

GOVERNMENT-WIDE STATEMENTS

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF NET ASSETS
December 31, 2009

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|-----------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and investments | \$ 117,278,714 | \$ 17,128,760 | \$ 134,407,474 | \$ 504,953 |
| Receivables: | | | | |
| Property taxes - delinquent | 11,509,232 | - | 11,509,232 | - |
| Property taxes - levied for subsequent years budget | 98,292,739 | 192,563 | 98,485,302 | - |
| Taxes levied for other governments | 8,843,636 | - | 8,843,636 | - |
| Accrued interest | 783,470 | - | 783,470 | 1,936 |
| Accounts | 2,185,567 | 248,527 | 2,434,094 | - |
| Due from other governments | 8,567,688 | 320,430 | 8,888,118 | 20,557 |
| Internal balances | 819,419 | (819,419) | - | - |
| Prepaid items | 12,934 | - | 12,934 | 496 |
| Inventories | 608,966 | 185,890 | 794,856 | - |
| Unamortized debt issuance expense | 149,889 | - | 149,889 | - |
| Advances to/from other funds | (1,911,582) | 1,911,582 | - | - |
| Restricted cash and investments | 468,437 | - | 468,437 | 148,062 |
| Deposit in WMMIC | 2,459,264 | - | 2,459,264 | - |
| Long term receivable | 5,186,648 | - | 5,186,648 | - |
| Capital assets: | | | | |
| Land | 43,554,520 | 10,288,747 | 53,843,267 | - |
| Construction in progress | 18,532,254 | 86,819 | 18,619,073 | - |
| Buildings | 152,753,548 | 16,761,668 | 169,515,216 | - |
| Improvements other than buildings | 16,150,798 | 18,073,407 | 34,224,205 | - |
| Machinery and equipment | 31,175,251 | 8,933,272 | 40,108,523 | - |
| Vehicles | 11,916,900 | - | 11,916,900 | - |
| Infrastructure | 192,205,519 | - | 192,205,519 | - |
| Accumulated depreciation | (173,334,481) | (25,641,519) | (198,976,000) | - |
| Total assets | \$ 548,209,330 | \$ 47,670,727 | \$ 595,880,057 | \$ 676,004 |
| LIABILITIES | | | | |
| Accounts payable | \$ 7,766,144 | \$ 173,327 | \$ 7,939,471 | \$ 4,483 |
| Accrued compensation | 4,318,513 | 63,609 | 4,382,122 | 4,155 |
| Other liabilities | 843,170 | 52,711 | 895,881 | 50,502 |
| Due to other governments | 9,033,489 | - | 9,033,489 | 76,144 |
| Claims payable - current | 2,308,820 | - | 2,308,820 | - |
| Accrued interest payable | 648,692 | - | 648,692 | - |
| Deferred property tax revenue | 99,543,118 | 192,563 | 99,735,681 | - |
| Other unearned revenue | 1,274,463 | 548,898 | 1,823,361 | - |
| Long-Term Liabilities: | | | | |
| Compensated absences - current | 4,585,642 | - | 4,585,642 | 1,563 |
| Claims payable - non current | 2,401,185 | - | 2,401,185 | - |
| Notes payable - current | 10,925,000 | - | 10,925,000 | - |
| Notes payable - non current | 65,129,943 | - | 65,129,943 | - |
| Total liabilities | \$ 208,778,179 | \$ 1,031,108 | \$ 209,809,287 | \$ 136,847 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | \$ 221,238,419 | \$ 28,502,394 | \$ 249,740,813 | \$ - |
| Restricted net assets for: | | | | |
| Park development | 188,229 | - | 188,229 | - |
| Land information systems | 688,903 | - | 688,903 | - |
| Debt service | 3,411,226 | - | 3,411,226 | - |
| Community development block grant | 6,412,853 | - | 6,412,853 | - |
| Federated library | 418,980 | - | 418,980 | - |
| Deposit in WMMIC | 2,459,264 | - | 2,459,264 | - |
| Housing assistance payments | - | - | - | 108,574 |
| Unrestricted net assets | 104,613,277 | 18,137,225 | 122,750,502 | 430,583 |
| Total net assets | \$ 339,431,151 | \$ 46,639,619 | \$ 386,070,770 | \$ 539,157 |

