchases all unpaid County taxes in February of the first collection year and retains the interest and penalty collected. Interest on delinquent taxes is charged at a rate of one percent per month from the preceding February. In addition, a penalty of one-half of one percent is also charged each month.

Other Major County Revenues

State Shared Revenues

The State of Wisconsin distributes revenues collected from state taxes to municipal and county governments. These revenues can be used at the discretion of local governments to finance local services. Sections 79.03 and 79.04 of Wisconsin Statutes outline a formula to allocate these revenues to local government units. The allocation formula for counties was based on a number of variables including taxable property values, utility property values, population, property tax levies and certain user fees. The State has modified the State Shared Revenue formula so that the previous year's base, plus the utility payment, determines the budgeted amount. Shared revenue payments are made by the State on the fourth Monday in July (15%) and the third Monday in November (85%). The 2006 Adopted Budget includes \$37.1 million in anticipated net State Shared Revenues.

Beginning in 1999, in accordance with Wisconsin State Statute 48.561(3), the Wisconsin Department of Administration reallocates \$20,101,300 in State Shared Revenue to the State's Child Welfare Program to be used to defray State administrative costs for the program. Previously, this allocation was taken from Community Aids revenue in the Department of Human Services and DHS-Behavioral Health Division (previously Mental Health Division) budgets. All future budgets, including the 2006 Budget, have been modified to reflect the allocation.

County Sales and Use Tax

Beginning April 1, 1991, a 0.5 percent sales and use tax was enacted by Milwaukee County. The tax, which is authorized under Section 77.70 of Wisconsin Statutes, is administered by the State of Wisconsin and is imposed on goods and services, which are currently subject to a 5.0 percent State sales tax. The State distributes payments to the County seven to 11 weeks after the taxes are collected by retailers. Based on generally accepted accounting principles, fiscal year revenues are based on March through February payments from the State of Wisconsin. Existing County Ordinances require that sales tax revenue not budgeted for debt service payments are used to directly finance capital improvements. On June 18, 2003, the County modified the ordinance to allow for the use of

sales tax revenue to pre-fund employee benefit costs or fund anticipated or extraordinary annual increases in such costs or supplement the Appropriation for Contingencies.

The County budgeted net sales tax collections, including amounts allocated to the capital improvements budget, of approximately \$63.5 million for 2005 and \$65.4 million for 2006. Sales tax revenues collected from Milwaukee County retailers for 2004 total approximately \$61.1 million. Sales tax revenues for 2005 total \$56.8 million for 11 months of collections.

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COUNTY OF MILWAUKEE
FIVE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 THROUGH 2004
(In Thousands of Dollars)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues:					
Intergovernmental Revenue	\$ 318,575	\$ 274,646	\$ 251,202	\$ 266,101	\$ 276,179
Sales Taxes	55,772	57,941	55,450	57,115	58,834
Property Taxes	198,485	209,178	220,430	221,265	220,612
Interest on Investment & Rents	19,061	17,503	14,390	9,789	6,974
Charges for Services	59,165	88,000	132,324	157,025	180,925
Fines and Forfeitures	3,692	3,660	3,276	2,909	3,129
Licenses and Permits	464	440	399	413	443
Other	<u>25,924</u>	<u>30,206</u>	<u>24,756</u>	<u>26,309</u>	<u>26,133</u>
Total Revenues	\$ 681,138	\$ 681,574	\$ 702,227	\$ 740,926	\$ 773,229
Expenditures					
Legislative, Executive and Staff	\$ 28,697	\$ 32,577	\$ 39,462	\$ 39,257	\$ 38,246
Courts and Judiciary	35,360	39,753	50,889	52,862	55,748
General Governmental Services	4,398	4,267	6,662	6,775	6,608
Public Safety	97,851	100,006	122,089	126,758	135,596
Public Works and Highways	10,441	10,370	13,008	13,489	16,553
Human Services	279,858	261,443	283,815	322,013	345,157
Parks, Recreation and Culture	51,636	52,351	66,921	65,749	61,640
Other	<u>48,301</u>	<u>51,091</u>	<u>462</u>	<u>(880)</u>	<u>11,254</u>
Total Expenditures	\$ 556,542	\$ 551,858	\$ 583,308	\$ 626,023	\$ 670,802
Excess of Revenues Over Expenditures	\$ 124,596	\$ 129,716	\$ 118,919	\$ 114,903	\$ 102,427
Other Financing Sources (Uses): ¹					
Operating Transfers From Other Funds	\$ -	\$ 24,832	\$ -	\$ -	\$ 5,538
Operating Transfers To Other Funds	(118,527)	(148,968)	(110,184)	(116,698)	(112,548)
Operating Transfers To Components Units	(7,785)	(8,010)	(7,910)	(7,639)	(6,359)
Residual Equity Transfers From Other Funds	<u>(4,001)</u>	<u>1,427</u>	<u>(924)</u>	<u>4,538</u>	<u>5,504</u>
Total Other Financing Uses	\$ (130,313)	\$ (130,719)	\$ (119,018)	\$ (119,799)	\$ (107,865)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (5,717)	\$ (1,003)	\$ (99)	\$ (4,896)	\$ (5,438)
Fund Balance-January 1	\$ 26,137	\$ 20,420	\$ 19,417	\$ 19,318	\$ 14,422
Fund Balance-December 31	\$ 20,420	\$ 19,417	\$ 19,318	\$ 14,422	\$ 8,984

Source: Derived from audited financial statements included in the Milwaukee County Comprehensive Annual Financial Reports, 2000-2004, 2004 included herein.

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

COUNTY OF MILWAUKEE
FIVE-YEAR SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUNDS (ENTERPRISE & INTERNAL SERVICE FUND)
FOR THE YEARS ENDED DECEMBER 31, 2000 THROUGH 2004
(In Thousands of Dollars)

	2000	2001	2002	2003	2004
Operating Revenues					
Charges for Services	\$ 155,345	\$ 151,950	\$ 154,442	\$ 163,749	\$ 180,953
Other	<u>11,009</u>	<u>13,766</u>	<u>16,753</u>	<u>18,126</u>	<u>15,204</u>
Total Operating Revenues	<u>\$ 166,354</u>	<u>\$ 165,716</u>	<u>\$ 171,195</u>	<u>\$ 181,875</u>	<u>\$ 196,157</u>
Operating Expenses					
Personnel Services	\$ 192,008	\$ 197,574	\$ 197,987	\$ 207,138	\$ 218,733
Contractual Services	33,122	94,414	52,108	54,022	53,583
Intra County Services	18,875	19,071	14,775	15,027	15,312
Commodities	22,221	22,128	18,799	19,010	20,742
Depreciation	28,293	28,686	30,738	35,168	35,757
Maintenance	2,412	2,456	2,958	2,010	2,033
Insurance	4,564	5,036	-	-	-
Other ¹	<u>61,191</u>	<u>4,223</u>	<u>65,341</u>	<u>65,995</u>	<u>70,354</u>
Total Operating Expenses	<u>\$ 362,686</u>	<u>\$ 373,588</u>	<u>\$ 382,706</u>	<u>\$ 398,370</u>	<u>\$ 416,514</u>
Operating Income (Loss)	<u>\$ (196,332)</u>	<u>\$ (207,872)</u>	<u>\$ (211,511)</u>	<u>\$ (216,495)</u>	<u>\$ (220,357)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	\$ 109,237	\$ 121,863	\$ 132,221	\$ 134,482	\$ 133,543
Net Interest Expense	<u>(6,474)</u>	<u>(6,123)</u>	<u>(5,963)</u>	<u>(9,470)</u>	<u>(9,207)</u>
Total Nonoperating Revenues	<u>102,763</u>	<u>115,740</u>	<u>126,258</u>	<u>125,012</u>	<u>124,336</u>
Income (Loss) Before Operating Transfers and Discontinued Operations	\$ (93,569)	\$ (92,132)	\$ (85,253)	\$ (91,483)	\$ (96,021)
Discontinued Operations					
Disposal of Hospital	\$ -	\$ -	\$ -	\$ -	\$ -
Disposal of Power Plant	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Discontinued Operations	\$ -	\$ -	\$ -	\$ -	\$ -
Income (Loss) Before Operating Transfers	\$ (93,569)	\$ (92,132)	\$ (85,253)	\$ (91,483)	\$ (96,021)
Net Capital Contributions		30,456	25,454	19,345	29,802
Net Operating Transfers From Other Funds	<u>87,622</u>	<u>82,285</u>	<u>75,362</u>	<u>75,296</u>	<u>76,433</u>
Net Income (Loss)	\$ (5,947)	\$ 20,609	\$ 15,563	\$ 3,158	\$ 10,214
Add Depreciation on Fixed Assets Acquired by Capital Grants that Reduces Contributed Capital from Capital Grants	9,194	11,306	-	-	-
Fund Equity/Retained Earnings-Jan. 1²	<u>2,581</u>	<u>5,828</u>	<u>219,404</u>	<u>234,967</u>	<u>238,125</u>
Fund Equity/Retained Earnings-Dec. 31	<u>\$ 5,828</u>	<u>\$ 37,743</u>	<u>\$ 234,967</u>	<u>\$ 238,125</u>	<u>\$ 248,339</u>

Source: Derived from audited financial statements included in the Milwaukee County Comprehensive Annual Financial Reports, 2000-2004, 2004 included herein.

¹ Reclassification from Other to Contractual Services in 2001

² Restated the beginning balance for 2002 for implementation of GASB #34.

MILWAUKEE COUNTY
ADOPTED 2005 AND 2006 BUDGETS
(Combines all Funds)

	2005 Adopted Budget	2006 Adopted Budget
<u>EXPENDITURES</u>		
Legislative, Executive & Staff	\$ 63,422,690	\$ 64,125,107
Capital Improvements	53,417,881	86,741,136
Debt Retirement & Interest ¹	50,871,374 *	55,832,752 *
Sundry Appropriations & Grants	6,934,743	22,612,668
Internal Abatements - Expenditure	(35,104,786) **	(33,943,500) **
Courts & Judiciary	57,521,149	56,121,272
General Governmental Services	5,471,493	5,949,492
Public Safety	138,144,161	137,635,196
Public Works***	266,079,079	230,499,458
Health and Human Services	556,633,858	570,347,885
Parks, Recreation and Culture	23,502,117	61,918,781
Expendable Trust Accounts	<u>1,031,175</u>	<u>1,034,751</u>
 Total Gross Expenditures	 <u>\$ 1,187,924,934</u>	 <u>\$ 1,258,874,998</u>
<u>REVENUES</u>		
Property Tax Levy:		
For General County Purposes	\$ 225,883,651	\$ 232,592,517
 Sales Tax	 62,430,840	 64,678,600
Recommended Bond Issues:		
For General County Purposes	\$ 32,108,755	\$ 64,772,839
 State Aids	 \$ 350,805,492	 \$ 354,886,994
Federal Aids	<u>62,914,859</u>	<u>62,392,321</u>
Combined State and Federal Aids	\$ 413,720,351	\$ 417,279,315
Capital Improvement Revenue:		
State Revenue	\$ 954,308	\$ 877,433
Federal Revenue	13,179,762	14,960,123
Other Revenue	<u>7,175,056</u>	<u>5,413,356</u>
Combined Capital Improvement Revenue	\$ 21,309,126	\$ 21,250,912
 Departmental Income, Service Fees and Sundry Revenue	 \$ 434,000,699	 \$ 456,719,109
Internal Abatements - Revenue ²	(35,104,786) **	(33,943,500) **
State Shared Taxes	37,130,288	37,098,572
Prior Year Surplus (Deficit)	<u>(3,553,990)</u>	<u>(1,573,366)</u>
 Total Gross Revenue	 <u>\$ 1,187,924,934</u>	 <u>\$ 1,258,874,998</u>

* Includes interest allocation credit of \$6,283,459 in 2005 and \$5,060,456 in 2006 to Proprietary Fund departments for interest costs, which reduces Debt Retirement & Interest by a like amount.

** Internal Abatements (both expenditures and revenues) reflect crosscharges from County service departments to various other County departments.

*** In 2005, this expenditure area included the Parks Department.

Source: 2006 Milwaukee County Adopted Budget

Summary of the 2006 Adopted Capital Improvements
 Milwaukee County
 November 16, 2005

Adopted County Financing

Project	Project Description	Capitalized Interest	2006 Adopted	Reimbursement Revenue	Net County Financing	Sales Tax Revenues	Investment Earnings	Private Contribution ¹	Property Tax Revenue	PFC/Reserve Revenue	Bonds
TRANSPORTATION AND PUBLIC WORKS											
Airports											
WA006	GMA - C Concourse Gate Expansion	\$ -	23,980,000	-	23,980,000						23,980,000
WA014	GMA - Airfield Pavement Joint Repair		588,775	515,178	73,597					73,597	-
WA042	GMA - Bag Claim Building Remodeling - Design		1,695,750	-	1,695,750					1,695,750	-
WA046	LJT - Security Improvements		119,505	116,517	2,988					2,988	-
WA047	GMA - Outer Taxiway Extension		1,987,832	1,739,353	248,479					248,479	-
WA061	GMA - Concourse E - Stem Remodeling and Electrical Service Upgrade		9,320,299	-	9,320,299						9,320,299
WA072	LJT - Runway & Taxiway Crack Repair & Sealcoating		399,168	389,189	9,979					9,979	-
WA083	GMA - North FBO Apron Reconstruction		1,861,115	1,628,476	232,639						232,639
WA084	GMA - Cessna Apron Addition		417,965	365,719	52,246						52,246
WA085	GMA - West Perimeter Road Reconstruction		460,041	402,536	57,505					57,505	0
WA	Total Airports	\$ -	\$ 40,830,450	\$ 5,156,968	\$ 35,673,482	\$ -	\$ -	\$ -	\$ -	\$ 2,088,298	\$ 33,585,184
Highways & Bridges											
WH010	County Highway Action Program (CHAP) - South 76th St. (Puetz to Imperial)		760,000	684,000	76,000						76,000
WH030	Bridge Replacement Program	\$ -	\$ 2,760,000	\$ 2,208,000	\$ 552,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 552,000
WH082	National Highway System - West Rawson	\$ -	\$ 1,973,200	\$ 1,578,560	\$ 394,640	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 394,640
WH083	West Silver Spring Drive (North 124th Street to North 69th Street)		1,112,000	895,600	216,400						216,400
WH084	South 76th Street (West Parkview Drive to West Oklahoma Avenue)		-	-	-						-
WH201	North Port Washington Road (Good Hope Road to Laramie Lane)		1,790,000	1,611,000	179,000						179,000
WH	Total Highways & Bridges	\$ -	\$ 8,395,200	\$ 6,977,160	\$ 1,418,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,418,040
Mass Transit											
WT011	Bus Replacement Program - Orion Buses	\$ -	\$ 2,600,000	2,152,900	447,100						447,100
WT034	On-Bus Camera Systems		1,560,000	1,248,000	312,000						312,000
WT035	Replace Air Units at Fond du Lac Garage		300,000	240,000	60,000						60,000
WT	Total Mass Transit	\$ 0	\$ 4,460,000	\$ 3,640,900	\$ 819,100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 819,100
Environmental											
WV009	Countywide Sanitary Sewer Repairs	\$ -	\$ 960,994	\$ -	\$ 960,994						\$ 960,994
WV011	Bradford Beach Storm Water Outfalls Relocation	\$ -	1,314,500	-	1,314,500						1,314,500
WV	Total Environmental	\$ -	\$ 2,275,494	\$ -	\$ 2,275,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,275,494
Total Transportation & Public Works											
		\$ -	\$ 55,961,144	\$ 15,775,028	\$ 40,186,116	\$ -	\$ -	\$ -	\$ -	\$ 2,088,298	\$ 38,097,818
PARKS, RECREATION AND CULTURE											
Milwaukee Public Museum											
WM003	Electrical Distribution System Replacement	\$ -	\$ 258,000	\$ -	\$ 258,000						\$ 258,000
WM	Total Milwaukee Public Museum	\$ -	\$ 258,000	\$ -	\$ 258,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,000
Department of Parks, Recreation & Culture											
WP017	Countywide Trail & Hard Surface Replacement Program	\$ -	\$ 316,000	\$ -	\$ 316,000						\$ 316,000
WP028	Dineen Park Aquatic Splash Pad		51,750	-	51,750						51,750
WP036	Oak Leaf Trail Development-Beloit Road Underpass		146,910	117,528	29,382						29,382
WP040	Mitchell Park Domes Spall Repair & Paint		600,000	-	600,000				600,000		-
WP042	McCarty Park Pool Pavilion Outdoor Changing Room Renovation		383,200	-	383,200						383,200
WP049	Boerner Gardens Irrigation System		107,302	-	107,302						107,302
WP050	Parks Infrastructure Improvements		1,391,496	-	1,391,496						1,391,496

Summary of the 2006 Adopted Capital Improvements
 Milwaukee County
 November 16, 2005

Adopted County Financing

Project	Project Description	Capitalized Interest	2006 Adopted	Reimbursement Revenue	Net County Financing	Sales Tax Revenues	Investment Earnings	Private Contribution ¹	Property Tax Revenue	PFC/Reserve Revenue	Bonds
WP067	Baran Park Facility Renovation		115,000	-	115,000						115,000
WP406	Countywide Play Area Redevelopment Program		\$449,400	-	449,400						449,400
WP447	South Shore Breakwater/Bike Trail		2,500,000	-	2,500,000						2,500,000
WP	Total Department of Parks, Recreation & Culture	\$ -	\$ 6,061,058	\$ 117,528	\$ 5,943,530	\$ -	\$ -	\$ -	\$ 600,000	\$ -	\$ 5,343,530
	McKinley Marina										
WP513	McKinley Marina Redevelopment-Seawall Improvements	\$ -	475,000	-	475,000						475,000
WP	Total McKinley Marina	\$ -	\$ 475,000	\$ -	\$ 475,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 475,000
	Zoo										
WZ014	Zoo Infrastructure Improvements		1,495,844	-	1,495,844						1,495,844
WZ	Total Zoo	\$ -	\$ 1,495,844	\$ -	\$ 1,495,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,495,844
	Total Parks, Recreation and Culture	\$ -	\$ 8,289,902	\$ 117,528	\$ 8,172,374	\$ -	\$ -	\$ -	\$ 600,000	\$ -	\$ 7,572,374
	HEALTH AND HUMAN SERVICES										
	DHS-Behavioral Health Division										
WE024	Psychiatric Hospital Fire Alarm Systems and Elevator Controls	\$ -	1,149,111	-	1,149,111						1,149,111
WE028	Replace Nurse Call System	-	125,475	-	125,475						125,475
WE	Total DHS-Behavioral Health Division	\$ -	\$ 1,274,586	\$ -	\$ 1,274,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,274,586
	DPW County Grounds										
WG010	CATC "C" Building Roof Replacement	\$ -	670,395	\$ -	670,395						\$ 670,395
WG	Total DPW County Grounds	\$ -	\$ 670,395	\$ -	\$ 670,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670,395
	Department of Human Services										
WS005	DHHS Marcia P. Coggis Human Services Center-Parking Lots and Garage	\$ -	672,212	\$ -	672,212						672,212
WS013	Senior Center Infrastructure Improvements	\$ -	504,842	\$ -	504,842						504,842
WS	Total Department of Human Services	\$ -	\$ 1,177,054	\$ -	\$ 1,177,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,177,054
	Total Health and Human Services	\$ -	\$ 3,122,035	\$ -	\$ 3,122,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,122,035
	GENERAL GOVERNMENT										
	Courthouse Complex										
WC013	CJF Pod Workstation Replacement	-	79,640	-	79,640						79,640
WC014	Courthouse Complex HVAC Systems	\$ -	149,500	-	149,500						149,500
WC016	Courthouse Roof Replacement	46,300	937,878	-	937,878		12,750				925,128
WC023	CH Complex Building Automation and Access Control Upgrade		239,000	-	239,000						239,000
WC028	Community Correction Center Infrastructure	12,900	260,900	-	260,900		3,600				257,300
WC040	CJF Inmate Elevator Upgrade	35,000	708,324	-	708,324		9,650				698,674
WC046	Courthouse Security Equipment		125,000	-	125,000						125,000
WC048	Courthouse Annex Demolition and Parking Lot Construction	260,000	5,260,000	-	5,260,000		71,400				5,188,600
WC	Total Courthouse Complex	\$ 354,200	\$ 7,760,242	\$ -	\$ 7,760,242	\$ -	\$ 97,400	\$ -	\$ -	\$ -	\$ 7,662,842
	House of Correction										
WJ014	HOC Infrastructure Improvements		246,101	-	246,101						246,101
WJ032	HOC - Replace Boiler Room Condensate Pump and Tank		167,300	-	167,300						167,300
WJ034	Ventilate Tailor Shop		288,398	-	288,398						288,398
WJ035	Replace Hot air Handling Unit in Cellblock		58,296	-	58,296						58,296

Summary of the 2006 Adopted Capital Improvements
 Milwaukee County
 November 16, 2005