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2009

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Assets | | | Component Unit |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-------------------------|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| PRIMARY GOVERNMENT | | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | | |
| Justice and public safety | \$ 51,476,358 | \$ 9,875,865 | \$ 3,622,487 | \$ - | \$ (37,978,006) | \$ - | \$ (37,978,006) | \$ - |
| Health and human services | 69,147,970 | 8,140,847 | 38,701,453 | - | (22,305,670) | - | (22,305,670) | - |
| Environment, parks and education | 20,172,847 | 6,674,278 | 2,233,867 | 297,466 | (10,967,236) | - | (10,967,236) | - |
| Public works | 30,980,914 | 5,761,456 | 5,383,264 | 6,325 | (19,829,869) | - | (19,829,869) | - |
| General government | 16,734,108 | 3,730,196 | 844,132 | 181,759 | (11,978,021) | - | (11,978,021) | - |
| Interest expense | 2,660,430 | - | - | - | (2,660,430) | - | (2,660,430) | - |
| Total Governmental Activities | 191,172,627 | 34,182,642 | 50,785,203 | 485,550 | (105,719,232) | - | (105,719,232) | - |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | |
| Radio services | 981,686 | 590,077 | 556,706 | 58,294 | - | 223,391 | 223,391 | - |
| Golf courses | 3,162,686 | 2,932,419 | - | - | - | (230,267) | (230,267) | - |
| Ice arenas | 1,149,365 | 961,519 | - | 133,902 | - | (53,944) | (53,944) | - |
| Materials recovery facility | 1,597,449 | 851,344 | 1,975,008 | - | - | 1,228,903 | 1,228,903 | - |
| Airport | 1,721,395 | 688,328 | - | - | - | (1,033,067) | (1,033,067) | - |
| Total Business-type Activities | 8,612,581 | 6,023,687 | 2,531,714 | 192,196 | - | 135,016 | 135,016 | - |
| Total Primary Government | \$ 199,785,208 | \$ 40,206,329 | \$ 53,316,917 | \$ 677,746 | \$ (105,719,232) | \$ 135,016 | \$ (105,584,216) | \$ - |
| COMPONENT UNIT | | | | | | | | |
| Housing authority | \$ 2,412,417 | \$ - | \$ 2,267,817 | \$ - | \$ - | \$ - | \$ - | \$ (144,600) |
| GENERAL REVENUES | | | | | | | | |
| Property taxes | | | | | 98,395,453 | 192,563 | 98,588,016 | - |
| Grants and contributions, not restricted to specific programs | | | | | 1,959,990 | - | 1,959,990 | - |
| Investment earnings | | | | | 5,835,552 | 58,021 | 5,893,573 | 5,677 |
| Miscellaneous | | | | | 4,371,337 | 44,882 | 4,416,219 | 15,606 |
| Gains on disposal/sale of capital assets | | | | | 466,518 | - | 466,518 | - |
| Total General Revenues | | | | | 111,028,850 | 295,466 | 111,324,316 | 21,283 |
| Transfers | | | | | 275,000 | (275,000) | - | - |
| Change in Net Assets | | | | | 5,584,618 | 155,482 | 5,740,100 | (123,317) |
| Net Assets - Beginning of Year | | | | | 333,846,533 | 46,484,137 | 380,330,670 | 662,474 |
| Net Assets - End of Year | | | | | \$ 339,431,151 | \$ 46,639,619 | \$ 386,070,770 | \$ 539,157 |

See notes to financial statements.

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND - The General Fund is the primary operating fund of the County. It is used to account for resources traditionally associated with governments, except those required to be accounted for in another fund.

HUMAN SERVICES FUND - To account for funds provided for income maintenance, counseling, alcohol and drug abuse programs, children's center services, services to the developmentally disabled, chronically mentally ill, elderly and administrative support services.

LONG TERM CARE FUND - To account for federal and state funds that provide services to eligible persons who are elderly, developmentally disabled, physically disabled or have a long-term mental illness.

DEBT SERVICE FUND - The debt service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and service costs.