Adopted County Financing

Project	Project Description	Capitalized Interest	2006 Adopted	Reimbursement Revenue	Net County Financing	Sales Tax Revenues	Investment Earnings	Private Contribution ¹	Property Tax Revenue	PFC/Reserve Revenue	Bonds
WJ040	HOC Print Shop		133,800	-	133,800						133,800
WJ037	Grade and Asphalt the West Side of Perimeter Fence for Proper Drainage		-	-	-						-
WJ038	Replace Hot Water Heaters		271,932	-	271,932						271,932
WJ039	HOC - Replace Ice Builder		115,000	-	115,000						115,000
WJ	Total House of Correction	\$ -	\$ 1,280,827	\$ -	\$ 1,280,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,280,827
	Other County Agencies										
WO021	Milwaukee County Public Art Program		69,542	-	69,542				\$ 17,386		52,157
WO026	Public Safety Answering Point (formerly Sheriff's 911 Upgrade)		200,000	200,000	-						-
WO029	Milwaukee County Historical Society Renovation - Phase II		1,745,315	-	1,745,315			872,658			872,658
WO030	Countywide Access Road Improvements Program	-	612,665	-	612,665	\$ -	\$ -	-	\$ -	-	612,665
WO036	Marcus Center - Electrical Substation Upgrade		71,700	-	71,700						71,700
WO043	Housing Project		1,000,000	-	1,000,000			\$ 1,000,000			-
WO112	Fleet Equipment Acquisition		2,251,500	-	2,251,500					\$ 350,000	1,901,500
WO201	Enterprise Server		513,048	-	513,048	200,000					313,048
WO205	Fiscal Monitoring System		350,000	-	350,000	250,000			\$ 100,000		-
WO301	Countywide Technical Infrastructure		912,839	-	912,839						912,839
WO501	War Memorial Renovation		300,000	-	300,000						300,000
WO411	Mobile Data Computers		125,840	-	125,840						125,840
WO419	CJF Property Conveyor Belt		150,000	-	150,000						150,000
WO500	War Memorial HVAC Renovation		1,378,100	-	1,378,100						1,378,100
WO860	Countywide Handicapped Accessibility Program		346,437	-	346,437						346,437
WO870	County Special Assessments		300,000	-	300,000	300,000					-
WO	Total Other County Agencies	\$ -	\$ 10,326,986	\$ 200,000	\$ 10,126,986	\$ 750,000	\$ -	\$ 1,872,658	\$ 117,386	\$ 350,000	\$ 7,036,943
	Total General Government	\$ 354,200	\$ 19,368,055	\$ 200,000	\$ 19,168,055	\$ 750,000	\$ 97,400	\$ 1,872,658	\$ 117,386	\$ 350,000	\$ 15,980,612
	Grand Total Capital Improvements	\$ 354,200	\$ 86,741,136	\$ 16,092,556	\$ 70,648,580	\$ 750,000	\$ 97,400	\$ 1,872,658	\$ 717,386	\$ 2,438,298	\$ 64,772,839
	Total Excluding Airports	\$ 354,200	\$ 45,910,686	\$ 10,935,588	\$ 34,975,098	\$ 750,000	\$ 97,400	\$ 1,872,658	\$ 717,386	\$ 350,000	\$ 31,187,655
2006 Adopted Capital Improvement Financing											
	Reimbursement Revenue	\$	16,092,556								
	Sales Tax Revenues		750,000								
	Investment Earnings		97,400								
	Private Contribution		1,872,658								
	Airport Revenue Bonds		33,585,184								
	PFC Cash Financing		2,438,298								
	Corporate Purpose Bonds		31,187,655								
	Property Tax Revenues		717,386								
	Total 2006 Capital Financing	\$	86,741,136								
Net County Cost Financing Breakdown											
			<u>Ratio</u>								
	Debt Financing		91.68%								
	Cash Financing (Including Airport)		8.32%								
	Cash Financing (Excluding Airport)		10.83%								

Milwaukee County
 Five-Year Capital Improvement Program
 2006 - 2010
 Expenditure Appropriations

FUNCTIONAL SUMMARY OF FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

Total Category Cost	Prior Year Appropriations	2005 Adopted		2006 Adopted	2007 Requested	2008 Requested	2009 Requested	2010 Requested
TRANSPORTATION AND PUBLIC WORKS								
\$99,656,460	\$8,413,032	\$9,114,028	Highways and Bridges	\$8,395,200	\$20,544,890	\$26,099,410	\$10,464,900	\$16,625,000
\$54,505,775	\$9,705,500	\$4,610,275	Mass Transit	\$4,460,000	\$2,380,000	\$7,100,000	\$12,950,000	\$13,300,000
\$104,718,907	\$13,526,000	\$15,367,212	Airports	\$40,830,450	\$3,825,800	\$16,257,700	\$14,381,613	\$530,132
\$10,996,414	\$0	\$230,000	Environmental	\$2,275,494	\$3,890,920	\$3,550,000	\$650,000	\$400,000
\$269,877,556	\$31,644,532	\$29,321,515	Total Transportation & Public Works	\$55,961,144	\$30,641,610	\$53,007,110	\$38,446,513	\$30,855,132
PARKS, RECREATION AND CULTURE								
\$39,439,432	\$5,021,600	\$5,412,190	Department of Parks, Recreation and Culture	\$6,061,058	\$5,441,256	\$7,883,328	\$5,050,000	\$4,570,000
\$0	\$0	\$0	Stadium	\$0	\$0	\$0	\$0	\$0
\$2,818,020	\$550,000	\$493,020	McKinley Marina	\$475,000	\$0	\$0	\$600,000	\$700,000
\$4,806,226	\$900,000	\$488,280	Museum	\$258,000	\$1,341,946	\$606,000	\$606,000	\$606,000
\$29,945,534	\$6,133,690	\$1,750,000	Zoo	\$1,495,844	\$816,000	\$2,250,000	\$5,750,000	\$11,750,000
\$77,009,212	\$12,605,290	\$8,143,490	Total Parks, Recreation and Culture	\$8,289,902	\$7,599,202	\$10,739,328	\$12,006,000	\$17,626,000
HEALTH AND HUMAN SERVICES								
\$6,044,127	\$136,800	\$1,054,109	DHS-Behavoral Health Division	\$1,274,585	\$334,975	\$1,252,708	\$1,120,950	\$870,000
\$8,340,574	\$5,041,550	\$1,452,400	Department of Human Services	\$1,177,054	\$360,000	\$206,380	\$103,190	\$0
\$5,148,000	\$1,156,000	\$198,000	DPW County Grounds	\$670,395	\$0	\$86,105	\$967,500	\$2,070,000
\$19,532,701	\$6,334,350	\$2,704,509	Total Health and Human Services	\$3,122,034	\$694,975	\$1,545,193	\$2,191,640	\$2,940,000
GENERAL GOVERNMENT								
\$21,163,591	\$2,163,150	\$1,396,878	Courthouse Complex	\$7,760,242	\$3,273,045	\$1,708,176	\$2,431,050	\$2,431,050
\$4,887,867	\$486,660	\$1,334,030	House of Correction	\$1,280,827	\$536,350	\$250,000	\$750,000	\$250,000
\$79,727,258	\$7,953,359	\$10,517,459	Other County Agencies	\$10,326,986	\$19,695,894	\$12,413,960	\$10,543,100	\$8,276,500
\$105,778,716	\$10,603,169	\$13,248,367	Total General Government	\$19,368,055	\$23,505,289	\$14,372,136	\$13,724,150	\$10,957,550
\$472,198,185	\$61,187,341	\$53,417,881	TOTAL CAPITAL IMPROVEMENTS	\$86,741,135	\$62,441,076	\$79,663,767	\$66,368,303	\$62,378,682

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PROPOSED FORM OF BOND COUNSEL OPINION

Re: Milwaukee County, Wisconsin ("Issuer")
 \$31,595,000 General Obligation Corporate Purpose
 Bonds, Series 2006A, dated April 1, 2006 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on October 1 of each year, in the years and principal amounts as follows:

Year	Amount	Rate
2007	\$1,465,000	
2008	1,150,000	
2009	0	
2010	1,175,000	
2011	2,525,000	
2012	2,525,000	
2013	2,525,000	
2014	2,525,000	
2015	2,525,000	
2016	2,525,000	
2017	2,525,000	
2018	2,525,000	
2019	2,525,000	
2020	2,525,000	
2021	2,555,000	

Interest is payable semi-annually on April 1 and October 1 of each year commencing on April 1, 2007.

The Bonds maturing on October 1, 2016 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on October 1, 2015 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon our examination, it is our opinion under existing law that:

1. The Bonds have been duly authorized and executed by the Issuer and are the valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.

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

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws now or hereafter in effect affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

APPENDIX II

ANNUAL FINANCIAL STATEMENTS

The County is audited annually by an independent public accounting firm. This appendix presents the County's audited Basic Financial Statements for the fiscal year ended December 31, 2004. Copies of the County's Comprehensive Annual Financial Report (CAFR) are available at the Department of Administrative Services' Fiscal Affairs Division, Room 301, County Courthouse, Milwaukee, Wisconsin 53233.

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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, 2004, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of the County'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 Public Museum, Inc., the Milwaukee County War Memorial Center, Inc., the Milwaukee County Research Park Corporation, and the Private Industry Council of Milwaukee County Inc., A Workforce Development Board, which represent 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 those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, 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.

As described in Note 1A, the County of Milwaukee adopted the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which established additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity, as of January 1, 2004.

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

The management's discussion and analysis and schedules of funding progress and employer contributions – Employees' Retirement System on pages 25 through 44 and pages 117 through 119, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

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

Virchow, Krause & Company, LLP

Milwaukee, Wisconsin
June 13, 2005

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, 2004. 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 \$ 452,988 on a government-wide basis as of December 31, 2004. The unrestricted net assets of the County were a negative \$ 26,922 due to the County's minimal surplus reserves and the accrual on a government-wide basis of employee benefits for Governmental Activities employees.
- For the fiscal year, taxes and other revenues of the County's governmental activities amounted to \$ 856,700. Expenses amounted to \$ 864,727 (includes operating transfers out of \$ 74,739).
- For the fiscal year, revenues of the County's business-type activities were \$ 290,104, and expenses were \$ 355,778. The Behavioral Health Division and the Transit System are budgeted, on an annual basis, to receive operating transfers from the General Fund to offset the shortfall between revenues and expenses. Operating transfers in were \$ 74,739 for 2004.

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, 2004, the County's governmental funds reported combined ending fund balances of \$ 52,619, as compared to \$ 65,315 for the year ended December 31, 2003.

FINANCIAL HIGHLIGHTS (continued)

Highlights for Fund Financial Statements (continued)

- At the end of the 2004 fiscal year, unreserved fund balance for the General Fund was \$ 3,692 or 0.5% of total General Fund expenditures. At the end of the 2003 fiscal year the unreserved fund balance of the General Fund was \$ 3,962.
- The County's enterprise funds had combined net assets of \$ 222,732, as of December 31, 2004, compared to \$ 213,667, as of December 31, 2003.

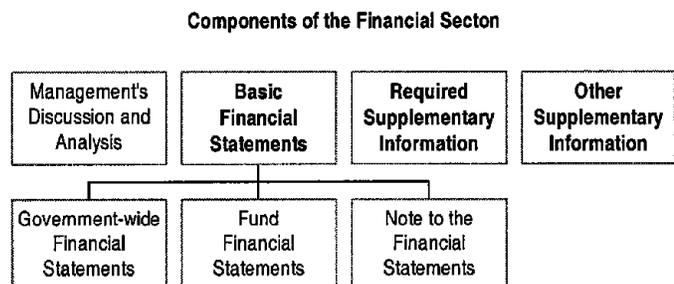
General Financial Highlights

- In February 2004, the County issued \$ 26,950 of General Obligation Bonds to finance various capital needs including the upkeep of various facilities.
- In March 2004, the Airport, an enterprise fund of the County, issued \$ 37,360 of revenue bonds for improvements to two concourses at General Mitchell International Airport.
- In May 2004, the County entered into a five-year loan with the State of Wisconsin Land Trust to obtain funds of \$ 18,627 for additional contributions to the pension plan. During the last several years the County's payments to its pension plan were below the actuarially determined annual required pension contribution, which resulted in a net pension obligation. This payment will eliminate the net pension obligation.

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.



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Government-wide Financial Statements

The *government-wide financial statements*, which consist of 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 2004. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements (continued)

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 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 46-47 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

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental funds (continued)

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 nonmajor governmental funds is provided in the form of *combining statements* in other supplementary financial information.

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 48-52 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 Airport, Behavioral Health, 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, Behavioral Health Divisions 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The proprietary fund financial statements can be found on pages 53-55 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The 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 56-57 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 60-116 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 118-119 of this report.

Other Supplementary Information.

The combining statements referred to earlier in connection with nonmajor 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Other Supplementary Information (continued).

Combining and individual fund statements and schedules can be found on pages 122-137 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 \$ 453.0 million at the close of the fiscal year. The County's increase in net assets for this fiscal year amounts to \$ 1.0 million.

County of Milwaukee, Wisconsin

Net Assets

(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$ 406,133	\$ 403,505	\$ 119,560	\$ 87,574	\$ 525,693	\$ 491,079
Long-Term Assets	10,568	11,943	-	-	10,568	11,943
Capital Assets	639,931	639,361	345,522	336,806	985,453	976,167
Total Assets	<u>1,056,632</u>	<u>1,054,809</u>	<u>465,082</u>	<u>424,380</u>	<u>1,521,714</u>	<u>1,479,189</u>
Current Liabilities	394,305	397,542	51,856	49,058	446,161	446,600
Long-term Liabilities	432,071	418,984	190,494	161,655	622,565	580,639
Total Liabilities	<u>826,376</u>	<u>816,526</u>	<u>242,350</u>	<u>210,713</u>	<u>1,068,726</u>	<u>1,027,239</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	252,316	251,485	206,060	196,792	458,376	429,669
Restricted	8,130	6,862	13,404	14,044	21,534	20,906
Unrestricted	(30,190)	(20,064)	3,268	2,831	(26,922)	1,375
Total Net Assets	<u>\$ 230,256</u>	<u>\$ 238,283</u>	<u>\$ 222,732</u>	<u>\$ 213,667</u>	<u>\$ 452,988</u>	<u>\$ 451,950</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the County's net assets (97.4%) 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 2004, the balance of capital assets net of related debt was \$ 458.3 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	
	2004	2003
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	\$ 458,376	\$ 448,277
Restricted	21,534	20,906
Unrestricted	(26,922)	(17,233)
Total Net Assets	\$ 452,988	\$ 451,950

The restricted net assets portion represents resources that are subject to external restriction on how they may be used. Restricted net assets of \$ 21.5 million of the County's net assets represent resources that are subject to external restrictions some of which include debt service and the airports capital projects. 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 (\$ 26.9) million as of the end of 2004, due to the limited amount of reserves in the general fund and the full accrual of the cost of other post employment benefits for the general fund employees in the statement of net assets. These other post-employment benefits include sick leave payable at retirement, and other types of leave not paid in the first sixty days of the new year.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities

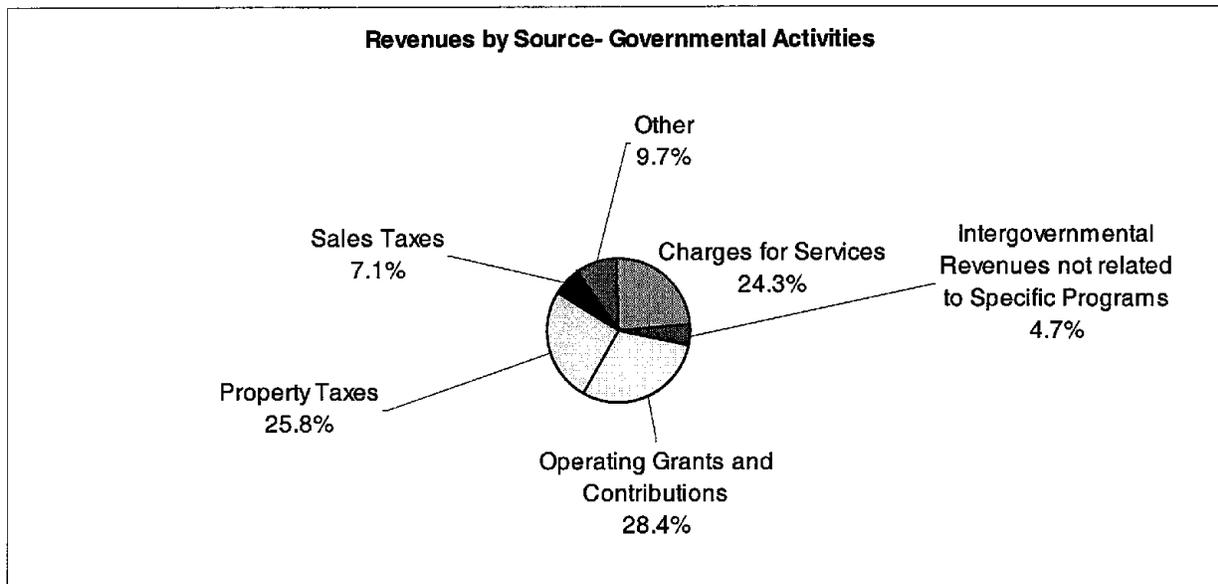
The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2004 and 2003:

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

	Governmental Activities		Business-type Activities		Primary Government Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 211,687	\$ 180,519	\$ 156,232	\$ 144,848	\$ 367,919	\$ 325,367
Operating Grants and Contributions	251,906	238,864	133,046	133,840	384,952	372,704
Capital Grants and Contributions	39,702	19,345	-	-	39,702	19,345
General Revenues:						
Property Taxes	220,612	221,265	-	-	220,612	221,265
Sales Taxes	60,498	59,788	-	-	60,498	59,788
Investment Income and Rents	4,444	10,207	794	872	5,238	11,079
Intergovernmental Revenues not Related to Specific Programs	40,472	44,138	-	-	40,472	44,138
Gain on Sale of Capital Assets	725	182	32	(26)	757	156
Other-Revenue	26,654	42,609	-	-	26,654	42,609
Total Revenues	856,700	816,917	290,104	279,534	1,146,804	1,096,451
Expenses:						
Legislative, Executive, and Staff	65,142	56,569	-	-	65,142	56,569
Courts and Judiciary	54,715	52,427	-	-	54,715	52,427
General Governmental Services	8,992	8,426	-	-	8,992	8,426
Public Safety	136,896	128,134	-	-	136,896	128,134
Public Works and Highways	82,543	77,079	-	-	82,543	77,079
Human Services	345,251	320,705	-	-	345,251	320,705
Parks, Recreation, and Culture	69,861	70,609	-	-	69,861	70,609
Other	9,086	15,812	-	-	9,086	15,812
Interest	17,502	20,279	-	-	17,502	20,279
Airport	-	-	54,720	51,949	54,720	51,949
Behavioral Health	-	-	147,055	137,908	147,055	137,908
Transit	-	-	154,003	148,710	154,003	148,710
Total Expenses	789,988	750,040	355,778	338,567	1,145,766	1,088,607
Change in Net Assets Before Transfers	66,712	66,877	(65,674)	(59,033)	1,038	7,844
Transfers	(74,739)	(61,157)	74,739	61,157	-	-
Change in Net Assets	(8,027)	5,720	9,065	2,124	1,038	7,844
Net Assets- Beginning of the Year	238,283	232,563	213,667	211,543	451,950	444,106
Net Assets- End of the Year	\$ 230,256	\$ 238,283	\$ 222,732	\$ 213,667	\$ 452,988	\$ 451,950

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities



Revenues for the County’s governmental activities were \$856,700 for the fiscal year 2004, representing an increase of \$ 39,783 over fiscal year 2003. Sources of revenue for 2004 as a percentage of total revenues are shown above. Taxes, both property and sales constitute the largest source of County revenues, amounting to \$281,110 for fiscal year 2004, an increase of only \$ 57 over the fiscal year 2003. Real property taxes of \$ 220,612 represent over 78.5 % of total taxes, but only 25.8% of all revenues combined. Sales taxes provide additional tax revenue at \$ 60,498.

Some of the cost of governmental activities was paid for by those who directly benefited from the programs as a charge for services (\$ 211.7 million) and operating grants and contributions from governments and non-profit organizations (\$ 251.9 million).

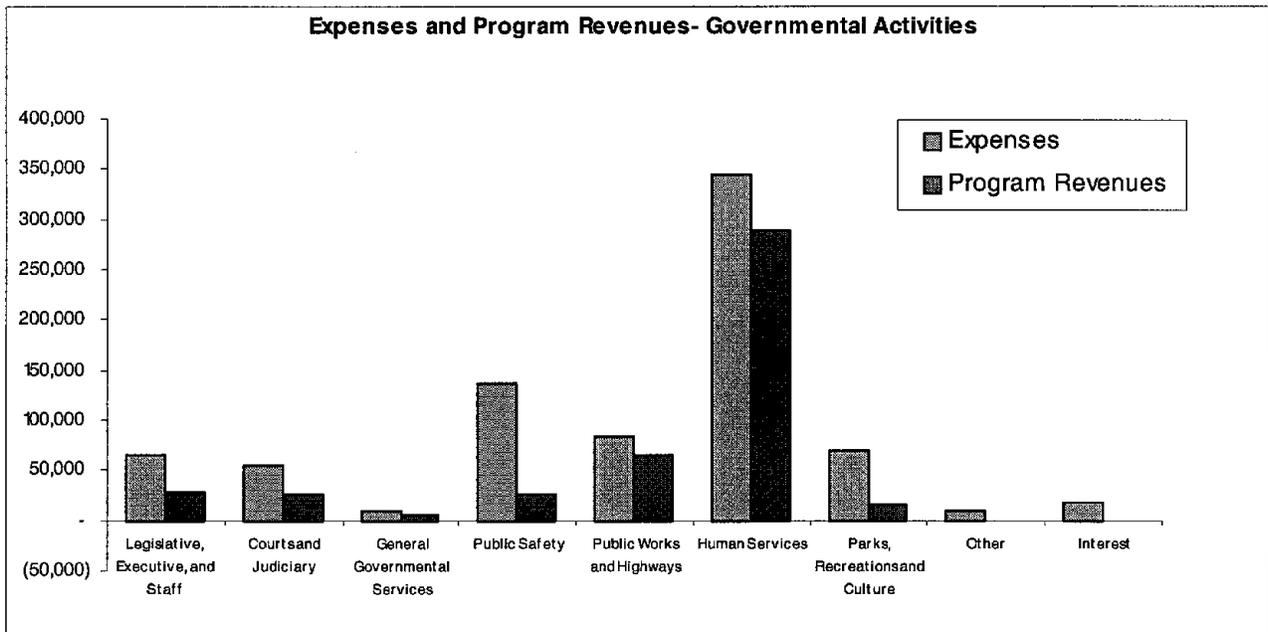
Charges for services increased to \$ 211,687 in 2004, an increase of \$ 31,168 over the 2003 fiscal year. This increase in charges for services represent the payments that are being received on behalf of participants in the elderly care program established by the State in recent years. Operating grants and contributions continue to be support for the majority of the health services with \$ 251,906 of governmental activity funding. This revenue increased by \$ 13,042 over the 2003 fiscal year. The increase was in human services

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities (continued)

Total cost of all of the County's governmental activities for the fiscal year 2004 was \$ 789,988, representing an increase of \$ 39,948 over 2003 activity. As the chart indicates below, human services continue to be the County's largest program. Human services was \$345,251, an increase of \$ 24,546 over the prior year, due primarily to the continued growth of new State program established for the elderly, in place of normal medicare funding. The net tax contribution for human services was \$ 49,240.