WAUKESHA COUNTY, WISCONSIN

BALANCE SHEET - ALL GOVERNMENTAL FUNDS
December 31, 2009

| | General Fund | Human Services Fund | Long Term Care Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|----------------------|---------------------|----------------------|--------------------------|--------------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 44,845,128 | \$ 1,763,976 | \$ 2,520,602 | \$ 4,060,379 | \$ 47,088,836 | \$ 100,278,921 |
| Receivables: | | | | | | |
| Property taxes - delinquent | 11,509,232 | - | - | - | - | 11,509,232 |
| Property taxes levied for ensuing year's budget | 59,223,857 | 14,659,389 | 135,121 | 13,005,000 | 10,489,500 | 97,512,867 |
| Taxes levied for other governments | 8,843,636 | - | - | - | - | 8,843,636 |
| Accrued interest | 783,470 | - | - | - | - | 783,470 |
| Accounts | 876,555 | 464,139 | 56,604 | - | 382,293 | 1,779,591 |
| Due from other governments | 2,415,875 | 2,592,191 | 326,381 | - | 3,117,600 | 8,452,047 |
| Prepaid items | 1,807 | 799 | - | - | - | 2,606 |
| Inventories | - | - | - | - | 253,562 | 253,562 |
| Advances to other funds | 3,174,343 | - | - | - | - | 3,174,343 |
| Long term receivable | - | - | - | - | 5,186,648 | 5,186,648 |
| Total assets | \$ 131,673,903 | \$ 19,480,494 | \$ 3,038,708 | \$ 17,065,379 | \$ 66,518,439 | \$ 237,776,923 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 2,315,206 | \$ 2,063,153 | \$ 267,801 | \$ - | \$ 2,569,037 | \$ 7,215,197 |
| Accrued compensation | 4,032,779 | 21,572 | - | - | 24,023 | 4,078,374 |
| Other liabilities | 344,140 | 496,646 | - | - | 2,384 | 843,170 |
| Due to other governments | 8,945,054 | 4,764 | - | - | 83,671 | 9,033,489 |
| Deferred property tax revenue | 60,474,236 | 14,659,389 | 135,121 | 13,005,000 | 10,489,500 | 98,763,246 |
| Other deferred revenue | 477,553 | - | - | - | 5,983,558 | 6,461,111 |
| Advances from other funds | - | - | - | - | 5,085,925 | 5,085,925 |
| Total liabilities | \$ 76,588,968 | \$ 17,245,524 | \$ 402,922 | \$ 13,005,000 | \$ 24,238,098 | \$ 131,480,512 |
| FUND BALANCES | | | | | | |
| Reserved for non-current interfunds | \$ 3,174,343 | \$ - | \$ - | \$ - | \$ - | \$ 3,174,343 |
| Reserved for delinquent property taxes | 10,250,369 | - | - | - | - | 10,250,369 |
| Reserved for prepaid items | 1,807 | 799 | - | - | - | 2,606 |
| Reserved for inventories | - | - | - | - | 253,562 | 253,562 |
| Reserved for debt service | - | - | - | 4,060,379 | - | 4,060,379 |
| Reserved for capital projects | - | - | - | - | 21,576,252 | 21,576,252 |
| Reserved for park purposes | - | - | - | - | 6,282,347 | 6,282,347 |
| Unreserved: | | | | | | |
| Designated for capital projects, reported in capital projects funds | - | - | - | - | 10,295,297 | 10,295,297 |
| Designated for subsequent year's expenditures, reported in general fund | 8,686,550 | - | - | - | - | 8,686,550 |
| Designated for subsequent year's expenditures, reported in special revenue funds | - | 150,634 | 1,079,832 | - | 2,301,447 | 3,531,913 |
| Designated for sick leave payout | 500,000 | - | - | - | - | 500,000 |
| Designated for interfund loan repayment | 4,000,000 | - | - | - | - | 4,000,000 |
| Undesignated, reported in general fund | 28,471,866 | - | - | - | - | 28,471,866 |
| Undesignated, reported in special revenue funds | - | 2,083,537 | 1,555,954 | - | 1,571,436 | 5,210,927 |
| Total fund balances | \$ 55,084,935 | \$ 2,234,970 | \$ 2,635,786 | \$ 4,060,379 | \$ 42,280,341 | \$ 106,296,411 |
| Total liabilities and fund balances | \$ 131,673,903 | \$ 19,480,494 | \$ 3,038,708 | \$ 17,065,379 | \$ 66,518,439 | \$ 237,776,923 |