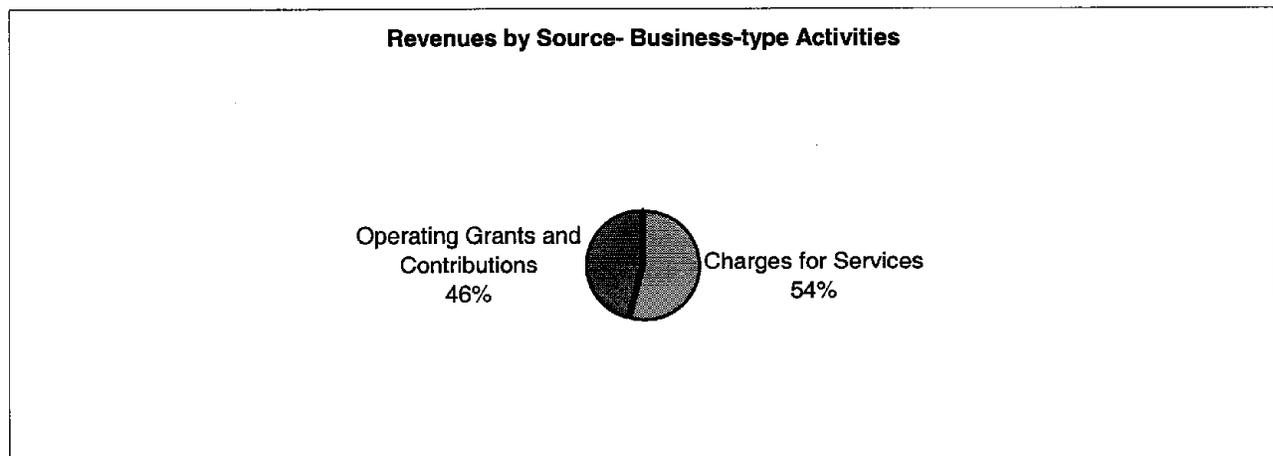
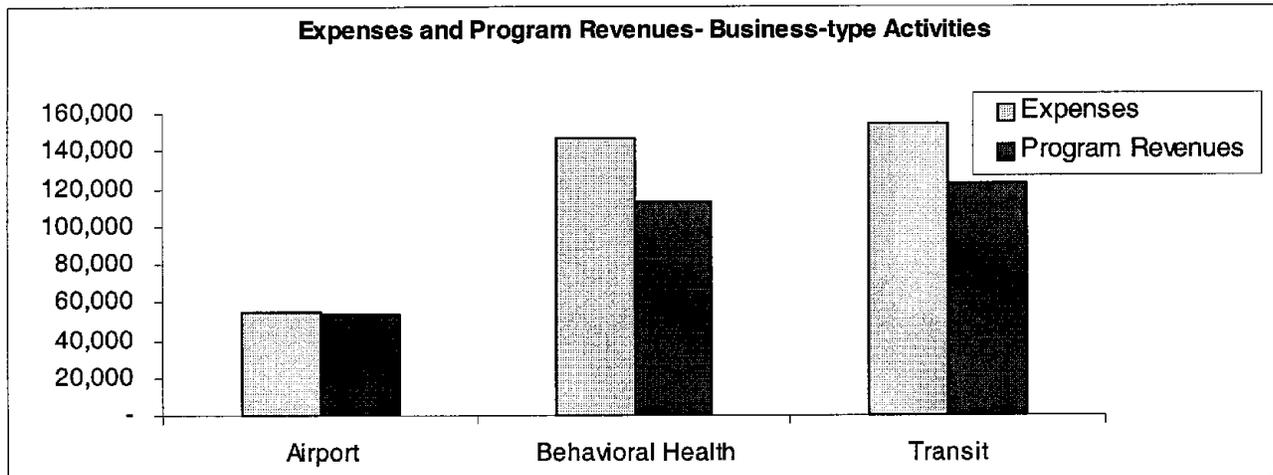
Public Safety represents the second largest expense totaling \$136,896 for the operation of correctional facilities, pre-trial holding facilities and county sheriff services. Public safety expenses increased by \$ 8,762 over the prior year. Public safety includes correctional facilities, pre-trial holding facilities and county sheriff services. The net tax levy cost for public safety for 2004 was \$103,254.



GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-type activities

The Airports recovers 97% of all costs of operation from fees charged to airlines for use of the airport, including fees received from ancillary services of the airport. Operating transfers are negligible for the Airports. The 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 \$33,781 and \$31,303, respectively, for fiscal year 2004. Total state and federal grants and contributions for the Transit System was \$77,108 for 2004. This is only an increase of \$462 over the 2003 fiscal year. Direct support from users of the Transit System was \$45,592, or 29% of total expenses. The Transit System uses federal grant funds to purchase capital assets, plus pay for maintenance parts and tires. State funding is available to cover general operating costs, but this grant funding has been fixed in recent years. Operating grants and contributions, and charges for services for the Behavioral Health Division was \$ 54,780, and \$ 58,494, 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, 2004, the County's governmental funds reported combined ending fund balances of \$ 52,619. Approximately 7% of this total amount \$ 3,692 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 \$ 1,191 for inventories, \$ 21,510 for encumbrances, \$ 8,130 for debt service, (\$ 3,534) for 2005 appropriations, (\$ 1,573) for 2006 appropriations, and \$ 23,203 for endowments, bequests and restricted donations. 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, 2004, unreserved fund balance of the general fund was \$ 3,692 while total fund balance reached \$ 8,984. 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 0.5% of total fund expenditures, while total fund balance represents 1.3% of that same amount.

The fund balance of the County's general fund decreased by \$ 5,438 during the 2004 fiscal year.

The debt service fund has a total fund balance of \$ 8,130 all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$ 3,876.

The capital projects fund has a total fund balance of \$ 12,302, all of which is reserved for the payment of capital projects in progress. The net decrease in fund balance during the current year in the capital projects fund was \$ 1,532. Fund balance decreased due to greater expenditures during 2004, which reduced encumbrances at year-end.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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 Airport, Behavioral Health, and the Transit System at the end of the year were \$ 3,268. The total growth/(decline) in net assets for these funds were \$ 7,284, \$ (901), and \$ 2,681, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary Basis
For the Year Ending December 31, 2004
(In Thousands)

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues and Other Sources</u>				
Taxes	\$ 280,198	\$ 280,198	\$ 279,446	\$ (752)
Intergovernmental Revenue	300,468	291,549	276,179	(15,370)
Charges for Services	182,329	185,285	180,925	(4,360)
Other	40,310	42,075	36,679	(5,396)
Total	\$ 803,305	\$ 799,107	\$ 773,229	\$ (25,878)
<u>Expenditures and Other Uses</u>				
Expenditures	\$ 694,330	\$ 701,791	\$ 677,906	\$ 23,885
Transfers	109,238	105,232	103,856	1,376
Total	\$ 803,568	\$ 807,023	\$ 781,762	\$ 25,261
Change in Fund Balance	\$ (263)	\$ (7,916)	\$ (8,533)	\$ (617)

As shown above, expenditures and other financing uses exceeded revenues and other financing sources by \$ 8.5 million in the General Fund for the year ended December 31, 2004. This is a variance from budget of (\$ 0.6) 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 \$ 7.1 million in expenditures offset by the inclusion of a contribution from reserves for 2004 appropriations of \$ 4.0 million.

Actual General Fund revenues were less than budgeted revenues by \$ 25.8 million during fiscal year 2004. These decreases in revenues are due to lower inter-

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

governmental revenue of \$ 15.3 million, lower charges for services of \$ 4.3 million and lower other revenue of \$ 5.4 million. The reduction in intergovernmental revenue is primarily from the County Housing program (\$ 6.7 million), Courts (\$ 2.5 million), Public Works and Highways (\$ 1.2 million) and Human Services (\$ 4.1 million). The lower revenue in Housing reflects grant programs that are carried over from year to year, and are used only based on need. The grant revenues that are budgeted will be carried over from year to year as long as the grant program is in existence. The lower revenue in all of these departments was offset by reduced expenditures in these same departments. Lower revenue in charges for services of \$ 4.3 million consists primarily of reduced concession and activities revenue in the Parks, Recreation and Culture area. Lower revenue from other sources of \$ 5.4 million is primarily related to non-department budgeted revenue of \$ 10.3 million whose actual revenue was only \$ 6.8 million. This included both land sale revenue and anticipated revenue from a non-profit organization that did not fully materialize.

Actual General Fund expenditures were lower than amended budget expenditures by \$ 23.9 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 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 decrease between the original budget for revenue of \$ 803,305 million and the final budget for revenue of \$ 799,107 was (\$ 4,198) and was due to the following reasons:

- The net carryover of revenue associated with capital outlay budgets and certain grants of \$ 6,314.
- Reclassification of \$ 32,733 of budgeted revenues and expenditures for the General Assistance Medical Program. For budget monitoring, the state funding for this program is shown as revenue and the associated costs in human services as an expense. For financial reporting, this revenue and expense is considered to be a pass through of funds, and is not reportable in our financial statements. The

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

associated intergovernmental revenue and human service expenditure budget are reduced by an equal \$ 32,733.

- Fund transfers of \$ 22,221 including:
 - \$ 2,734 million for an increase in the State of Wisconsin 2004 Care Management Organization (CMO) capitated rate payment with the Department of Aging.
 - \$ 4,253 carryover of grants to 2004 for the programs and projects pursuant to the federally funded Community Development Block Grant and Home programs
 - \$ 3,268 contract addendum with the State to authorize a new children's long-term support program.
 - \$ 5,209 for payments by the Department of Human Services Economic Support Division to medical transportation providers, which will be funded by intergovernmental revenue from the State.
 - \$ 1,296 for the additional intergovernmental revenue to cover the cost and expansion of the economic support division in Human Services.
 - \$ 1,481 of additional intergovernmental revenue for child care support program in the Department of Human Services, to fund additional administrative and operating costs of the program.

The increase between the original budget for expenditure appropriations of \$ 694,330 (before transfers) and the final budget for expenditure appropriations of \$ 701,791 (before transfers) of \$ 7,461 was due to the following reasons:

- The net carryover of expenditures associated with capital outlay budgets and certain grants of \$ 6,855 million.
- Encumbrances from the prior year carried over to 2004 of \$ 6,270.
- Decrease in expenditure budget for reclassification of General Assistance Medical Programs of \$ 32,733 (see revenue budget note above).
- Fund transfers of \$ 27,069 (see revenue budget note above for listing of transfers). In addition, there was a year-end countywide transfer to break-even the budget and actual costs for fringe benefits. The net impact on general fund was to increase budgeted expenditure authority by \$ 3,256.

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 \$ 109,238 and amended budget of \$ 105,232). The net contribution actually made by the General Fund to other funds was \$ 103,856. The General Fund collects all of the property tax and sales tax revenues of the County \$ 279,446, plus intergovernmental revenues not related to a specific program of \$ 40,472. 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

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

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, 2004 amounts to \$ 985,453 (net of accumulated depreciation of \$ 828,295). This investment in capital assets includes land, buildings and improvements (both land and building), 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 1% (a 0.1% increase in governmental activities and a 2.7% increase for business-type activities). Major capital asset events in the current year included the following:

- Continuation of roadway-related projects, including phase I construction of a portion of North Port Washington Road, for a cost of \$ 2,378 and work on West Layton Avenue for \$ 1,801.2. In addition, the County made roadway improvements on the County grounds for a cost of \$ 1,226.
- Bridge replacement on County highways also continued in 2004 for bridge replacement over the Root River at West Beloit Road for \$ 1,662 and construction of two bridges over the Union Pacific rail lines at West Hampton Avenue for \$ 2,465.
- Purchase of 45 New Flyer buses plus spare parts for the Transit System as replacements for existing buses and to continue standardization of transit fleet. Cost was \$ 12,257 for 2004 with 80% funding from the federal government.
- The airport continued several capital improvements including the D Concourse improvements to increase the area for airline activities and widen the security checkpoint area. The cost for 2004 was \$ 3,345. An additional project is the expansion in the C Concourse area for both passenger arrivals and security checkpoints, which is estimated to cost \$ 29,978. The cost for 2004 was \$ 6,564, with continuing costs in future years of \$ 23,050. Both of these projects are funded with Airport revenue bonds and passenger facility charge (PFC) revenues. Revenue bonds for the two projects were issued in 2004.
- 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 cost in 2004 was \$ 12,856. Budgeted authority remaining for this project is \$ 13,552.
- Parks and Zoo continued several projects during 2004 including the feline building renovation for \$ 2,777, various infrastructure improvements to the Zoo and Parks

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

- for \$ 1,216, Mitchell Domes heating, ventilating and air conditioning replacement work for \$ 1,656 and Parks trails and hard surface replacement for \$ 983.
- Continuation of the upgrading of the County's fleet equipment for a cost of \$ 2,414.
 - The Courthouse roof replacement begun in late 2004. This project will be done in phases for a total cost of \$3,399. The first phase was started in 2004 at a cost of \$ 1,535.
 - The phase I work was completed at County's Human Services building located at 12th and Vliet in 2003. The total cost for phase I was \$7,100. This work was for exterior and interior remodeling. Phase II began in 2004 to replace the mechanical systems of the building at an estimated cost of \$5,500, Total cost incurred in 2004 was \$ 3,365. Human Service staff reoccupied the building in late 2004

Milwaukee County's Capital Assets

(Net)

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 60,269	\$ 60,269	\$ 20,759	\$ 20,759	\$ 81,028	\$ 81,028
Building and Improvements	404,412	418,659	188,687	203,968	593,099	622,627
Furniture, Vehicles & Equipment	48,451	53,475	84,439	87,212	132,890	140,687
Infrastructure	72,849	68,895	-	-	72,849	68,895
Construction in Progress	53,950	38,063	51,637	24,867	105,587	62,930
Total	\$ 639,931	\$ 639,361	\$ 345,522	\$ 336,806	\$ 985,453	\$ 976,167

Additional information on the County's capital assets can be found in Note 5 on pages 87-92 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-term debt

At December 31, 2004, the County had total debt outstanding of \$ 603,596. Of this amount, \$ 482,859 comprised of general obligation bonds and \$ 120,737 of airport revenue bonds.

Milwaukee County's Outstanding Debt General Obligation and Revenues Bonds

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 425,707	\$ 405,168	\$ 57,152	\$ 62,276	\$ 482,859	\$ 467,444
Revenue Bonds	-	-	120,737	87,042	120,737	87,042
Totals	\$ 425,707	\$ 405,168	\$ 177,889	\$ 149,318	\$ 603,596	\$ 554,486

The County's total debt increased by \$ 49.1 million during the year ended December 31, 2004. New general obligation bonds were issued for \$ 26,950 to finance the following capital projects: highways and bridges \$ 1,375, mass transit \$ 1,703, parks, recreational, and cultural facilities \$ 11,430, health and human services \$ 5,560, general government \$ 6,882. New airport revenue bonds were issued in May 2004 for \$ 37,360 to finance the C Concourse expansion for \$ 29,978, D Concourse security improvements for \$ 3,100, parking structure maintenance for \$ 800, other miscellaneous airport projects for \$ 485, debt service reserve deposit of \$ 1,745 and capitalized interest of \$ 948. In May 2005, the County completed a loan with the State of Wisconsin Land Trust for funding the net pension obligation of the County of \$ 18,627. Cash proceeds were transferred to the Employee Retirement System trustee upon receipt.

Additional information on the County's long-term debt can be found in Note 8 on pages 94-103 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate decreased for 2004 to 6.4% compared to the national average of 5.5%.
- Taxable property valuation increased to \$ 49.8 million in 2004 from \$ 46.1 million in 2003.
- 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.

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

All of these factors were considered in preparing the County's budget for the 2005 fiscal year. The deficit from 2003 of \$ 3,534, which is identified on the Governmental Funds balance sheet as Reserved for 2005 Appropriations, was included in the 2005 budget, as required by state statute, and covered by available funds.

During the 2004 fiscal year, the County had a net deficit of \$ 1,573 after considering net revenue from operations and changes in reserve balances. This deficit is identified on the governmental funds balance sheet as a Reserved for 2006 Appropriations, and will be added to the costs of the 2006 budget.

Request for Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2004
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 70,763	\$ 45,185	\$ 115,948	\$ 7,799
Cash and Investments -- Restricted	7,060	38,427	45,487	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	2,632	9,865	12,497	4,427
Property Taxes:				
Current Levy	226,721	-	226,721	-
Delinquent	8,337	-	8,337	-
Accrued Interest and Dividends	3,996	-	3,996	-
Notes	3,398	-	3,398	-
Other	12,297	2,509	14,806	-
Due From Other Governments	66,252	21,006	87,258	-
Inventories	2,063	2,110	4,173	871
Prepaid Items	2,214	302	2,516	303
Pension Obligations	400	-	400	-
Other Assets	-	156	156	1,400
Noncurrent Assets:				
Investments	-	-	-	1,425
Contributions Receivable	-	-	-	426
Notes Receivable	8,545	-	8,545	-
Pension Obligations	1,600	-	1,600	-
Deferred Charges	423	-	423	-
Capital Assets (Net)				
Land	60,269	20,759	81,028	170
Buildings and Improvements	774,178	440,908	1,215,086	20,874
Machinery, Vehicles and Equipment	119,622	174,550	294,172	7,717
Infrastructure	117,874	-	117,874	-
Construction in Progress	53,950	51,638	105,588	1,538
Less: Accumulated Depreciation	(485,962)	(342,333)	(828,295)	(4,818)
Total Capital Assets (Net)	639,931	345,522	985,453	25,481
Total Assets	\$ 1,056,632	\$ 465,082	\$ 1,521,714	\$ 42,132
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 39,031	\$ 8,161	\$ 47,192	\$ 2,916
Accrued Liabilities	39,458	5,652	45,110	1,266
Accrued Interest Payable	5,530	1,260	6,790	165
Accrued Pension Payable	25,258	-	25,258	-
Due to Other Governments	1,046	40	1,086	-
Unearned Revenues	228,205	8,796	237,001	916
Bonds and Notes Payable	30,058	11,185	41,243	-
Notes Payable	-	-	-	1,633
Unfunded Claims and Judgments	3,774	-	3,774	-
Landfill Postclosure Costs	2,320	-	2,320	-
Compensated Absences Payable	19,624	9,601	29,225	-
Other Current Liabilities	1	7,161	7,162	189
Total Current Liabilities	394,305	51,856	446,161	7,085
Noncurrent Liabilities:				
Bonds and Notes Payable	395,649	50,907	446,556	17,020
Bonds and Notes Payable -- Revenue Bonds	-	115,797	115,797	-
Unfunded Claims and Judgments	9,250	-	9,250	-
Landfill Postclosure Costs	9,380	-	9,380	-
Compensated Absences Payable	17,792	16,208	34,000	-
Capital Leases	-	-	-	114
Other Liabilities	-	7,582	7,582	-
Accrued Pension and Postretirement Benefits	-	-	-	2,525
Total Noncurrent Liabilities	432,071	190,494	622,565	19,659
Total Liabilities	826,376	242,350	1,068,726	26,744
NET ASSETS				
Unrestricted	(30,190)	3,268	(26,922)	1,729
Restricted for:				
Debt	8,130	9,505	17,635	-
Other	-	3,899	3,899	5,198
Invested in Capital Assets, Net of Related Debt	252,316	206,060	458,376	8,461
Total Net Assets	230,256	222,732	452,988	15,388
Total Liabilities and Net Assets	\$ 1,056,632	\$ 465,082	\$ 1,521,714	\$ 42,132

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

COUNTY OF MILWAUKEE
Statement of Activities
For The Year Ended December 31, 2004
(In Thousands)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities		Total
Functions / Programs								
Primary Government:								
Governmental Activities:								
Legislative, Executive and Staff	\$ (65,142)	\$ 10,397	\$ 18,749	\$ -	\$ (35,996)	\$ -	\$ (35,996)	\$ -
Courts and Judiciary	(54,715)	3,574	23,667	-	(27,474)	-	(27,474)	-
General Governmental Services	(8,992)	6,132	167	-	(2,693)	-	(2,693)	-
Public Safety	(136,896)	4,962	23,845	4,835	(103,254)	-	(103,254)	-
Public Works and Highways	(82,543)	29,469	21,399	33,652	1,977	-	1,977	-
Human Services	(345,251)	133,412	162,599	-	(49,240)	-	(49,240)	-
Parks, Recreation and Culture	(69,861)	23,742	1,480	1,215	(43,424)	-	(43,424)	-
Other	(9,086)	-	-	-	(9,086)	-	(9,086)	-
Interest	(17,502)	-	-	-	(17,502)	-	(17,502)	-
Total Governmental Activities	(789,988)	211,687	251,906	39,702	(286,693)	-	(286,693)	-
Business-Type Activities:								
Airport	(54,720)	52,146	1,158	-	-	(1,416)	(1,416)	-
Behavioral Health	(147,055)	58,494	54,780	-	-	(33,781)	(33,781)	-
Transit	(154,003)	45,592	77,108	-	-	(31,303)	(31,303)	-
Total Business-Type Activities	(355,778)	156,232	133,046	-	-	(66,500)	(66,500)	-
Total Primary Government	\$ (1,145,766)	\$ 367,919	\$ 384,952	\$ 39,702	(286,693)	(66,500)	(353,193)	-
Component Units:								
Museum	\$ (19,689)	\$ 12,311	\$ 5,192	\$ -	-	-	-	(2,186)
War Memorial Center	(7,064)	878	2,455	-	-	-	-	(3,731)
Private Industry Council	(20,729)	93	20,589	-	-	-	-	(47)
Research Park Corporation	(2,832)	832	-	-	-	-	-	(2,000)
Total Component Units	\$ (50,314)	\$ 14,114	\$ 28,236	\$ -	-	-	-	(7,964)
General Revenues:								
Property Taxes					220,612	-	220,612	-
Sales Taxes					60,498	-	60,498	-
Intergovernmental Revenues Not Related to Specific Program					40,472	-	40,472	-
Investment Income					4,444	794	5,238	2,837
Gain on Sale of Capital Assets					725	32	757	-
Other -- Revenue					26,654	-	26,654	4,350
Transfers					(74,739)	74,739	-	-
Total General Revenues and Transfers					278,666	75,565	354,231	7,187
Change in Net Assets					(8,027)	9,065	1,038	(777)
Net Assets -- Beginning					238,283	213,667	451,950	16,165
Net Assets -- Ending					\$ 230,256	\$ 222,732	\$ 452,988	\$ 15,388

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

COUNTY OF MILWAUKEE
Balance Sheet
Governmental Funds
December 31, 2004
(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 14,115	\$ 10,221	\$ 6,873	\$ 18,152	\$ 49,361
Cash and Investments -- Restricted	2,250	-	-	5,035	7,285
Receivables:					
Accounts (Net of Allowances for Doubtful Accounts)	2,109	-	2	-	2,111
Property Taxes:					
Current Levy	226,721	-	-	-	226,721
Delinquent	8,337	-	-	-	8,337
Accrued Interest	3,996	-	-	-	3,996
Notes Receivable	6,650	5,293	-	-	11,943
Other	12,287	-	9	1	12,297
Due From Other Governments	49,491	-	16,539	-	66,030
Inventories	1,191	-	-	-	1,191
Prepaid Items	2,073	-	-	31	2,104
Total Assets	<u>\$ 329,220</u>	<u>\$ 15,514</u>	<u>\$ 23,423</u>	<u>\$ 23,219</u>	<u>\$ 391,376</u>
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 24,258	\$ 1,399	\$ 11,121	\$ 15	\$ 36,793
Accrued Liabilities	28,277	692	-	-	28,969
Accrued Pension Payable	25,258	-	-	-	25,258
Other Liabilities	-	-	-	1	1
Due to Other Governments	1,046	-	-	-	1,046
Deferred Revenues	241,397	5,293	-	-	246,690
Total Liabilities	<u>320,236</u>	<u>7,384</u>	<u>11,121</u>	<u>16</u>	<u>338,757</u>
 Fund Balance:					
Reserved for 2005 Appropriations	(3,534)	-	-	-	(3,534)
Reserved for 2006 Appropriations	(1,573)	-	-	-	(1,573)
Reserved for Debt Service	-	8,130	-	-	8,130
Reserved for Encumbrances	9,208	-	12,302	-	21,510
Reserved for Inventories	1,191	-	-	-	1,191
Reserved for Other	-	-	-	23	23
Reserved for Zoo	-	-	-	559	559
Reserved for Parks	-	-	-	501	501
Reserved for Persons with Disabilities	-	-	-	101	101
Reserved for Behavioral Health Division	-	-	-	490	490
Reserved for Airport PFC	-	-	-	21,529	21,529
Unreserved -- Designated for Delinquent Property Tax	3,555	-	-	-	3,555
Unreserved -- Designated for Economic Development	137	-	-	-	137
Total Fund Balance	<u>8,984</u>	<u>8,130</u>	<u>12,302</u>	<u>23,203</u>	<u>52,619</u>
 Total Liabilities and Fund Balance	 <u>\$ 329,220</u>	 <u>\$ 15,514</u>	 <u>\$ 23,423</u>	 <u>\$ 23,219</u>	 <u>\$ 391,376</u>

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

COUNTY OF MILWAUKEE
 Reconciliation of the Balance Sheet
 of Governmental Funds
 to the Statement of Net Assets
 For the Year Ended December 31, 2004
 (In Thousands)

Total Fund Balances for Governmental Funds as of 12/31/04 \$ 52,619

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 consist of:

Land	58,663
Construction in Progress	40,656
Buildings and Improvements	653,439
Machinery, Vehicles and Equipment	48,519
Infrastructure	117,874
Less: Accumulated Depreciation	(344,760)

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:

25,608

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.

18,747

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	(382,657)
Unamortized Debt Issue Costs	423
Compensated Absences -- Long-Term	(31,239)
Landfill Postclosure Costs	(11,700)
Net Pension Cost Payable	2,000
Unfunded Claims and Judgments	(13,024)

Interest on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due. These liabilities are reported in the statement of net assets.

(4,912)

Total Net Assets of Governmental Activities as of 12/31/04

\$ 230,256

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, 2004
(In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental	\$ 276,179	\$ -	\$ 34,324	\$ -	\$ 310,503
Property Taxes	220,612	-	-	-	220,612
Sales Taxes	58,834	-	2,289	-	61,123
Investment Income and Rents	6,974	-	641	337	7,952
Charges for Services	180,925	-	-	666	181,591
Fines and Forfeits	3,129	-	-	-	3,129
Licenses and Permits	443	-	-	-	443
Other	26,133	7,234	1,684	9,439	44,490
Total Revenues	<u>773,229</u>	<u>7,234</u>	<u>38,938</u>	<u>10,442</u>	<u>829,843</u>
Expenditures:					
Current:					
Legislative, Executive and Staff	38,246	-	-	-	38,246
Courts and Judiciary	55,748	-	-	-	55,748
General Governmental Services	6,608	-	-	-	6,608
Public Safety	135,596	-	-	-	135,596
Public Works and Highways	16,553	-	-	-	16,553
Human Services	345,157	-	-	51	345,208
Parks, Recreation and Culture	61,640	-	-	845	62,485
Other	17,613	19,083	-	967	37,663
Capital Outlay	-	-	77,409	-	77,409
Debt Service:					
Principal Retirement	-	20,132	-	-	20,132
Interest	-	16,035	-	-	16,035
Total Expenditures	<u>677,161</u>	<u>55,250</u>	<u>77,409</u>	<u>1,863</u>	<u>811,683</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	<u>96,068</u>	<u>(48,016)</u>	<u>(38,471)</u>	<u>8,579</u>	<u>18,160</u>
Other Financing Sources (Uses):					
General Obligation Bonds Issued	-	-	26,950	-	26,950
Wisconsin State Trust Fund Bonds Issued	-	18,627	-	-	18,627
Transfers In	5,538	25,513	11,039	-	42,090
Transfers Out	(107,044)	-	(1,050)	(10,429)	(118,523)
Total Other Financing Sources (Uses)	<u>(101,506)</u>	<u>44,140</u>	<u>36,939</u>	<u>(10,429)</u>	<u>(30,856)</u>
Net Change in Fund Balances	(5,438)	(3,876)	(1,532)	(1,850)	(12,696)
Fund Balances - Beginning	14,422	12,006	13,834	25,053	65,315
Fund Balances - Ending	<u>\$ 8,984</u>	<u>\$ 8,130</u>	<u>\$ 12,302</u>	<u>\$ 23,203</u>	<u>\$ 52,619</u>

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

COUNTY OF MILWAUKEE
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance
 of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2004
 (In Thousands)

Net change in fund balances -- total governmental funds \$ (12,696)

**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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

6,012

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

506

Bond proceeds provide 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. This is the amount by which proceeds exceeded repayments.

(26,826)

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

1,150

Principal payments reduce notes receivable on the Statement of Net Assets but are reported as revenues in the funds.

(3,384)

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

231

Deferred Charges

94

Pension Obligations

20,627

Unfunded Claims and Judgments

(4,674)

Landfill Postclosure Costs

2,575

Compensated Absences

8,358

Change in net assets of governmental activities

\$ (8,027)

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, 2004
(In Thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Budget</u>	<u>Budget</u>		
Revenues:				
Intergovernmental	\$ 300,468	\$ 291,549	\$ 276,179	\$ (15,370)
Property Taxes	220,886	220,886	220,612	(274)
Sales Taxes	59,312	59,312	58,834	(478)
Investment Income and Rents	8,627	8,627	6,974	(1,653)
Charges for Services	182,329	185,285	180,925	(4,360)
Fines and Forfeits	3,264	3,264	3,129	(135)
Licenses and Permits	552	552	443	(109)
Other	27,867	29,632	26,133	(3,499)
Total Revenues	<u>803,305</u>	<u>799,107</u>	<u>773,229</u>	<u>(25,878)</u>
Expenditures:				
Current:				
Legislative, Executive and Staff	39,288	47,103	40,203	6,900
Courts and Judiciary	58,446	59,242	56,410	2,832
General Governmental Services	6,821	7,485	6,856	629
Public Safety	134,708	137,941	137,018	923
Public Works and Highways	16,388	17,905	16,685	1,220
Human Services	365,213	351,933	347,126	4,807
Parks, Recreation and Culture	56,382	60,736	55,990	4,746
Other	17,084	19,446	17,618	1,828
Total Expenditures	<u>694,330</u>	<u>701,791</u>	<u>677,906</u>	<u>23,885</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>108,975</u>	<u>97,316</u>	<u>95,323</u>	<u>(1,993)</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2004 Appropriations	4,009	4,009	4,009	-
Transfers In	-	-	5,538	5,538
Transfers Out	(106,931)	(102,882)	(107,044)	(4,162)
Transfers To Component Units	(6,316)	(6,359)	(6,359)	-
Total Other Financing Sources (Uses)	<u>(109,238)</u>	<u>(105,232)</u>	<u>(103,856)</u>	<u>1,376</u>
Net Change in Fund Balance	(263)	(7,916)	(8,533)	(617)
Fund Balances -- Beginning	14,422	14,422	14,422	-
Fund Balances -- Ending	<u>\$ 14,159</u>	<u>\$ 6,506</u>	<u>\$ 5,889</u>	<u>\$ (617)</u>

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

COUNTY OF MILWAUKEE
Balance Sheet
Proprietary Funds
December 31, 2004
(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	\$ 22,444	\$ 7,228	\$ 15,513	\$ 45,185	\$ 21,177
Cash and Investments -- Restricted	38,427	-	-	38,427	-
Receivables:					
Accounts (Net of Allowances for Uncollectible Accounts and Contractual Adjustments)	3,599	6,082	184	9,865	521
Other	-	-	2,509	2,509	-
Due From Other Governments	-	2,474	18,532	21,006	222
Inventories	-	415	1,695	2,110	872
Prepaid Items	-	-	302	302	110
Other Assets	-	-	156	156	-
Total Current Assets	64,470	16,199	38,891	119,560	22,902
Capital Assets:					
Land and Land Improvements	132,205	1,627	8,830	142,662	13,083
Building and Improvements	224,591	36,255	58,159	319,005	109,262
Furniture, Vehicles and Equipment	7,676	6,229	160,645	174,550	71,103
Construction in Progress	42,146	1,220	8,272	51,638	13,294
Total Capital Assets	406,618	45,331	235,906	687,855	206,742
Less Accumulated Depreciation	(196,621)	(35,005)	(110,707)	(342,333)	(141,202)
Net Capital Assets	209,997	10,326	125,199	345,522	65,540
Total Assets	\$ 274,467	\$ 26,525	\$ 164,090	\$ 465,082	\$ 88,442
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 676	\$ 4,361	\$ 3,124	\$ 8,161	\$ 2,238
Accrued Liabilities	2,008	6,286	8,219	16,513	14,189
Due To Other Governments	40	-	-	40	-
Deferred Revenues	6,810	442	1,544	8,796	262
Bonds Payable-Current Portion	10,063	218	904	11,185	5,447
Other Liabilities	20	309	6,832	7,161	-
Total Current Liabilities	19,617	11,616	20,623	51,856	22,136
Long-Term Liabilities:					
Bonds Payable -- Long-Term	22,694	4,599	23,614	50,907	37,603
Bonds Payable -- Revenue Bonds	115,797	-	-	115,797	-
Compensated Absences	1,271	4,232	10,705	16,208	3,095
Other Liabilities	-	-	7,582	7,582	-
Total Long-Term Liabilities	139,762	8,831	41,901	190,494	40,698
Total Liabilities	159,379	20,447	62,524	242,350	62,834
Net Assets					
Unrestricted	1,814	569	885	3,268	3,118
Restricted for:					
Debt	9,505	-	-	9,505	-
Other	3,899	-	-	3,899	-
Invested in Capital Assets, Net of Related Debt	99,870	5,509	100,681	206,060	22,490
Total Net Assets	115,088	6,078	101,566	222,732	25,608
Total Liabilities and Net Assets	\$ 274,467	\$ 26,525	\$ 164,090	\$ 465,082	\$ 88,442

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, 2004
(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	\$ -	\$ 47,176	\$ -	\$ 47,176	\$ -
Net Patient Service Revenues	-	47,176	-	47,176	-
Rentals and Other Service Fees	42,231	189	142	42,562	39,671
Admissions and Concessions	9,738	8	-	9,746	-
Transit Fares	-	-	41,798	41,798	-
Total Charges for Services	51,969	47,373	41,940	141,282	39,671
Other Revenues	4	11,121	3,683	14,808	396
Total Operating Revenues	51,973	58,494	45,623	156,090	40,067
Operating Expenses:					
Personnel Services	12,966	65,569	105,253	183,788	34,945
Contractual Services	10,668	8,837	22,588	42,093	11,490
Intra-County Services	9,125	2,863	754	12,742	2,570
Commodities	1,242	6,992	8,830	17,064	3,678
Depreciation and Amortization	13,115	759	12,882	26,756	9,001
Maintenance	256	(29)	873	1,100	933
Other	473	61,861	1,752	64,086	6,268
Total Operating Expenses	47,845	146,852	152,932	347,629	68,885
Operating Income (Loss)	4,128	(88,358)	(107,309)	(191,539)	(28,818)
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	1,158	54,780	77,108	133,046	497
Investment Income	794	-	-	794	-
Interest Expense	(6,702)	(203)	(1,071)	(7,976)	(2,025)
Total Nonoperating Revenues (Expenses)	(4,750)	54,577	76,037	125,864	(1,528)
Income (Loss) Before Contributions and Transfers	(822)	(33,781)	(31,272)	(65,675)	(30,346)
Capital Contributions	11,268	(456)	14,155	24,967	4,835
Transfers In	-	33,336	21,016	54,352	27,787
Transfers Out	(3,362)	-	(1,218)	(4,580)	(1,126)
Changes in Net Assets	7,284	(901)	2,681	9,064	1,150
Net Assets -- Beginning	107,804	6,979	98,885	213,668	24,458
Net Assets -- Ending	\$ 115,088	\$ 6,078	\$ 101,566	\$ 222,732	\$ 25,608

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, 2004
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 58,646	\$ 56,289	\$ 27,209	\$ 142,144	\$ 40,283
Payments to Suppliers	(12,496)	(77,452)	(23,475)	(113,423)	(22,040)
Payments to Employees	(13,030)	(66,861)	(110,338)	(190,229)	(35,289)
Payments for Interfund Services Used	(9,125)	(2,863)	(754)	(12,742)	(2,570)
Net Cash Provided (Used) by Operating Activities	<u>23,995</u>	<u>(90,887)</u>	<u>(107,358)</u>	<u>(174,250)</u>	<u>(19,616)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:					
Intergovernmental Revenues	1,158	54,780	77,108	133,046	497
Transfers From Other Funds	11,268	33,336	21,016	65,620	32,622
Transfers (To) Other Funds	(3,362)	-	(1,218)	(4,580)	(1,126)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>9,064</u>	<u>88,116</u>	<u>96,906</u>	<u>194,086</u>	<u>31,993</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:					
Principal Payment on Bonds	(8,726)	(223)	(871)	(9,820)	(4,922)
Interest Paid on Bonds	(6,601)	(193)	(1,024)	(7,818)	(2,038)
Proceeds from Bonds	37,228	137	1,703	39,068	3,514
Proceeds from Sale of Capital Assets	172	-	-	172	102
Acquisition of Capital Assets	(20,482)	(178)	(2,119)	(22,779)	(8,528)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>1,591</u>	<u>(457)</u>	<u>(2,311)</u>	<u>(1,177)</u>	<u>(11,872)</u>
Cash Flows Provided (Used) by Investing Activities:					
Investment Income	794	-	-	794	-
Net Cash Flows Provided (Used) by Investing Activities	<u>794</u>	<u>-</u>	<u>-</u>	<u>794</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,444	(3,228)	(12,763)	19,453	505
Cash and Cash Equivalents at Beginning of Year	25,427	10,456	28,276	64,159	20,672
Cash and Cash Equivalents at End of Year	<u>\$ 60,871</u>	<u>\$ 7,228</u>	<u>\$ 15,513</u>	<u>\$ 83,612</u>	<u>\$ 21,177</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss):	\$ 4,128	\$ (88,358)	\$ (107,309)	\$ (191,539)	\$ (28,818)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:					
Depreciation and Amortization	13,115	759	12,882	26,756	9,001
(Increase) Decrease in Assets:					
Accounts Receivable	6,240	(1,962)	(16,930)	(12,652)	170
Other Receivables	-	2	(1,075)	(1,073)	-
Inventories	-	277	911	1,188	8
Prepaid Items	-	-	54	54	17
Other Assets	-	-	(50)	(50)	-
Increase (Decrease) in Liabilities:					
Accounts Payable	143	774	999	1,916	337
Accrued Liabilities	27	(1,168)	649	(492)	467
Increase in Deferred Compensation Plan	-	-	(6,239)	(6,239)	-
Due To Other Governments	40	(1,020)	-	(980)	-
Deferred Revenues	467	(245)	(359)	(137)	13
Compensated Absences	(91)	(124)	505	290	(811)
Other Liabilities	(74)	178	8,604	8,708	-
Total Adjustments	<u>19,867</u>	<u>(2,529)</u>	<u>(49)</u>	<u>17,289</u>	<u>9,202</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 23,995</u>	<u>\$ (90,887)</u>	<u>\$ (107,358)</u>	<u>\$ (174,250)</u>	<u>\$ (19,616)</u>

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

COUNTY OF MILWAUKEE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004
(In Thousands)

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and Investments		
US Government Securities	\$ 26,518	\$ -
Notes and Bonds	535,302	-
Federal Agency and Mortgage	57,106	-
Real Estate Investments Trust	53,746	-
Common and Preferred Stocks	835,515	-
Venture Capital Investments	17,132	-
Deposits	7,814	39,270
Receivables:		
Pension Trust Fund Contribution	25,267	-
Accrued Interest and Dividends	6,484	-
Other	7,383	-
Securities Lending	<u>111,140</u>	<u>-</u>
Total Assets	<u>1,683,407</u>	<u>39,270</u>
<u>Liabilities</u>		
Accounts Payable	-	176
Agency Deposits	-	39,094
Securities Lending	111,140	-
Other Liabilities	22,155	-
Total Liabilities	<u>133,295</u>	<u>39,270</u>
<u>Net Assets</u>		
Held in Trust for Pension Benefits	<u>\$ 1,550,112</u>	<u>\$ -</u>

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

COUNTY OF MILWAUKEE
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended December 31, 2004
(In Thousands)

	<u>Total</u>
Additions:	
Contributions:	
County of Milwaukee	\$ 35,143
Plan Participants	711
	<u>35,854</u>
Investment Income	
Net Appreciation in Fair Value	146,747
Interest and Dividends	40,889
Other Income	707
Total Investment Income	<u>188,343</u>
Security Lending Income	
Less: Security Lending Rebates and Fees	1,621
Net Security Lending Activity	<u>(1,330)</u>
	291
Investment Expense	
Net Investment Income	<u>(4,112)</u>
	184,522
Total Additions	<u>220,376</u>
Deductions:	
Benefits Paid to Retirees and Beneficiaries	(161,369)
Administrative Expenses	(2,191)
Withdrawal of Membership Accounts	(154)
Total Deductions	<u>(163,714)</u>
Change In Plan Net Assets	56,662
Plan Net Assets Held In Trust for Pension Benefits	
Beginning of Year	<u>1,493,450</u>
End of Year	<u>\$ 1,550,112</u>

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, 2004
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
Assets					
Current Assets:					
Cash and Investments	\$ 5,350	\$ 366	\$ 535	\$ 1,548	\$ 7,799
Accounts Receivable	2,644	-	1,664	119	4,427
Inventories	871	-	-	-	871
Prepaid Items	275	-	16	12	303
Total Current Assets	<u>9,140</u>	<u>366</u>	<u>2,215</u>	<u>1,679</u>	<u>13,400</u>
Noncurrent Assets:					
Long Term Investments	1,183	-	-	242	1,425
Contributions Receivable	426	-	-	-	426
Capital Assets (Net of Accumulated Depreciation)	23,509	-	1,972	-	25,481
Other	784	-	165	451	1,400
Total Other Assets	<u>25,902</u>	<u>-</u>	<u>2,137</u>	<u>693</u>	<u>28,732</u>
Total Assets	<u>\$ 35,042</u>	<u>\$ 366</u>	<u>\$ 4,352</u>	<u>\$ 2,372</u>	<u>\$ 42,132</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 1,256	\$ -	\$ 1,468	\$ 192	\$ 2,916
Accrued Liabilities	678	-	582	6	1,266
Accrued Interest Payable	165	-	-	-	165
Deferred Revenues	904	-	12	-	916
Notes Payable	1,500	-	83	50	1,633
Other Liabilities	66	-	55	68	189
Total Current Liabilities	<u>4,569</u>	<u>-</u>	<u>2,200</u>	<u>316</u>	<u>7,085</u>
Noncurrent Liabilities:					
Capital Leases -- Long-term	114	-	-	-	114
Accrued Pension and Postretirement Benefits	2,525	-	-	-	2,525
Bonds and Financing Charges Payable	15,006	-	2,014	-	17,020
Total Noncurrent Liabilities	<u>17,645</u>	<u>-</u>	<u>2,014</u>	<u>-</u>	<u>19,659</u>
Total Liabilities	<u>22,214</u>	<u>-</u>	<u>4,214</u>	<u>316</u>	<u>26,744</u>
Net Assets					
Unrestricted	(546)	137	180	1,958	1,729
Restricted	4,871	229	-	98	5,198
Invested in Capital Assets, Net of Related Debt	8,503	-	(42)	-	8,461
Total Net Assets	<u>12,828</u>	<u>366</u>	<u>138</u>	<u>2,056</u>	<u>15,388</u>
Total Liabilities and Net Assets	<u>\$ 35,042</u>	<u>\$ 366</u>	<u>\$ 4,352</u>	<u>\$ 2,372</u>	<u>\$ 42,132</u>

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

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Component Units
For the Year Ended December 31, 2004
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
Revenues:					
Intergovernmental	\$ 1,107	\$ -	\$ 20,589	\$ -	\$ 21,696
Interest on Investments and Rents	723	2,075	-	39	2,837
County Program Support	4,085	2,455	-	-	6,540
Charges for Services:					
Contributions and memberships	5,115	878	93	832	6,918
Other	7,196	-	-	-	7,196
Other	-	1,675	3	2,672	4,350
Total Revenues	<u>18,226</u>	<u>7,083</u>	<u>20,685</u>	<u>3,543</u>	<u>49,537</u>
Expenses:					
Human Services	-	-	20,729	-	20,729
Public Works and Highways	-	-	-	895	895
Parks, Recreation and Culture	19,689	7,064	-	1,937	28,690
Total Expenses	<u>19,689</u>	<u>7,064</u>	<u>20,729</u>	<u>2,832</u>	<u>50,314</u>
Changes in Net Assets	(1,463)	19	(44)	711	(777)
Net Assets -- Beginning	14,291	347	182	1,345	16,165
Net Assets -- Ending	<u>\$ 12,828</u>	<u>\$ 366</u>	<u>\$ 138</u>	<u>\$ 2,056</u>	<u>\$ 15,388</u>

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

Milwaukee County
Notes to the Financial Statements
December 31, 2004
(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.

A. The Reporting Entity

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. As defined by Governmental Accounting Standards Board (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.

Note 1-Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

In 2004, Milwaukee County adopted Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units" which established additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units as defined in paragraph 9 of Statement 14.

Governmental Accounting Standards Board (GASB) Statement No. 39 provides clarification of the provisions to include organizations in the reporting entity. GASB Statement No. 39 states that "certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. 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. In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government".

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 the County government operations, as they either have governing bodies that are substantively the same as the Board or they provide their services exclusively or almost exclusively to the County government. Milwaukee County has no blended component units.

Discretely presented component units are legally separate entities, which do not meet the criteria for blending. The 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.

Note 1-Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Discretely Presented Component Units

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. Based on the criteria stated in paragraph number one and paragraph number three above, four entities within the County were determined to be discretely presented component units as the County is financially accountable for the organization and/or because of the nature and significance of the relationship between the County and the organization. These legally separate organizations have been included as component units within the financial statements of Milwaukee County because the County has the ability to appoint the voting majority of the organization's governing body, the organizations have the potential to impose specific financial burdens on the County, the economic resources received or held by the separate organization are entirely for the direct benefit of the County or its constituents, the County is entitled to or has the ability to access a majority of the economic resources held or received by the separate organization, and the economic resources received or held by the individual organization that the County is entitled to or has the ability to access are significant to the County. As required by generally accepted accounting principles (GAAP), the financial statements of the reporting entity include those of Milwaukee County, the primary government, and its four component units which are discretely presented.

The Milwaukee County War Memorial Center, Inc ("The Center") is a non-profit organization organized to operate and maintain the War Memorial Center, the Villa Terrace Art Museum, the Charles Allis Art Museum, 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 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 has a fiscal year ending August 31st. Financial information included for the Milwaukee Public Museum is from the August 31, 2003 audited financial statements. The 2004 financial statement audit for the Museum has not yet been completed.

Note 1-Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Discretely Presented Component Units (continued)

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 has a year ending December 31st.

The Private Industry Council of Milwaukee County Inc., A Workforce Development Board, (“The PIC”) ,is a workforce development board that is a public/private partnership between government and business that plans, administers, and coordinates employment and training programs for adults and youth in Milwaukee County. The County Executive appoints the thirty-two-member board of directors, which is comprised of representatives from various segments of business, education, labor, and community-based organizations. A majority of the board members must be from the private sector. The PIC has a fiscal year ending June 30th.

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

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

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

Related Organizations

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

Note 1-Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Related Organizations (continued)

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

B. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Note 1-Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

Government-Wide Financial Statements (continued)

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, charges for services, and interest 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 an eight-month availability period for these receivables of approximately \$ 6.8 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.

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.

Note 1-Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

The County has presented the following major proprietary funds:

The Airport 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 the mental health facility 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, where the principal may be expended in the course of their designated operations. The specific purpose of each fund is as follows:

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

Parks- Enhancement of the Todd Wehr Nature Center and 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.

Note 1-Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

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 the Transit System, Special Revenue, and Agency Funds, and certain reserves of the Airport Fund represents the equity in these pooled resources. Substantially all of the deposits and investments of the Transit System, Special Revenue, and Agency Funds are held separately from those of other County funds. The Airport Fund holds certain reserves under Revenue Bond restrictions separately. 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

Note 1-Summary of Significant Accounting Policies (continued)

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

1. Deposits and Investments (continued)

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

Property taxes are levied on or before December 31, the lien date, on the equalized value, which is computed from January 1, the assessment date, of all general property located in the County, excluding tax incremental financing districts to finance the subsequent fiscal year. 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

Note 1-Summary of Significant Accounting Policies (continued)

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

2. Receivables (continued)

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, and 2004 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 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 2004, the Airport had \$ 26,889 of 2004 revenue bond proceeds that was unspent and for purposes of this report are considered restricted.

Note 1-Summary of Significant Accounting Policies (continued)

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

4. Restricted Assets (continued)

In addition, the County restricted \$ 5.0 million of contributed assets for a \$ 16.2 million 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 \$ 5.0 million of cash provided by the company and the State of Wisconsin. These funds act as a debt reserve.

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 \$ 2.5 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 \$ 0.5. 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:

Note 1-Summary of Significant Accounting Policies (continued)

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

5. Capital Assets (continued)

Government-wide Statements (continued)

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

The County owns a collection of zoo animals and a collection of museum historical artifacts.

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

With regard to the collection of zoo animals and in accordance with industry practice, animal collections are recorded at the nominal amount of \$ 1 (one), 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.

Note 1-Summary of Significant Accounting Policies (continued)

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

5. Capital Assets (continued)

Fund Financial Statements

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

6. Compensated Absences

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

Generally, accumulated sick pay is forfeited upon termination other than retirement. When an employee retires, accumulated sick leave benefits vest. Most represented employees are entitled to full payment for accumulated sick pay upon retirement. Non-represented employees who retire are entitled to payment for accumulated sick leave up to a maximum of 400 hours plus 16 hours per 100 hours, or fraction thereof, of accrued sick leave in excess of the 400 hours, instead of full payment for all accumulated sick leave. Payments for sick pay benefits for retirement were approximately \$ 2,667 in 2003 and \$ 13,214 in 2004.

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 \$ 9,601 and \$ 19,624, 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

Note 1-Summary of Significant Accounting Policies (continued)

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

7. Long-term Obligations (continued)

discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

8. Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted cash 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.
- b. Restricted net assets- Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Note 1-Summary of Significant Accounting Policies (continued)

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

8. Equity Classifications (continued)

Fund Statements

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

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

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

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

9. Allowance for Doubtful Accounts

The County's Behavioral Health 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, 2004, this allowance was \$ 7,406. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at December 31, 2004. All allowances are netted against receivables for financial statement presentation.

Note 1-Summary of Significant Accounting Policies (continued)

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

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 2004, the amount of capitalized interest was \$ 614.

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 \$ 1,399 as of December 31, 2004 and is recorded in the Debt Service Fund.

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

Note 1-Summary of Significant Accounting Policies (continued)

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

14. Deferred Revenues (continued)

accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

15. Pension Obligations

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

16. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances of purchase orders, contracts and other commitments for the expenditure of funds are recorded as reservation of fund balance until expended. Encumbrances are not reflected as expenditures. Encumbrance appropriations are recorded as reservations of fund balance and are liquidated in subsequent years. Every appropriation lapses at December 31, to the extent that it has not been expended or encumbered. Expenditures are recorded and encumbrances are liquidated when the services or materials are received.

17. Claims and Judgments

Claims and judgments are recorded as liabilities when the conditions of Statement of Financial Accounting Standards No. 5 have been met. Claims and judgments are liquidated with expendable available financial resources and are recorded during the year as expenditures in the governmental funds. If they are not liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in 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 2004 appropriations and encumbrances. For budget purposes, fund balance-reserved for 2004 appropriations – is reflected as other financing sources whereas, for accounting purposes, it is reflected as part of fund balance. For budget purposes, encumbrances are recorded as expenditures as opposed to a reservation of fund balance.

The Board of Supervisors legally adopts annual budgets for the general, debt service, capital projects, enterprise and internal service funds. The legal level of budgetary control is by department. For budget purposes, the Debt Service and Capital Projects Funds are considered departments. Once the budget is adopted, transfers of appropriations among departments require approval by the board of supervisors and are permitted only during the last three months of the year. Supplemental appropriations for the purpose of public emergencies may be made from unanticipated revenues received or surplus earned, as defined by resolution adopted by a vote of two-thirds of the members of the board of supervisors. Supplemental appropriations from the issuance of tax anticipation notes require an affirmative vote of three-fourths of the members of the board of supervisors. During the 2004 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 2004 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

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

Budgetary Basis of Accounting (continued)

considered a reservation of fund balance and charged to expenditures in the period in which goods or services are received. Encumbrance amounts at year-end are reflected as a component of the Fund Balance titled "Fund Balance (Deficit) Reserved for Encumbrances". A reconciliation for the General Fund follows:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 677,161	\$ (101,506)
Encumbrances	7,104	-
Reserved for 2004 Appropriation	-	4,009
Transfers to Component Units	<u>(6,359)</u>	<u>(6,359)</u>
Non-GAAP Budgetary Basis	<u>\$ 677,906</u>	<u>\$ (103,856)</u>

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

County Tax Rate Limit

Section 59.605 of the Wisconsin Statutes imposes a limit on the property tax rate that the County can impose upon its citizens. 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 2004, the County's actual operating and debt service levy rates were \$ 4.02 per \$ 1,000 of equalized value and \$.73 per \$ 1,000 of equalized value, respectively.

Note 3- Deposits and Investments

Deposits

The carrying amount of the County's deposits at December 31, 2004 was \$ 60,742 and the bank balance was \$ 69,297. Of the bank balance, \$ 11,428 was covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund, \$ 14,476 was collateralized, and \$43,393 was uninsured and uncollateralized.

Investments

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Investments not evidenced by securities are not categorized. The categories for investments are:

Note 3- Deposits and Investments (continued)

Investments (continued)

- 1) Insured or registered securities, held by the custodian (the County's agent) in the County's name.
- 2) Uninsured and unregistered, with the securities held by the custodian (the County's agent), in the County's name
- 3) Uninsured and unregistered, with the securities held by the custodian (the County's agent), but not in the County's name.

The County's deposits have been categorized to give an indication of the level of custodial credit risk assumed. This risk categorization does not reflect market risk. The categories are:

- 1) Insured or collateralized with securities held by the County or by its agent in the County's name.
- 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
- 3) Uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the County's name.

<u>Investments</u>	<u>Category</u>			<u>Total</u>	<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
US Government Securities	\$ 26,518	\$ 83,813	\$ -	\$ 110,331	\$ 110,331
Notes and Bonds	535,302	1,034	-	536,336	536,336
Federal Agency & Mortgage	57,106	62,931	-	120,037	120,037
Real Estate Investments Trust	53,746	-	-	53,746	53,746
Common & Preferred Stocks	835,514	-	-	835,514	835,514
Total	1,508,186	147,778	-	1,655,964	1,655,964
<u>Deposits</u>					
Deposits	11,428	14,476	43,393	69,297	60,742
	<u>\$ 1,519,614</u>	<u>\$ 162,254</u>	<u>\$ 43,393</u>	<u>\$ 1,725,261</u>	<u>1,716,706</u>
<u>Uncategorized</u>					
Venture Capital Investment					17,132
Total Cash and Investments					<u>\$ 1,733,838</u>

Note 3- Deposits and Investments (continued)

Investments (continued)

Reconciliation of Cash and Investments:

Statement of Net Assets:

Cash and Investments	\$	117,973
Cash and Investments- Restricted		<u>43,462</u>
Subtotal		161,435

Statement of Fiduciary Net Assets:

Cash and Investments		
Pension Trust Fund		1,533,133
Agency Fund		<u>39,270</u>
Total	\$	<u>1,733,838</u>

Substantially all of the Pension Trust Fund investments of approximately \$ 1,533,133 are held in accounts at the Depository Trust Company, Wall Street Trust Company and the Federal Reserve Bank, for Boston Safe Deposit & Trust Company, as trustee and custodial agent for the Employees' Retirement System of the County of Milwaukee. Bank safekeeping agents in the County's name hold all general County investments.

The County applies GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools". GASB Statement No. 31 requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The Pension Trust Fund had a cash and investment fair value as of December 31, 2004 of \$1,533,133. It has been the County's policy to account for these investments at fair value and recognize the corresponding change in the fair value of the investments in the year in which the change occurred.

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Note 3- Deposits and Investments (continued)

Investments (continued)

Reconciliation of Pension Fund Cash and Investments

	<u>Total Fair Value</u>
Investments-Category 1	
Domestic and Preferred common stocks	\$ 582,860
Corporate Bonds	492,912
International Common and preferred stocks	252,654
Federal Agency and Mortgage-Backed Certificates	57,106
International Fixed Income	42,390
US Government Obligations	26,518
Real Estate Investments Trusts	<u>53,746</u>
Total	1,508,186
Investments- Not Categorized	
Venture-Capital	17,132
Deposits-Category 1	<u>7,815</u>
Total	<u>\$ 1,533,133</u>

The County investment portfolio, excluding the Pension Trust Fund, was \$ 200,705 ("investments for governmental services") as of December 31, 2004. In accordance with GASB Statement No. 31, the County has recorded these investments at fair value. It is the County's policy for these investments for governmental services to hold them to maturity. As a result, the County attempts to limit its exposure to the annual fluctuation in gains and losses in fair value by recording any fair value in excess of book value in the balance sheet as Fund Balance, Unreserved-Designated for Investments. For any year where the fair value is less than book value, this fund balance will be adjusted to zero, and any prior year reserve balance will become available fund balance. As of December 31, 2004, the fair value in excess of book value was zero.

During the year, the County invested in various overnight or short-term repurchase agreements. No losses were incurred on these investments. Statutes permit the County to enter into reverse repurchase agreements; that is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities' underlying reverse repurchase agreements normally exceeds the collateral received providing the dealers a margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The County did not have an investment in repurchase agreements at December 31, 2004.

Note 3- Deposits and Investments (continued)

Investments (continued)

The Pension Trust Fund participates in securities lending transactions. The Pension Trust Fund reports collateral received from securities lending transactions and the corresponding liability for the collateral in the Statement of Plan Net Assets. The interest income received on the collateral has been reported as security lending income. The costs of securities lending transactions have been reported separately as expenditures. See Note 15.

Note 4- Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 3,996	\$ -	\$ -	\$ -	\$ 3,996
Taxes:					
Current Levy	226,721	-	-	-	226,721
Delinquent	8,337	-	-	-	8,337
Accounts	2,109	-	2	521	2,632
Notes	6,650	5,293	-	-	11,943
Other	12,297	-	9	1	12,307
Due from Other Governments	49,491	-	16,539	222	66,252
Gross Receivables	<u>309,601</u>	<u>5,293</u>	<u>16,550</u>	<u>744</u>	<u>332,188</u>
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$309,601</u>	<u>\$ 5,293</u>	<u>\$ 16,550</u>	<u>\$ 744</u>	<u>\$332,188</u>

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Note 4- Receivables (continued)

At December 31, 2004 accounts receivable and the allowance for uncollectibles accounts of the Enterprise funds are as follows:

	<u>Airport</u>	Behavioral Health <u>Division</u>	<u>Transit System</u>	<u>Total</u>
Receivables:				
Accounts	\$ 3,599	\$ 13,488	\$ 184	\$ 17,271
Other	-	-	2,509	2,509
Due from Other Governments	-	2,474	18,532	21,006
Gross receivables	<u>3,599</u>	<u>15,962</u>	<u>21,225</u>	<u>40,786</u>
Less: allowance for uncollectibles	<u>-</u>	<u>(7,406)</u>	<u>-</u>	<u>(7,406)</u>
Net Total Receivables	<u>\$ 3,599</u>	<u>\$ 8,556</u>	<u>\$ 21,225</u>	<u>\$ 33,380</u>

The gross amount of notes receivable consisted of the following at December 31, 2004:

General Fund	\$ 6,650
Debt Service Fund	5,293
Total	<u>11,943</u>
Less: Allowance for Uncollectible Accounts	-
Net	<u>\$ 11,943</u>
 Amounts Due Within One Year	 <u>\$ 3,398</u>
 Amounts Due In More Than One Year	 <u>\$ 8,545</u>

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Note 4- Receivables (continued)

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 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 funds were as follows:

Deferred Revenue - Governmental Activities:

2004 Property Tax Levy	\$ 225,884
Other Deferred Credits:	
Public Works Services	169
Information Management Systems	28
Risk Management	65
Other Deferred Revenue	<u>2,059</u>
Total	<u><u>\$ 228,205</u></u>

Deferred Revenue - Business-Type Activities:

Airport	\$ 6,810
Other Deferred Credits:	
Behavioral Health	442
Transit	<u>1,544</u>
Total	<u><u>\$ 8,796</u></u>

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Note 5- Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2004.

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 60,269	\$ -	\$ -	\$ 60,269
Construction in progress	38,063	24,950	(9,063)	53,950
Total Capital Assets, not being Depreciated	98,332	24,950	(9,063)	114,219
Capital Assets, Being Depreciated				
Land Improvements	196,241	923	-	197,164
Buildings	539,548	10,345	-	549,893
Fixed Equipment Buildings	23,255	3,866	-	27,121
Infrastructure	108,764	9,873	(763)	117,874
Machinery and Equipment	78,475	1,563	(62)	79,976
Vehicles and related Equipment	37,213	2,579	(2,028)	37,764
Furniture and Fixtures	1,038	16	-	1,054
Capital Lease Equipment	828	-	-	828
Total Capital Assets, Being Depreciated	985,362	29,165	(2,853)	1,011,674
Less: Accumulated Depreciation				
Land Improvements	(96,374)	(6,908)	-	(103,282)
Buildings	(232,516)	(18,938)	-	(251,454)
Fixed Equipment Buildings	(11,495)	(3,535)	-	(15,030)
Infrastructure	(39,869)	(5,919)	763	(45,025)
Machinery and Equipment	(39,821)	(6,137)	-	(45,958)
Vehicles and related Equipment	(22,612)	(2,843)	1,928	(23,527)
Furniture and Fixtures	(818)	(40)	-	(858)
Capital Lease Equipment	(828)	-	-	(828)
Total Accumulated Depreciation	(444,333)	(44,320)	2,691	(485,962)
Net Capital Assets Being Depreciated	541,029	(15,155)	(162)	525,712
Governmental Activities Capital Assets- Net	\$ 639,361	\$ 9,795	\$ (9,225)	\$ 639,931

Governmental activities capital assets, net of accumulated depreciation, at December 31, 2004 are comprised of the following:

General Capital Assets, Net	\$574,391
Internal Service Fund Capital Assets, Net	65,540
Total	\$639,931

Note 5- Capital Assets (continued)

Primary Government (continued)

Depreciation was charged to governmental functions as follows:

Legislative and Executive, and Staff	\$	3,175
Courts and Judiciary		61
General Governmental Services		2,445
Public Safety		6,159
Public Works and Highways		11,849
Human Services		2,631
Parks, Recreation, and Culture		11,841
Total	\$	<u>38,161</u>

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2004.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets, not being Depreciated				
Land	\$ 20,759	\$ -	\$ -	\$ 20,759
Construction in progress	24,867	37,235	(10,464)	51,638
Total Capital Assets, not being Depreciated	<u>45,626</u>	<u>37,235</u>	<u>(10,464)</u>	<u>72,397</u>
Capital Assets, Being Depreciated				
Land Improvements	122,297	-	(394)	121,903
Buildings	228,519	892	(4,703)	224,708
Fixed Equipment Buildings	96,510	397	(2,610)	94,297
Machinery and Equipment	14,295	1,509	(1,329)	14,475
Vehicles and related Equipment	147,923	8,713	-	156,636
Furniture and Fixtures	3,439	-	-	3,439
Total Capital Assets, Being Depreciated	<u>612,983</u>	<u>11,511-</u>	<u>(9,036)</u>	<u>615,458</u>
Less: Accumulated Depreciation				
Land Improvements	(73,214)	(4,075)	410	(76,879)
Buildings	(153,359)	(7,072)	3,409	(157,022)
Fixed Equipment Buildings	(16,785)	(3,838)	2,303	(18,320)
Machinery and Equipment	(9,594)	(683)	104	(10,173)
Vehicles and related Equipment	(67,517)	(11,004)	-	(78,521)
Furniture and Fixtures	(1,334)	(84)	-	(1,418)
Total Accumulated Depreciation	<u>(321,803)</u>	<u>(26,756)</u>	<u>6,226</u>	<u>(342,333)</u>
Net Capital Assets Being Depreciated	<u>291,180</u>	<u>(15,244)</u>	<u>(2,810)</u>	<u>273,126</u>
Business-type Activities Capital Assets- Net	\$ <u>336,806</u>	\$ <u>21,990</u>	\$ <u>(13,274)</u>	\$ <u>345,522</u>

Note 5- Capital Assets (continued)

Primary Government (continued)

Depreciation was charged to business-type activities as follows:

Airport	\$ 13,115
Behavioral Health	759
Transit System	<u>12,882</u>
Total	\$ <u>26,756</u>

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 represent assets that were reported in the August 31, 2003 audited financial statements. The 2004 financial statement audit for the Milwaukee Public Museum has not yet been completed.

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

Capital Assets:

Construction in progress	1,538
Building additions and improvements	19,072
Furniture, equipment and exhibits improvements	7,631
Living Collections	86
Less: Accumulated depreciation	<u>(4,818)</u>
Capital Assets, Net	\$ <u>23,509</u>

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

Capital Assets:

Land	\$ 170
Building	1,730
Leasehold Improvements	72
Less: Accumulated Depreciation	<u>-</u>
Capital Assets, Net	\$ <u>1,972</u>

Note 5- Capital Assets (continued)

Construction Commitments

Following is a list of major capital projects either started or continuing in 2004. These reflect projects for both governmental funds and proprietary funds.

<u>Project Area</u>	<u>Project Description</u>	<u>2004 Appropriations</u>	<u>2004 Expenditures</u>	<u>2004 Committed</u>
Airport	GMIA, 1L-19R CENTERLINE & TOUC	\$ -	\$ 54	\$ -
Airport	GMIA RE-LIGHT RUNWAY 7R/25L	-	63	-
Airport	GMIA ELEVATOR CONTROLS UPGRADE	-	75	-
Airport	GMIA, LAND ACQUISITION	-	87	-
Airport	GMIA - SURFACE MOVEMENT CONTRO	-	89	-
Airport	LJT AUTO WEATHER OBSERVING SYS	-	112	-
Airport	GMIA - NEW FLIGHT INFORMATION	-	145	-
Airport	POST OFFICE/CORPORATE HANGR RD	-	148	-
Airport	GMIA, PARK.-LOT 6TH AND GRANGE	-	100	62
Airport	FIREHOUSE GARAGE ADDITION	430	163	22
Airport	RELIGHT FRONT TICKET DRIVE	-	195	36
Airport	GMIA, DRAINAGE MASTER PLAN	-	143	110
Airport	GMIA, SCHOOL/CHURCH SOUND INSU	-	169	114
Airport	GMIA, ACQUIRE VACANT RES. LAND	-	-	312
Airport	E CONCOURSE STEM REMODELING	411	72	292
Airport	GMIA C CONCOURSE HYDRANT FUEL	-	92	308
Airport	GMIA 1R/19L & 13/31 RUNWAY REP	-	639	-
Airport	GMIA, NEW PARKING FACILITIES	-	584	65
Airport	GMIA C CONCOURSE GATE TAXIWAY	-	387	283
Airport	LJT PAVEMENT REHABILITATION	-	628	57
Airport	GMIA - ENHANCED SECURITY POST	-	313	393
Airport	GMIA - TERMINAL APRON JOINT RE	736	358	445
Airport	GMIA - MASTER PLAN UPDATE	-	231	587
Airport	GMIA - CONCESSIONS MALL RENOVA	294	966	-
Airport	GMIA - SECURITY SYSTEM UPGRADE	255	1,023	56
Airport	GMIA PART 150 NOISE STUDY	-	230	880
Airport	ELECTRICAL SYSTEM UPGRADE	2,500	547	888
Airport	GMIA RECONSTRUC OF TAXIWAY B & C	-	1,824	333
Airport	D CONCOURSE IMPROVEMENTS	500	3,346	543
Airport	AIRPORT OPERATING TRANSFER	-	4,175	-
Airport	GMIA, PHASE I MITIGATION PROG	16,972	12,857	5,923
Airport	CONCOURSE FOUR GATE EXPANS	8,232	6,564	16,486
Genl Govt	STORMWATER PERMITTING - COUNTY	-	57	-
Genl Govt	ENVIRONMENTAL OPERATING TRANSF	-	160	-
Genl Govt	WINNEBAGO SEALMAN BLOCK REMED	-	300	-
Genl Govt	PLANK ROAD SCHOOL COMPLEX-DEMO	250	62	-

Note 5- Capital Assets (continued)

Construction Commitments (continued)

<u>Project Area</u>	<u>Project Description</u>	<u>2004 Appropriations</u>	<u>2004 Expenditures</u>	<u>2004 Committed</u>
Genl Govt	COUNTY GROUNDS ROAD RECONSTRUC	\$ 1,156	\$ 1,227	\$ 215
Genl Govt	CJF CENTRAL INTAKE WATERPROOFI	100	70	9
Genl Govt	CRIMINAL JUSTICE FACILITY INFR	-	169	-
Genl Govt	CJF VIDEO VISITATION	600	419	73
Genl Govt	COURTHOUSE ROOF REPLACEMENT	2,368	1,536	1,312
Highways	TRANSPORATION DIVI PROJ MGMT	100	59	-
Highways	WEST RAWSON AVENUE	660	80	-
Highways	BRIDGE REHABILITATION	457	36	90
Highways	RECONSTRUCT CTH & SOUTH 13TH	155	260	17
Highways	2002 BRIDGE REPLACEMENT	481	201	202
Highways	TRAFFIC HAZARD ELIMINATION	130	401	22
Highways	BRIDGE REPLACEMENT PROGRAM	1,240	1,662	58
Highways	MAJOR REHABILITATION - CTH	455	1,801	302
Highways	BRIDGE REHABILITATION PROGRAM	3,916	2,466	44
Highways	COUNTY HIGHWAY ACTION PROGRAM	2,560	2,829	87
Highways	HIGHWAYS OPERATING TRANSFER	-	4,210	-
Hum Svc	PSYCHIATRIC HOSP SAFETY IMPRVM	100	56	29
Hum Svc	PSYCHIATRIC FIRE ALARM SYSTEM	137	46	51
Hum Svc	SENIOR CNTR INFRASTR IMPROVE	360	207	25
Hum Svc	DHS OPERATING TRANSFER	-	869	-
Hum Svc	VLIET EXTERIOR IMPROVEMENT	3,287	3,365	601
Jail/HOC	UPGARDE FIRE ALARMS	200	49	7
Jail/HOC	HOC STAIRWELL CAMERAS	70	151	-
Jail/HOC	ACC HVAC REPLACEMENT	(17)	229	-
Jail/HOC	INFRASTRUCTURE HOC	217	205	61
Jail/HOC	INDUSTRIES BUILDING HOC	70	330	-
Parks	OAK LEAF BIKE TRAIL ST. FRANCI	1,662	56	-
Parks	PARKWAY DRIVE RECONSTRUCTION P	-	63	-
Parks	WASHINGTON PARK REDEVELOPMENT	-	72	-
Parks	BENDER PARK - WATERFRONT PARK	-	89	-
Parks	51 STREET ST. PEDESTRIAN BRIDGE	101	20	84
Parks	PARKS EQUIPMENT	-	115	-
Parks	LAKE PARK LIGHTHOUSE RENOVATE	-	85	77
Parks	SAILING CENTER RAMP	84	174	-
Parks	BRADY STREET BRIDGE RAMP	90	206	17
Parks	PARK SITE 71 PLANNING	150	301	-
Parks	BIKE TRAIL DEVELOPMENT	-	261	93
Parks	COUNTY-WIDE PLAY AREA REDEVELO	284	408	18
Parks	PARKS INFRASTRUCTURE IMPROV	(37)	363	103

Note 5- Capital Assets (continued)

Construction Commitments (continued)

<u>Project Area</u>	<u>Project Description</u>	<u>2004 Appropriations</u>	<u>2004 Expenditures</u>	<u>2004 Committed</u>
Parks	PARKS OPERATING TRANSFER	\$ -	\$ 499	\$ -
Parks	O'DONNELL PARK MAINTENANCE	400	492	60
Parks	PARKS INFRASTRUCTURE IMPROVE	1,397	538	498
Parks	COUNTYWIDE TRAIL & HARD SURFAC	250	984	256
Parks	MITCHELL DOMES REDEVELOPMNT	1,566	1,656	135
Parks	SOUTH SHORE BREAKWATER	820	210	1,863
Transit	COMPUTER UPGRADE	70	61	9
Transit	TRANSIT OPERATING TRANSFER	-	189	-
Transit	FIEBRANTZ COMPLX RENOVATION	(190)	456	14
Transit	BUS HOISTS	-	1,031	4
Transit	SCHEDULE/RUNCUTTING/OPERATORS	-	601	1,144
Transit	BUS REPLACEMENT - ORIONS	8,430	8,257	-
Zoo	ANIMAL HEALTH CENTER	81	111	18
Zoo	ZOO INFRASTRUCTURE IMPROVEMENT	31	324	81
Zoo	ZOO INFRASTRUCTURE IMPROVEMENT	1,631	678	42
Zoo	FELINE BLDG RENOVATION	4,391	2,777	1,735

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

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Note 6- Interfund Transfers

The composition of interfund transfers as of December 31, 2004 is as follows:

	Transfers From						Total
	General Fund	Non-Major Governmental Funds	Capital Projects Fund	Business Type Airport	Business Type Transit	Internal Service Fund	
General Fund	\$ -	\$ -	\$ 1,050	\$ 3,362	\$ 1,218	\$ 1,126	\$ 6,756
Debt Service	25,513	-	-	-	-	-	25,513
Capital Projects	610	10,429	-	-	-	-	11,039
Internal Service							
IMSD	14,941	-	-	-	-	-	14,941
Risk	-	-	-	-	-	-	-
DPW	12,846	-	-	-	-	-	12,846
Business-type							
Airport	-	-	-	-	-	-	-
BHD	33,336	-	-	-	-	-	33,336
Transit	21,016	-	-	-	-	-	21,016
Total	\$ 108,262	\$ 10,429	\$ 1,050	\$ 3,362	\$ 1,218	\$ 1,126	125,447
Add: Transfers of Capital Assets from Governmental to Business-type Activities							24,967
Less: Government-wide eliminations							(75,675)
Total Transfers- Government-wide Statement of Activities							\$ 74,739

No fund may have a reserve except for the Airport 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 \$ 5,281 for the year ended December 31, 2004. The future minimum lease payments for these leases are as follows:

Year Ending	Amount
<u>December 31</u>	
2005	\$ 4,895
2006	1,069
2007	911
2008	878
2009	623
	\$ 8,326

Note 8- Long-term Debt

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, 2004, \$ 286,041 of bonds outstanding is considered defeased.

Governmental Activities

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

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

Bond Issue	Governmental Activities General Obligation Debt					
	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/04	Interest to Maturity
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 56,493	\$ 7,925	\$ 12,640
General Obligation Building Bonds, Series 1997A	09/01/97	10/01/13	4.91%	2,500	1,645	430
General Obligation Corporate Purpose Bonds, Series 1997A	05/01/97	10/01/12	5.34%	41,735	8,486	3,119
General Obligation Corporate Purpose Bonds, Series 1998A	05/01/98	10/01/13	4.77%	39,823	12,723	4,453
General Obligation Museum Refunding Bonds, Series 1999A	05/27/99	10/01/13	4.67%	2,290	1,495	371
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	31,030	24,006	4,492
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	45,622	21,601	8,258
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	44,860	27,577	10,702

Note 8- Long-term Debt (continued)

Governmental Activities (continued)

Governmental Activities General Obligation Debt						
Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/04	Interest to Maturity
Refunding Bonds (Taxable), Series 2001A	06/01/01	12/01/11	6.06%	\$ 2,610	\$ 1,750	\$ 428
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	45,376	44,356	6,768
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	37,830	22,477	8,341
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	55,841	41,870	7,218
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	36,926	24,236	9,891
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	92,151	92,151	29,572
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	32,848	26,051	1,460
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	23,237	21,607	8,073
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	25,095	25,095	8,703
Wisconsin Trust Loan	05/19/04	03/15/09	6.00%	18,627	18,627	3,261
Total Governmental Activities -- General Obligation Debt					\$ 423,678	\$ 128,180
Discount					(941)	
Loss					(7,059)	
Accretion					6,967	
Premium					3,062	
Total Governmental Activities -- General Obligation Debt, Net					\$ 425,707	
Short-Term					\$ 30,058	
Long-Term					395,649	
Total Debt per Statement of Net Assets -- Governmental Activities					\$ 425,707	

The ratio of the aggregate indebtedness of all taxing authorities located within the County to equalized value of the taxable property was approximately 4.76% including .96% related to direct County indebtedness at December 31, 2004. Wisconsin Statutes limit the County's direct general obligation borrowing to an

Note 8- Long-term Debt (continued)

Governmental Activities (continued)

amount equivalent to 5% of the equalized valuation of taxable property. At December 31, 2004 under Wisconsin Statutes, the County could borrow an additional \$ 2,068,767.

At December 31, 2004, the weighted average interest rate of general obligation bonds and notes outstanding was 3.13%. The maturities of the outstanding principal and related interest requirements are as follows:

<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2005	\$ 30,058	\$ 17,946	\$ 48,004
2006	33,562	16,539	50,101
2007	33,022	15,225	48,247
2008	40,339	13,912	54,251
2009	41,775	16,083	57,858
2010-2014	195,610	43,751	239,361
2015-2019	<u>49,312</u>	<u>4,724</u>	<u>54,036</u>
	423,678	<u>\$128,180</u>	<u>\$ 551,858</u>
Premium	3,062		
Accretion	6,967		
Discount	(941)		
Loss	<u>(7,059)</u>		
	<u>\$425,707</u>		

On February 1 2004, the County issued \$ 26,950 of General Obligation Corporate Purpose Bonds, Series 2004A. Total proceeds of \$ 27,032 (par amount of bond issue of \$ 26,950, plus a net premium of \$ 36, plus accrued interest of \$ 46) were used to purchase direct obligations of the United States of America or held in cash. The proceeds will be used to finance capital projects for general County purposes pursuant to the County's 2004 Adopted Capital Improvement budget. The bonds of \$25,095 and \$ 1,855 were recorded in Governmental Activities and the Business-type activities columns on the Statement of Net Assets, respectively. Major expenditure categories include:

Note 8- Long-term Debt (continued)

Governmental Activities (continued)

Highways and Bridges	\$ 1,375
Mass Transit	1,703
Park, Recreational and Cultural Facilities	11,431
Health and Human Services Projects	5,560
General Government Projects	<u>6,881</u>
Total	<u><u>\$ 26,950</u></u>

These bonds have semi-annual interest payments on February 1 and August 1 through 2019. The interest rate is 2.0% for 2005 and 2006, 2.5% for 2007 and 2008, 2.75% for 2009, 3.0% for 2010, 3.25% for 2011, 3.50% for 2012, 3.625% for 2013, 4.0% for 2014 through 2018, and 4.125% for 2019.

On May 19, 2004, the County finalized a loan with the State of Wisconsin Board of Commissioners of Public Lands Trust Funds for \$ 18,627. The proceeds will be used to make additional pension payments to cover prior year variances between actual pension contributions made and the annual required pension contribution. The loan was recorded in Governmental Activities on the Statement of Net Assets. The loan is payable in level annual principal and interest payments over five years with a final payment due in 2009.

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 12/31/04	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	3,250	1,027
General Obligation Airport Bonds, Series 1996A	06/15/96	12/01/15	5.80%	7,100	4,125	1,453

Note 8- Long-term Debt (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 12/31/04	Interest to Maturity	
General Obligation Refunding Airport Bonds, Series 1996A	07/01/96	10/01/08	5.41%	\$ 23,520	\$ 6,525	\$ 852	
General Obligation Refunding Airport Bonds, Series 1997A	09/01/97	10/01/09	4.72%	14,760	4,385	476	
General Obligation Corporate Purpose Bonds, Series 1997A	05/01/97	10/01/12	5.34%	2,140	439	161	
General Obligation Corporate Purpose Bonds, Series 1998A	05/01/98	10/01/13	4.77%	878	277	97	
General Obligation Airport Bonds, Series 1999A	05/01/99	10/01/14	4.60%	6,825	4,550	1,157	
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	1,695	1,234	231	
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	4,803	2,774	1,060	
General Airport Revenue Bonds, Series 2000A	06/01/00	12/01/25	5.80%	83,565	77,145	49,544	
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	2,365	1,423	598	
Airport Refunding Bonds, Series 2001A	10/01/01	12/01/11	4.47%	1,450	1,015	175	
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	4,549	4,344	663	
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	3,495	2,023	809	
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	7,109	5,330	919	
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	4,299	2,764	1,199	
General Airport Revenue Bonds, Series 2003A	01/01/03	12/01/22	4.88%	7,125	6,750	3,180	
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	8,111	7,874	2,527	
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	702	519	29	
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	2,713	2,618	1,103	

Note 8- Long-term Debt (continued)

Business-type Activities (continued)

Business-type Activities General Obligation and Revenue Bond Debt

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebtedness	Principal Outstanding 12/31/04	Interest to Maturity
General Airport Revenue Bonds, Series 2004A	03/31/04	12/01/29	4.47%	\$ 37,360	\$ 37,360	\$ 26,157
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	1,855	1,855	686
Total Business-Type Debt					\$ 178,737	\$ 94,356
Discount					(668)	
Loss					(673)	
Accretion					139	
Premium					354	
Total Business-Type Debt, Net					\$ 177,889	
Short-Term					\$ 11,185	
Long-Term General Obligation Debt					50,907	
Long-Term Airport Revenue Bonds					115,797	
Total Debt Per Statement of Net Assets-Business-type Activities					\$ 177,889	

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

December 31	Principal	Interest	Total Debt Service Requirements
2005	\$ 11,185	\$ 9,124	\$ 20,309
2006	11,231	8,580	19,811
2007	11,199	8,043	19,242
2008	11,009	7,502	18,511
2009	9,942	7,036	16,978
2010-2014	48,520	27,781	76,301
2015-2019	32,436	16,393	48,829
2020-2024	28,395	8,137	36,532
2025-2029	14,820	1,760	16,580
	178,737	\$ 94,356	\$ 273,093
Premium	354		
Accretion	139		
Discount	(668)		
Loss	(673)		
	<u>\$177,889</u>		

Note 8- Long-term Debt (continued)

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 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.

Note 8- Long-term Debt (continued)

Debt Issued on Behalf of Other Entities/ Conduit Debt

The County has approved the issuance of variable rate demand revenue bonds (VRDRB) for the benefit of private non-profit corporations. VRDRB's are secured by letter of credit agreements from outside banks and do not constitute indebtedness of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of VRDRB's outstanding at the end of the year is approximately \$ 21,660 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 \$ 16,200 of loans for a local corporation. The loans are secured by mortgages and a cash trust of \$ 5.0 on certain buildings.

In 2004, the County provided a guarantee of \$ 1.0 of the \$ 3.2 million 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 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 bonds to pay for the infrastructure costs associated with the Research Park.

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Note 8- Long-term Debt (continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Amortized		Payments & Adjustments	Ending Balance	Due in One Year
			Amortized Accretion	Loss, Discount Premium			
Governmental Activities:							
General Obligation Bonds	\$ 405,168	\$ 44,365	\$ 788	\$ 440	\$ (25,054)	\$ 425,707	\$ 30,058
Pension Obligations	18,627	-	-	-	(18,627)	-	-
Unfunded Claims and Judgments	8,350	8,274	-	-	(3,600)	13,024	3,774
Landfill Post-closure costs	14,275	-	-	-	(2,575)	11,700	2,320
Compensated Absences	46,953	20,973	-	-	(30,510)	37,416	19,624
Totals	\$ 493,373	\$ 73,612	\$ 788	\$ 440	\$ (80,367)	\$ 487,847	\$ 55,776

	Beginning Balance	Additions	Amortized		Payments & Adjustments	Ending Balance	Due in One Year
			Amortized Accretion	Loss, Discount Premium			
Business-type Activities:							
General Obligation Bonds	\$ 62,276	\$ 1,840	\$ 16	\$ 87	\$ (7,067)	\$ 57,152	\$ 6,245
Revenue Bonds	87,042	37,228	-	52	(3,585)	120,737	4,940
Compensated Absences	26,453	9,800	-	-	(10,444)	25,809	9,601
Other Liabilities	8,143	1,631	-	-	(288)	9,486	1,904
Totals	\$ 183,914	\$ 50,499	\$ 16	\$ 139	\$ (21,384)	\$ 213,184	\$ 22,690

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 \$ 43,050 of internal service funds long-term debt 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 and other claims. At December 31, 2004 the outstanding amount of claims and judgments due within one year totaled \$ 3,774.

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 \$11,700 has been identified for maintenance and monitoring functions in

Note 8- Long-term Debt (continued)

Changes in Long-term Liabilities

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.

Compensated Absences consist of the following:

Governmental Activities:	Beginning <u>Balance</u>	<u>Additions</u>	Payments & <u>Adjustments</u>	Ending <u>Balance</u>	Due in <u>One Year</u>
Retirement sick pay payout	\$ 29,251	\$ 3,191	\$ (11,646)	\$ 20,796	\$ 3,004
Vacation time earned	15,217	14,757	(16,282)	13,692	13,692
Overtime earned	1,235	1,251	(1,264)	1,222	1,222
Holiday pay	1,250	1,774	(1,318)	1,706	1,706
Totals	\$ 46,953	\$ 20,973	\$ (30,510)	\$ 37,416	\$ 19,624

Business-type Activities:	Beginning <u>Balance</u>	<u>Additions</u>	Payments & <u>Adjustments</u>	Ending <u>Balance</u>	Due in <u>One Year</u>
Retirement sick pay payout	\$ 17,538	\$ 393	\$ (1,006)	\$ 16,925	\$ 717
Vacation time earned	8,445	8,635	(8,817)	8,263	8,263
Overtime earned	316	594	(455)	455	455
Holiday pay	154	178	(166)	166	166
Totals	\$ 26,453	\$ 9,800	\$ (10,444)	\$ 25,809	\$ 9,601

Note 9- Net Assets

Governmental Activities

Restricted net assets consist of the following:

Net Assets- Reserved for Debt Service Fund \$ 8,130

Note 9- Net Assets (continued)

Business-type Activities

Restricted net assets consist of the following:

Net Assets- Reserved for Revenue Bonds	\$	9,505
Net Assets- Reserved for Capital Asset Needs in the Airport Fund		3,899
Total	\$	<u>13,404</u>

Discretely Presented Component Units

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

Special Projects-War Memorial	\$	229
Research Development Fund-Research Park		98
Total	\$	<u>327</u>

Restricted net assets for the Milwaukee Public Museum consist of amounts from the August 31, 2003 audited financial statements:

Temporarily Restricted

Exhibits and Museum Renovations	\$	2,568
Educational Lecture Costs		96
Purchase and Maintenance of Collections		427
Rayniak Funds for Purchase of Decorative Glass		290
Exhibit Maintenance and Construction		23
Support of Specific Museum Departments		22
Staff Travel to Seminars, Staff Fieldwork		6
Internship Programs		257
Total Temporarily Restricted Assets	\$	<u>3,689</u>

Permanently Restricted

Any Activities	\$	836
Special Exhibits		275
Starr Adventure and internship		71
Total Permanently Restricted Assets	\$	<u>1,182</u>

Note 10- Risk Management

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

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a claims reserve. In accordance with Governmental Accounting Standards Board Statement No 10, a liability for claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claims liability at December 31, 2004 was \$ 9,503.

The County has recognized \$ 9,503 of claims liabilities in the Risk Management Fund. The Risk Management Fund has \$ 9,503 of cash to pay for this liability. Changes in the balances of claim liabilities during the past two years are as follows:

	Year ended 12/31/2004	Year ended 12/31/2003
Beginning of year Liability	\$ 8,897	\$ 8,138
Current Year Claims and Changes in Estimates	5,149	4,781
Claims Payments	<u>(4,543)</u>	<u>(4,022)</u>
End of Year Liability	<u>\$ 9,503</u>	<u>\$ 8,897</u>

Note 11- Related Party Transactions

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

Note 11- Related Party Transactions (continued)

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. The current period extends through December 2004. MPM, Inc. is responsible for all real estate taxes (if any), utilities, insurance, normal repair and maintenance expenses. 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. would be required to renegotiate a new base level funding agreement. Since the agreement was not established, the County continued to fund MPM, Inc. through December 31, 2004; however the County reduced the base level funding to 95% of the prior year funding level for each year subsequent to March 30, 2002 through December 31, 2004.

Milwaukee County provides funds required for the operation of the War Memorial Center, Villa Terrace, Charles Allis Art Museum and Marcus Center of 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 2004 were \$ 2,455. 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.

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

Milwaukee County and the Milwaukee County Research Park Corporation entered into a lease, dated March 15, 1993 to manage and sublease the Technology Innovation Center (TIC), also known as M-1. By an agreement, dated September 30, 1998, the lease was extended through September 30, 2003 with three additional five-year option periods commencing October 1, 2003. On

Note 11- Related Party Transactions (continued)

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 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.

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.

The Milwaukee County Treasurer's office acts as the trustee for the Charles Allis Art Museum Trust. Distributions from the trust totaling \$ 4.4 were made to the Memorial during 2004.

Note 12- Subsequent Events

In April 2005, the County became aware of financial issues concerning the Milwaukee Public Museum, Inc. a discretely presented component unit of the County. As a result, the issuance of the audited financial statements of Milwaukee Public Museum, Inc. for their year ended August 31, 2004 have been delayed and are not available for inclusion in the Milwaukee County 2004 financial statements. The 2004 financial statements for Milwaukee County used the last published audit report for the Museum, dated August 31, 2003. At present, the financial issues do not have a direct impact on the County's finances. However, the County is considering various options for the future financing of the Museum operations.

Note 13- Contingent Liabilities

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

Note 13- Contingent Liabilities (continued)

Claims and Other Legal Proceedings (continued)

resolution of these matters will not have a materially adverse effect on the financial condition of the County.

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, 2004.

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 1,169 retirees and their spouses and children enrolled in the HMO as of December 31, 2004. The total annual premium paid on behalf of this group for 2004 was \$ 10,089. The County contributed \$ 9,743 or 97% of the total premium; retirees contributed the remaining balance of \$ 346 or 3%. As of December 31, 2004, the County also had 4,823 retirees and their spouses and children enrolled in a self-insured health plan. The 2004 expenditures for the self-insured plan were \$ 33,170 including \$ 1,427 in administrative expenditures. These expenditures were offset by \$ 1,136 in retiree contributions for health benefit premiums. The County's 2004 expenditure for reimbursement of Medicare Part B premiums for retirees was \$ 4,007.

Note 14- Other Post-employment Benefits (continued)

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

life insurance benefit for retirees is financed each year with current tax levy funds. The 2004 expenditures for life insurance benefits covering 5,319 retirees were \$ 614. The expenditure was offset by \$ 57 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 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%

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

Plan Description and Provisions (continued)

for each year of service credit earned after January 1, 2001 up to a maximum bonus of 25% of final average salary.

The amount of normal retirement benefit payable for represented deputy sheriffs hired before July 1, 1995 is equal to 2.5% and hired after June 30, 1995 is 2.0% times the participant's five-year final average monthly salary, as defined in labor agreements, multiplied by the number of years of credited service. The amount of normal retirement benefit payable for a participant whose continuous membership began after January 1, 1982 is as follows: 2.5% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan and DA investigators hired before July 1, 1995; 2% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan, DA investigators hired after June 30, 1995; 2% for elected officials, firefighters and non-represented firefighters beginning January 1, 1999; and 1.5% for all other participants, of the participant's three-year final average monthly salary, as defined in the Ordinance and labor agreements, multiplied by the number of years of credited service.

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

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

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

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

Plan Description and Provisions (continued)

March 15, 2002 are not eligible to receive the backdrop pension benefit and individuals elected after March 15, 2002 are not eligible to receive the additional .5% pension benefit multiplier. All benefit payments under the plan are subject to the limitations prescribed by Section 415 of the IRS Code.

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

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

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

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

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

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.

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

Summary of Significant Accounting Policies- Pension Fund (continued)

Expenses – Administrative expenses incurred by the County related to the ERS are payable by the ERS to the County. Such expenses totaled \$1,054 and \$1,052 in 2004 and 2003, respectively.

Investments – Investments, primarily stocks, bonds, certain governmental loans and mortgage-backed certificates, are stated at quoted fair value. Temporary cash investments are valued at cost, which approximates fair value. Investments in venture capital partnerships are valued at estimated fair value, as provided by the ERS's venture capital investment manager. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method. Assets of the OBRA are commingled for investment purposes with the assets of the ERS.

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

Security Lending – The Milwaukee County Employees' Retirement System is authorized by County Ordinance and Board of Trustee policies to lend its investment securities. The ERS's custodian manages the securities lending activity. The Securities Lending Agreement may be terminated by the ERS upon 30 days notice. 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 2004 and 2003, the net investment income realized from the security lending was \$ 291 and \$ 290, 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:

	<u>As of December 31</u>	
	<u>2004</u>	<u>2003</u>
Fair Value of Securities Loaned:	\$ 111,030	\$ 124,047
Fair Value of Collateral:	\$ 114,406	\$ 127,554
Percent Collateral to Securities Loaned:	103.04%	102.83%

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 \$ 111,140 and \$ 123,309 and U.S. Treasury securities of \$ 3,266 and \$ 4,245, for the years ending December 31, 2004 and 2003 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 \$ 3,266 and \$ 4,245 for years ended December 31, 2004 and 2003, respectively, is controlled by the custodian and, correspondingly, is not reflected in the financial statements.

Concentrations – The ERS has the following investments (other than those issued or guaranteed by the U. S. Government) that represent 5 percent or more of the plan net assets at December 31, 2004:

- The Mellon Capital Management Employee Benefit Stock Index Fund of \$ 108,088.
- The Mellon Capital Management Employee Benefit Aggregate Bond Index Fund of \$ 205,319.
- The Mellon Capital Management Employee Benefit Large Cap Growth Stock Index Fund of \$ 91,889.
- The GMO International Intrinsic Value Fund III of \$106,633.

Actuarial Assumptions and Methods

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

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

Actuarial Assumptions and Methods (continued)

	<u>ERS</u>	<u>OBRA</u>
Valuation Date	1/1/05	1/1/05
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%

2004 Changes in Plan Provisions or Actuarial Assumptions

- Decrease in the discount rate to 8.5%.
- The amortization period for plan amendments, assumption changes and actuarial experience was changed from 20 years to 30 years. Future plan assumption changes, as well as actuarial gains and losses will be amortized over 30 years from the date established.

2005 Changes in Plan Provisions or Actuarial Assumptions

- None

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 2004. 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:

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
ERS	12/31/04	\$ 33,248	105.7%	\$ -
	12/31/03	25,242	134.6%	-
	12/31/02	8,528	30.3%	10,914

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
OBRA	12/31/04	\$ 338	103.1%	\$ -
	12/31/03	280	100.0%	-
	12/31/02	275	100.0%	-

In early 2004 the County agreed to issue Wisconsin Trust Loan in the amount of \$ 18.6 million to pay the unamortized contribution variances for 2001, 2002, and 2003. The \$ 18.6 million is included in the 2003 County contributions of \$ 33,981 for 2003. The 2004 and 2003 contributions were actuarially determined as of January 1, 2003 and 2002, respectively. These amounts, less the \$18.6 million payment of the unamortized contribution variances, were included in the County's 2004 and 2003 budgets.

County contributions totaling \$ 35,143 and \$ 33,981 were recorded in 2004 and 2003, respectively. The 2004 and 2003 contributions were greater than the total actuarial required contribution using the Entry Age Normal method of funding

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

Contributions Required and Contributions Made (continued)

with normal cost computed as a level percentage of pay. The County's contributions to the ERS were 15.1% and 14.6% of annual covered payroll for 2004 and 2003, 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, 2004 and 2003 was \$2,892 and \$ 2,535 respectively, leaving net assets available less than the actuarial accrued liability of (\$ 1,928) and (\$ 1,746) respectively. The County made contributions to the OBRA system totaling \$ 348 in 2004.

Note 16-New Accounting Pronouncement

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40 "Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3". This statement will revise the deposit and investment risks disclosed in the notes to the financial statements. The County will implement Statement No. 40 beginning with the year ended December 31, 2005.



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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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
Retirement System						
1/1/05	\$ 1,424,918	\$ 1,782,884	79.90%	\$ 357,966	\$ 209,796	170.60%
1/1/04	1,446,726	1,707,999	84.70%	261,273	233,478	111.90%
1/1/03	1,446,860	1,542,045	93.80%	95,185	234,679	40.60%
1/1/02	1,620,157	1,492,072	108.60%	(128,085)*	238,387	(53.7%)**
1/1/01	1,670,601	1,499,261	111.40%	(171,340)*	238,195	(71.9%)**
1/1/00	1,622,710	1,336,573	121.40%	(286,137)*	230,324	(124.2%)**
OBRA						
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%
1/1/00	584	1,581	36.90%	997	8,682	11.5%

* 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**

	<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
<u>Retirement System</u>				
	2004	\$ 33,248	106.60%	\$ -
	2003	25,242	134.60%	-
	2002	8,528	30.30%	10,914
	2001	8,586	30.80%	5,940
	2000	629	100.00%	-
	1999	2,757	100.00%	-
 <u>OBRA</u>				
	2004	\$ 338	103.10%	\$ -
	2003	280	100.00%	-
	2002	275	100.00%	-
	2001	250	100.00%	-



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OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules



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BUDGETARY COMPARISON

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, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 300,468	\$ 291,549	\$ 276,179	\$ (15,370)
Property Taxes	220,886	220,886	220,612	(274)
Sales Taxes	59,312	59,312	58,834	(478)
Investment Income and Rents	8,627	8,627	6,974	(1,653)
Charges for Services	182,329	185,285	180,925	(4,360)
Fines and Forfeits	3,264	3,264	3,129	(135)
Licenses and Permits	552	552	443	(109)
Other	27,867	29,632	26,133	(3,499)
Total Revenues	803,305	799,107	773,229	(25,878)
Expenditures:				
Current:				
County Board	4,834	4,826	4,601	225
Department of Audit	2,232	2,156	2,074	82
Veterans Service	276	446	381	65
Disadvantaged Business Development	576	804	613	191
Procurement	870	830	742	88
Office of Handicapped	606	616	600	16
County Executive	1,013	985	883	102
Civil Service Commission	67	76	58	18
Personnel Review Board	159	159	153	6
Corporation Counsel	1,804	1,938	1,617	321
Department of Human Resources	4,443	4,373	4,124	249
Department of Administrative Services	3,678	3,789	3,649	140
Housing	18,730	26,105	20,708	5,397
Legislative, Executive and Staff	39,288	47,103	40,203	6,900
County-funded State Court Services	40,033	40,752	38,599	2,153
Child Support Enforcement	18,413	18,490	17,811	679
Courts and Judiciary	58,446	59,242	56,410	2,832
Election Commission	1,179	1,177	1,025	152
County Treasurer	994	1,057	995	62
County Clerk	583	578	537	41
Register of Deeds	4,065	4,673	4,299	374
General Governmental Services	6,821	7,485	6,856	629

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, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Sheriff	\$ 73,031	\$ 75,745	\$ 74,235	\$ 1,510
House of Correction	42,572	43,359	44,041	(682)
District Attorney	14,916	14,763	14,754	9
Public Safety and Non-Departmental Court	4,189	4,074	3,988	86
Public Safety	<u>134,708</u>	<u>137,941</u>	<u>137,018</u>	<u>923</u>
Highway Maintenance	16,020	15,608	14,410	1,198
Administration	368	2,297	2,275	22
Public Works and Highways	<u>16,388</u>	<u>17,905</u>	<u>16,685</u>	<u>1,220</u>
County Health Related Programs	62,804	31,700	30,128	1,572
Department on Aging	135,670	20,034	19,381	653
Department on Aging -- CMO	-	120,685	125,898	(5,213)
Department of Human Services	166,739	179,514	171,719	7,795
Human Services	<u>365,213</u>	<u>351,933</u>	<u>347,126</u>	<u>4,807</u>
Department of Parks	36,351	40,799	37,141	3,658
Zoological Department	19,706	19,603	18,540	1,063
UW Extension Service	325	334	309	25
Parks, Recreation and Culture	<u>56,382</u>	<u>60,736</u>	<u>55,990</u>	<u>4,746</u>
Other	17,084	19,446	17,618	1,828
Total Expenditures	<u>694,330</u>	<u>701,791</u>	<u>677,906</u>	<u>23,885</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>108,975</u>	<u>97,316</u>	<u>95,323</u>	<u>(1,993)</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2004 Appropriations	4,009	4,009	4,009	-
Transfers In	-	-	5,538	5,538
Transfers Out	(106,931)	(102,882)	(107,044)	(4,162)
Transfers To Component Units	(6,316)	(6,359)	(6,359)	-
Total Other Financing Sources (Uses)	<u>(109,238)</u>	<u>(105,232)</u>	<u>(103,856)</u>	<u>1,376</u>
Net Change in Fund Balance	(263)	(7,916)	(8,533)	(617)
Fund Balances -- Beginning	14,422	14,422	14,422	-
Fund Balances -- Ending	<u>\$ 14,159</u>	<u>\$ 6,506</u>	<u>\$ 5,889</u>	<u>\$ (617)</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
Debt Service Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Other	4,607	5,116	7,234	2,118
Total Revenues	<u>4,607</u>	<u>5,116</u>	<u>7,234</u>	<u>2,118</u>
Expenditures:				
Current -- Other	-	-	19,083	(19,083)
Debt Service:				
Principal Retirement	31,290	31,290	20,132	11,158
Interest	14,902	15,602	16,035	(433)
Total Expenditures	<u>46,192</u>	<u>46,892</u>	<u>55,250</u>	<u>(8,358)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,585)</u>	<u>(41,776)</u>	<u>(48,016)</u>	<u>(6,240)</u>
Other Financing Sources (Uses):				
Wisconsin State Trust Fund Bonds Issued	-	-	18,627	18,627
Transfers In	33,871	34,062	25,513	(8,549)
Total Other Financing Sources (Uses)	<u>33,871</u>	<u>34,062</u>	<u>44,140</u>	<u>10,078</u>
Net Change in Fund Balance	(7,714)	(7,714)	(3,876)	3,838
Fund Balances - Beginning	12,006	12,006	12,006	-
Fund Balances - Ending	<u>\$ 4,292</u>	<u>\$ 4,292</u>	<u>\$ 8,130</u>	<u>\$ 3,838</u>

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
 (Non-GAAP Budgetary Basis)
 Capital Projects Fund
 For the Year Ended December 31, 2004
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 27,890	\$ 57,765	\$ 34,324	\$ (23,441)
Sales Tax	2,306	2,306	2,289	(17)
Investment Income and Rents	17	17	641	624
Other	2,491	7,060	1,684	(5,376)
Total Revenues	<u>32,704</u>	<u>67,148</u>	<u>38,938</u>	<u>(28,210)</u>
Expenditures:				
Capital Outlay	61,187	164,172	120,491	43,681
Total Expenditures	<u>61,187</u>	<u>164,172</u>	<u>120,491</u>	<u>43,681</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,483)</u>	<u>(97,024)</u>	<u>(81,553)</u>	<u>15,471</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	27,088	26,604	26,950	346
Transfers In -- PFC Revenue	1,395	56,665	11,039	(45,626)
Transfers Out	-	-	(1,050)	(1,050)
Total Other Financing Sources (Uses)	<u>28,483</u>	<u>83,269</u>	<u>36,939</u>	<u>(46,330)</u>
Net Change in Fund Balance	-	(13,755)	(44,614)	(30,859)
Fund Balances - Beginning	13,834	13,834	13,834	-
Fund Balances - Ending	<u>\$ 13,834</u>	<u>\$ 79</u>	<u>\$ (30,780)</u>	<u>\$ (30,859)</u>

COUNTY OF MILWAUKEE
 Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
 (Non-GAAP Budgetary Basis)
 Airport Enterprise Fund
 For the Year Ended December 31, 2004
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues:				
Rentals and Other Service Fees	\$ 44,619	\$ 47,189	\$ 42,231	\$ (4,958)
Admissions and Concessions	8,439	8,439	9,738	1,299
Total Charges for Services	<u>53,058</u>	<u>55,628</u>	<u>51,969</u>	<u>(3,659)</u>
Other Revenues	145	145	4	(141)
Total Operating Revenues	<u>53,203</u>	<u>55,773</u>	<u>51,973</u>	<u>(3,800)</u>
Operating Expenses:				
Personnel Services	13,706	13,435	12,966	469
Contractual Services	11,284	13,217	12,152	1,065
Intra-County Services	8,883	8,883	9,125	(242)
Commodities	1,715	1,739	1,361	378
Depreciation and Amortization	12,719	13,157	13,198	(41)
Maintenance	468	1,282	445	837
Other	246	246	473	(227)
Total Operating Expenses	<u>49,021</u>	<u>51,959</u>	<u>49,720</u>	<u>2,239</u>
Operating Income (Loss)	<u>4,182</u>	<u>3,814</u>	<u>2,253</u>	<u>(1,561)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	164	367	1,158	791
Investment Income	373	373	794	421
Interest Expense	<u>(6,451)</u>	<u>(6,451)</u>	<u>(6,702)</u>	<u>(251)</u>
Total Nonoperating Revenues (Expenses)	<u>(5,914)</u>	<u>(5,711)</u>	<u>(4,750)</u>	<u>961</u>
Income (Loss) Before Transfers	(1,732)	(1,897)	(2,497)	(600)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	2,821	2,821	3,200	379
Transfers Out	<u>(1,089)</u>	<u>(924)</u>	<u>(3,362)</u>	<u>(2,438)</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,659)</u>	<u>\$ (2,659)</u>

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, 2004
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues:				
Charges for Services:				
Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances	\$ 42,105	\$ 42,405	\$ 47,176	\$ 4,771
Net Patient Service Revenues	42,105	42,405	47,176	4,771
Rentals and Other Service Fees	6	6	189	183
Admissions and Concessions	12	12	8	(4)
Total Charges for Services	42,123	42,423	47,373	4,950
Other Revenues	12,590	12,990	11,121	(1,869)
Total Operating Revenues	54,713	55,413	58,494	3,081
Operating Expenses:				
Personnel Services	65,992	65,168	65,569	(401)
Contractual Services	8,083	8,706	9,210	(504)
Intra-County Services	3,981	3,982	2,864	1,118
Commodities	6,143	6,217	7,072	(855)
Depreciation and Amortization	913	913	759	154
Maintenance	66	105	37	68
Other	59,020	60,422	61,949	(1,527)
Total Operating Expenses	144,198	145,513	147,460	(1,947)
Operating Income (Loss)	(89,485)	(90,100)	(88,966)	1,134
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	55,151	56,351	54,780	(1,571)
Interest Expense	(282)	(282)	(203)	79
Total Nonoperating Revenues (Expenses)	54,869	56,069	54,577	(1,492)
Income (Loss) Before Transfers	(34,616)	(34,031)	(34,389)	(358)
Transfers In	34,616	34,031	33,336	(695)
Change in Net Assets	\$ -	\$ -	\$ (1,053)	\$ (1,053)

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, 2004
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues:				
Rentals and Other Service Fees	\$ 125	\$ 125	\$ 142	\$ 17
Transit Fares	41,616	41,616	41,798	182
Total Charges for Services	<u>41,741</u>	<u>41,741</u>	<u>41,940</u>	<u>199</u>
Other Revenues	4,216	4,216	3,683	(533)
Total Operating Revenues	<u>45,957</u>	<u>45,957</u>	<u>45,623</u>	<u>(334)</u>
Operating Expenses:				
Personnel Services	104,133	104,133	105,253	(1,120)
Contractual Services	24,244	24,246	22,620	1,626
Intra-County Services	790	790	754	36
Commodities	8,710	8,710	8,830	(120)
Depreciation and Amortization	13,220	13,220	12,882	338
Maintenance	873	889	1,049	(160)
Other	2,102	1,666	1,752	(86)
Total Operating Expenses	<u>154,072</u>	<u>153,654</u>	<u>153,140</u>	<u>514</u>
Operating Income (Loss)	<u>(108,115)</u>	<u>(107,697)</u>	<u>(107,517)</u>	<u>180</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	76,995	77,083	77,108	25
Interest Expense	(1,185)	(1,185)	(1,071)	114
Total Nonoperating Revenues (Expenses)	<u>75,810</u>	<u>75,898</u>	<u>76,037</u>	<u>139</u>
Income (Loss) Before Transfers	(32,305)	(31,799)	(31,480)	319
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	10,541	10,541	14,155	3,614
Transfers In	21,764	21,258	21,016	(242)
Transfers Out	-	-	(1,218)	(1,218)
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,473</u>	<u>\$ 2,473</u>

COMBINING STATEMENTS

Other Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

COUNTY OF MILWAUKEE
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2004
 (In Thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport PFC	Health and Safety	
ASSETS							
Cash and Investments	\$ 544	\$ 500	\$ 101	\$ 490	\$ 16,494	\$ 23	\$ 18,152
Cash and Investments -- Restricted	-	-	-	-	5,035	-	5,035
Receivables -- Other	-	1	-	-	-	-	1
Prepaid Items	31	-	-	-	-	-	31
Total Assets	<u>\$ 575</u>	<u>\$ 501</u>	<u>\$ 101</u>	<u>\$ 490</u>	<u>\$ 21,529</u>	<u>\$ 23</u>	<u>\$ 23,219</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15
Other Liabilities	1	-	-	-	-	-	1
Total Liabilities	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
Fund Balances:							
Reserved	559	501	101	490	21,529	23	23,203
Total Fund Balances	<u>559</u>	<u>501</u>	<u>101</u>	<u>490</u>	<u>21,529</u>	<u>23</u>	<u>23,203</u>
Total Liabilities and Fund Balances	<u>\$ 575</u>	<u>\$ 501</u>	<u>\$ 101</u>	<u>\$ 490</u>	<u>\$ 21,529</u>	<u>\$ 23</u>	<u>\$ 23,219</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004
(In Thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport PFC	Health and Safety	
Revenues:							
Investment Income and Rents	\$ 26	\$ -	\$ 1	\$ -	\$ 310	\$ -	\$ 337
Charges for Services	613	53	-	-	-	-	666
PFC Revenues	-	-	-	-	9,120	-	9,120
Other	35	258	3	-	-	23	319
Total Revenues	<u>674</u>	<u>311</u>	<u>4</u>	<u>-</u>	<u>9,430</u>	<u>23</u>	<u>10,442</u>
Expenditures:							
Current:							
Human Services	-	-	5	46	-	-	51
Parks, Recreation and Culture	779	66	-	-	-	-	845
Other	-	-	-	-	967	-	967
Total Expenditures	<u>779</u>	<u>66</u>	<u>5</u>	<u>46</u>	<u>967</u>	<u>-</u>	<u>1,863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(105)</u>	<u>245</u>	<u>(1)</u>	<u>(46)</u>	<u>8,463</u>	<u>23</u>	<u>8,579</u>
Other Financing Sources (Uses)							
Transfers Out	-	-	-	-	(10,429)	-	(10,429)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,429)</u>	<u>-</u>	<u>(10,429)</u>
Net Changes in Fund Balance	<u>(105)</u>	<u>245</u>	<u>(1)</u>	<u>(46)</u>	<u>(1,966)</u>	<u>23</u>	<u>(1,850)</u>
Fund Balances -- Beginning	664	256	102	536	23,495	-	25,053
Fund Balances -- Ending	<u>\$ 559</u>	<u>\$ 501</u>	<u>\$ 101</u>	<u>\$ 490</u>	<u>\$ 21,529</u>	<u>\$ 23</u>	<u>\$ 23,203</u>



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COMBINING STATEMENTS

Internal Service Funds

Information Management Services

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

Public Works Services

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

Professional Services - provides engineering, architectural and administrative services.

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, 2004
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Assets				
Current Assets:				
Cash and Investments	\$ 4,123	\$ 7,164	\$ 9,890	\$ 21,177
Accounts Receivable (Net of Allowances for Uncollectible Accounts)	41	480	-	521
Due From Other Governments	-	222	-	222
Inventories	-	872	-	872
Prepaid Items	110	-	-	110
Total Current Assets	<u>4,274</u>	<u>8,738</u>	<u>9,890</u>	<u>22,902</u>
Capital Assets:				
Land and Land Improvements	-	13,083	-	13,083
Building and Improvements	599	108,663	-	109,262
Furniture, Machinery and Equipment	31,235	39,754	114	71,103
Construction in Progress	4,037	9,253	4	13,294
Total Capital Assets	<u>35,871</u>	<u>170,753</u>	<u>118</u>	<u>206,742</u>
Less Accumulated Depreciation	<u>(24,039)</u>	<u>(117,055)</u>	<u>(108)</u>	<u>(141,202)</u>
Net Capital Assets	<u>11,832</u>	<u>53,698</u>	<u>10</u>	<u>65,540</u>
Total Assets	<u>\$ 16,106</u>	<u>\$ 62,436</u>	<u>\$ 9,900</u>	<u>\$ 88,442</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 777	\$ 1,295	\$ 166	\$ 2,238
Accrued Liabilities	1,290	3,332	9,567	14,189
Deferred Revenues	28	169	65	262
Bonds Payable-Current Portion	1,325	4,122	-	5,447
Total Current Liabilities	<u>3,420</u>	<u>8,918</u>	<u>9,798</u>	<u>22,136</u>
Long-Term Liabilities:				
Compensated Absences	987	2,022	86	3,095
Bonds Payable -- Long-Term	10,675	26,928	-	37,603
Total Long-Term Liabilities	<u>11,662</u>	<u>28,950</u>	<u>86</u>	<u>40,698</u>
Total Liabilities	<u>15,082</u>	<u>37,868</u>	<u>9,884</u>	<u>62,834</u>
Net Assets				
Unrestricted	1,192	1,920	6	3,118
Invested in Capital Assets, Net of Related Debt	<u>(168)</u>	<u>22,648</u>	<u>10</u>	<u>22,490</u>
Total Net Assets	<u>1,024</u>	<u>24,568</u>	<u>16</u>	<u>25,608</u>
Total Liabilities and Net Assets	<u>\$ 16,106</u>	<u>\$ 62,436</u>	<u>\$ 9,900</u>	<u>\$ 88,442</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For The Year Ended December 31, 2004
(In Thousands)

	Information Management <u>Services</u>	Public Works <u>Services</u>	Risk Management	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 15	\$ 33,239	\$ 6,417	\$ 39,671
Other	34	331	31	396
Total Operating Revenues	<u>49</u>	<u>33,570</u>	<u>6,448</u>	<u>40,067</u>
Operating Expenses:				
Personnel Services	8,746	25,676	523	34,945
Contractual Services	4,026	7,415	49	11,490
Intra-County Services	140	2,427	3	2,570
Commodities	240	3,435	3	3,678
Depreciation and Amortization	3,133	5,863	5	9,001
Maintenance	18	915	-	933
Insurance and Claims	-	-	5,149	5,149
Other	-	1,119	-	1,119
Total Operating Expenses	<u>16,303</u>	<u>46,850</u>	<u>5,732</u>	<u>68,885</u>
Operating Income (Loss)	<u>(16,254)</u>	<u>(13,280)</u>	<u>716</u>	<u>(28,818)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	148	349	-	497
Interest Expense	(577)	(1,448)	-	(2,025)
Total Nonoperating Revenues (Expenses)	<u>(429)</u>	<u>(1,099)</u>	<u>-</u>	<u>(1,528)</u>
Income (Loss) Before Contributions and Transfers	(16,683)	(14,379)	716	(30,346)
Capital Contributions	787	4,048	-	4,835
Transfers In	14,941	12,846	-	27,787
Transfers Out	-	(405)	(721)	(1,126)
Change in Net Assets	(955)	2,110	(5)	1,150
Net Assets -- Beginning	1,979	22,458	21	24,458
Net Assets -- Ending	<u>\$ 1,024</u>	<u>\$ 24,568</u>	<u>\$ 16</u>	<u>\$ 25,608</u>

COUNTY OF MILWAUKEE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2004
(In Thousands)

	Information Management <u>Services</u>	Public Works <u>Services</u>	Risk <u>Management</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Customers and Users	\$ 79	\$ 33,688	\$ 6,516	\$ 40,283
Payments to Suppliers	(4,382)	(12,446)	(5,212)	(22,040)
Payments to Employees	(8,807)	(26,575)	93	(35,289)
Payments for Interfund Services Used	(140)	(2,427)	(3)	(2,570)
Net Cash Provided (Used) by Operating Activities	<u>(13,250)</u>	<u>(7,760)</u>	<u>1,394</u>	<u>(19,616)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:				
Intergovernmental Revenues	148	349	-	497
Transfers From Other Funds	15,728	16,894	-	32,622
Transfers (To) Other Funds	-	(405)	(721)	(1,126)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>15,876</u>	<u>16,838</u>	<u>(721)</u>	<u>31,993</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:				
Principal Payment on Bonds	(1,043)	(3,879)	-	(4,922)
Interest Paid on Bonds	(571)	(1,467)	-	(2,038)
Proceeds from Bonds	746	2,768	-	3,514
Proceeds from Sale of Capital Assets	-	102	-	102
Acquisition of Capital Assets	(1,605)	(6,917)	(6)	(8,528)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(2,473)</u>	<u>(9,393)</u>	<u>(6)</u>	<u>(11,872)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	153	(315)	667	505
Cash and Cash Equivalents at Beginning of Year	3,970	7,479	9,223	20,672
Cash and Cash Equivalents at End of Year	<u>\$ 4,123</u>	<u>\$ 7,164</u>	<u>\$ 9,890</u>	<u>\$ 21,177</u>

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

Operating Income (Loss):	\$ (16,254)	\$ (13,280)	\$ 716	\$ (28,818)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	3,133	5,863	5	9,001
(Increase) Decrease in Assets:				
Accounts Receivable	(3)	105	68	170
Inventories	16	(8)	-	8
Prepaid Items	17	-	-	17
Other Assets	-	-	-	-
Increase (Decrease) in Liabilities:				
Accounts Payable	(98)	446	(11)	337
Accrued Liabilities	102	(252)	617	467
Deferred Revenues	-	13	-	13
Compensated Absences	(163)	(647)	(1)	(811)
Total Adjustments	<u>3,004</u>	<u>5,520</u>	<u>678</u>	<u>9,202</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ (13,250)</u>	<u>\$ (7,760)</u>	<u>\$ 1,394</u>	<u>\$ (19,616)</u>

COMBINING STATEMENTS

Fiduciary Funds

Agency Funds

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

COUNTY OF MILWAUKEE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended December 31, 2004
(In Thousands)

	<u>January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2004</u>
<u>CIVIL COURT ORDERED AGENCY FUND FOR FAMILY SUPPORT/PAYMENTS</u>				
Total Assets				
Cash and Investments	\$ 11,988	\$ 74,235	\$ 58,947	\$ 27,276
Total Liabilities				
Agency Deposits	\$ 11,988	\$ 72,886	\$ 57,598	\$ 27,276
<u>CARE MANAGEMENT ORGANIZATIONS WORKING CAPITAL RESERVE</u>				
Cash and Investments	\$ -	\$ 2,708	\$ -	\$ 2,708
Total Assets	\$ -	\$ 2,708	\$ -	\$ 2,708
Agency Deposits	\$ -	\$ 2,708	\$ -	\$ 2,708
Total Liabilities	\$ -	\$ 2,708	\$ -	\$ 2,708
<u>OTHER AGENCY FUNDS</u>				
Cash and Investments	\$ 8,728	\$ 63,184	\$ 62,626	\$ 9,286
Other Receivables	326	28,701	29,027	-
Total Assets	\$ 9,054	\$ 91,885	\$ 91,653	\$ 9,286
Accounts Payable	\$ 145	\$ 20,150	\$ 20,119	\$ 176
Agency Deposits	8,909	49,011	48,810	9,110
Total Liabilities	\$ 9,054	\$ 69,161	\$ 68,929	\$ 9,286
<u>SUMMARY</u>				
Cash and Investments	\$ 20,716	\$ 140,127	\$ 121,573	\$ 39,270
Other Receivables	326	28,701	29,027	-
Total Assets	\$ 21,042	\$ 168,828	\$ 150,600	\$ 39,270
Accounts Payable	\$ 145	\$ 20,150	\$ 20,119	\$ 176
Agency Deposits	20,897	124,605	106,408	39,094
Total Liabilities	\$ 21,042	\$ 144,755	\$ 126,527	\$ 39,270

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

The management's discussion and analysis and schedules of funding progress and employer contributions – Employees' Retirement System on pages 25 through 44 and pages 117 through 119, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

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

Virchow, Krause & Company, LLP

Milwaukee, Wisconsin
June 13, 2005

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed, and delivered by Milwaukee County, Wisconsin (the “Issuer”) in connection with the issuance of General Obligation Corporate Purpose Bonds, Series 2006A, dated April 1, 2006 (the “Securities”). The Securities are being issued pursuant to an Authorizing Resolution adopted by the Governing Body of the Issuer on February 2, 2006, and an Award Resolution adopted by the Governing Body of the Issuer on March 9, 2006 (collectively, the “Resolution”) and delivered to _____ (the “Purchaser”) on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule. Any filing under this Disclosure Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, which are currently prepared in accordance with United States generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

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

“Final Official Statement” means the final official statement dated _____, 2006 delivered in connection with the Securities, which is available from the Municipal Securities Rulemaking Board (MSRB).

“Governing Body” means the County Board of Supervisors of the Issuer or such other body, as may hereafter be the chief legislative body of the Issuer.

“Issuer” means Milwaukee County, Wisconsin, which is the obligated person with respect to the Securities.

“Issuer Contact” means the Capital Finance Manager of the Issuer who can be contacted at the Milwaukee County Courthouse, Room 308, 901 North Ninth Street, Milwaukee, Wisconsin 53233, telephone: (414) 278-4396, facsimile: (414) 223-1245.

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

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

“NRMSIR” means any nationally recognized municipal securities information repository as recognized from time to time by the SEC for purposes of the Rule.

“Participating Underwriter” means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

“Repository” means each NRMSIR and each SID, if any.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

“SEC” means Securities and Exchange Commission.

“SID” means any public or private repository or entity designated by the State of Wisconsin as a state information depository for the purpose of the Rule. As of the date of this Certificate, there is no SID.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ended December 31, 2005, provide each Repository with an Annual Report, which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to each Repository when and if available.

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

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each NRMSIR and each SID, if any.

Section 4. Content of Annual Report. The Issuer’s Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

DEBT STRUCTURE - General Obligation Debt Margin
FINANCIAL INFORMATION - Property Tax Levies and Collections Last Five Years
FINANCIAL INFORMATION - Property Tax Rates for County Levies
FINANCIAL INFORMATION - Five-Year Capital Improvement Program
FINANCIAL INFORMATION - Equalized Values

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events if material with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Securities;
7. Modification to rights of holders of the Securities;
8. Securities calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities; and
11. Rating changes.

(b) Whenever a Material Event occurs, the Issuer shall as soon as possible determine under applicable legal standards if such event would constitute material information for holders of Securities, provided, that any event under subsection (a) (8), (9) or (11) will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Material Event would be material, the Issuer shall promptly file a notice of such occurrence with either all NRMSIRs or with the MSRB and with any SID. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(d) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the Undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to each then existing NRMSIR and the SID, if any, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to each then existing NRMSIR and the SID, if any, of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default.

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

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the ___ day of ___, 2006.

Chairperson of the County Board

County Clerk

BID FORM

(Electronic bids are also accepted via PARITY - see the Official Terms of Offering)

Director, Department of Administrative Services
 Courthouse-Room 308
 901 North Ninth Street
 Milwaukee, Wisconsin 53233

Sale Date: March 9, 2006

For the principal amount of \$31,595,000 General Obligation Corporate Purpose Bonds, Series 2006A, legally issued and as described in the Official Terms of Offering, we will pay Milwaukee County \$_____ (not less than \$31,342,060) plus accrued interest on the total principal of \$31,595,000 to date of delivery, provided the Bonds bear the following interest rates:

<u>Due</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2007	\$1,465,000	_____ %
2008	1,150,000	_____
2009	0	_____
2010	1,175,000	_____
2011	2,525,000	_____
2012	2,525,000	_____
2013	2,525,000	_____
2014	2,525,000	_____
2015	2,525,000	_____
2016	2,525,000	_____
2017	2,525,000	_____
2018	2,525,000	_____
2019	2,525,000	_____
2020	2,525,000	_____
2021	2,555,000	_____

In making this offer, we accept the terms and conditions as defined in the Official Terms of Offering published in the Preliminary Official Statement dated March 1, 2006. All blank spaces of this offer are intentional and are not to be construed as an omission. Our good faith check or Financial Surety Bond in the amount of \$315,950 is enclosed or has been filed with Public Financial Management, Inc.

NOT PART OF THE BID

Explanatory Note: According to our computation, this bid involves the following:

\$ _____

Net Interest Cost

_____ %

True Interest Rate

Respectfully submitted,

Account Manager

By _____

(a list of account members is attached or included on the reverse side of this bid proposal.)

Please list minority underwriting firms who have participated in our bidding group and their initial percentages:

If we receive the award of the Bonds, we agree to provide to the County Board of Milwaukee County a list of all firms that are participating with us in the underwriting of the Bonds so awarded and the amount of each firm's participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the County all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award of the Bonds. Immediately upon receiving it from you, we further agree to file with and provide a sufficient number of copies of the Final Official Statement to the following nationally recognized municipal securities information repositories ("NRMSIR's"):

5. Bloomberg Municipal Repositories;
6. DPC Data Inc.;
7. FT Interactive Data; and
8. Standard and Poor's Securities Evaluations, Inc.

Thereafter, additional copies of the Final Official Statement may be obtained from the NRMSIR's.

The foregoing offer is hereby accepted by and on behalf of Milwaukee County, Wisconsin, this 3rd day of November, 2005.

Chairperson, County Board of Supervisors

County Clerk

AGREEMENT AS TO USE OF ELECTRONIC BIDDING

Linda Seemeyer
Director, Department of Administration
Milwaukee County Courthouse - Room 308
Milwaukee, Wisconsin 53233

Dear Ms. Seemeyer:

In consideration of permission from the County of Milwaukee, Wisconsin for us to submit electronic bids on County of Milwaukee debt issues, we agree to the following:

1. We shall submit the bid via the electronic service specified in the Official Terms of Offering with respect to the particular debt issue.
2. The County may regard the electronic transmission of our bid via the electronic service (including information about the purchase price for the Issue and interest rate or rates to be borne by the Issue and any other information included in such transmission) as though the same information were submitted on the bid form provided by the County and executed on our behalf by a duly authorized signatory. If our bid is accepted by the County, the terms of this agreement, the bid form, the Official Terms of Offering provided by the County, and the information that is electronically transmitted through the electronic service shall form a contract, and we shall be bound by the terms of such contract.
3. We agree to comply with the rules of the specified electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the bid form and the notice of sale, the terms set forth in the bid form and the Official Terms of Offering shall control.
4. We agree that we are solely responsible for making necessary arrangements to access electronic bidding services. The County shall not have any duty or obligation to provide or assume such access. None of the electronic bidding services is an agent of the County. The County shall have no liability whatsoever based on our use of the electronic service, including, but not limited to any failure by the electronic service to correctly or timely transmit information that we provide.

Very truly yours,

Date

(Authorized Signature)

Deliver to:
Linda Seemeyer
Director, Department of Administrative Services
Milwaukee County Courthouse - Room 308
Milwaukee, Wisconsin 53233
(414) 223-1245 FAX

(Title)

(Firm)

(Telephone Number)

The County must receive the completed Agreement by the end of business on the day prior to the bid opening.

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