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2009

| | |
|---|------------------------------|
| Total Fund Balances - Governmental Funds | \$ 106,296,411 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds (excludes internal service funds). (see Note 2.A.) | 280,004,639 |
| Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (see Note 2.A.) | (81,139,388) |
| Internal service funds are used by management to charge the costs of various services to individual funds and functional categories. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 29,082,841 |
| Other long term assets are not available to pay for current period expenditures and, therefore are deferred in the funds. (See Note 5) | 5,186,648 |
| Total Net Assets - Governmental Activities | <u>\$ 339,431,151</u> |

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

| | General Fund | Human Services Fund | Long Term Care Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|------------------------------------|------------------------------------|----------------------------------|---|---|
| REVENUES | | | | | | |
| General intergovernmental assistance | \$ 1,234,990 | \$ - | \$ - | \$ - | \$ 4,358,972 | \$ 5,593,962 |
| Intergovernmental contracts/grants | 8,911,246 | 23,085,291 | 6,790,537 | - | 14,174,288 | 52,961,362 |
| Taxes | 54,531,497 | 14,478,532 | 1,660,386 | 12,872,338 | 10,731,013 | 94,273,766 |
| Fines and licenses | 2,896,250 | 427,756 | - | - | - | 3,324,006 |
| Charges for services | 12,619,622 | 3,486,603 | 51,150 | - | 3,361,109 | 19,518,484 |
| Interdepartmental revenues | 3,578,936 | 74,266 | - | - | 468,956 | 4,122,158 |
| Investment earnings | 4,626,670 | - | - | 242,614 | 522,127 | 5,391,411 |
| Miscellaneous revenues | 6,407,342 | 1,581,708 | 277,776 | - | 2,150,850 | 10,417,676 |
| Total revenues | 94,806,553 | 43,134,156 | 8,779,849 | 13,114,952 | 35,767,315 | 195,602,825 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Justice and public safety | 51,917,202 | - | - | - | - | 51,917,202 |
| Health and human services | 5,858,665 | 41,749,295 | 8,053,896 | - | 13,810,457 | 69,472,313 |
| Environment, parks and education | 13,797,053 | - | - | - | 4,829,316 | 18,626,369 |
| Public works | 9,654,346 | - | - | - | 11,115,022 | 20,769,368 |
| General government | 11,327,395 | - | - | - | - | 11,327,395 |
| Capital outlay: | | | | | | |
| Environment, parks and education | - | - | - | - | 2,697,420 | 2,697,420 |
| Public works | - | - | - | - | 13,952,720 | 13,952,720 |
| General government | - | - | - | - | 2,011,861 | 2,011,861 |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | 10,240,000 | - | 10,240,000 |
| Interest and fiscal charges | - | - | - | 2,734,363 | - | 2,734,363 |
| Total expenditures | 92,554,661 | 41,749,295 | 8,053,896 | 12,974,363 | 48,416,796 | 203,749,011 |
| Excess of Revenues Over (Under) Expenditures | 2,251,892 | 1,384,861 | 725,953 | 140,589 | (12,649,481) | (8,146,186) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| General obligation notes issued | - | - | - | - | 8,000,000 | 8,000,000 |
| Refunding notes issued | - | - | - | 7,700,000 | - | 7,700,000 |
| Payment to escrow agent | - | - | - | (7,925,000) | - | (7,925,000) |
| Transfers in | 370,000 | 175,000 | 230,000 | 570,000 | 3,705,000 | 5,050,000 |
| Transfers out | (8,360,000) | - | (175,000) | - | (945,000) | (9,480,000) |
| Total other financing sources (uses) | (7,990,000) | 175,000 | 55,000 | 345,000 | 10,760,000 | 3,345,000 |
| Net change in fund balances | (5,738,108) | 1,559,861 | 780,953 | 485,589 | (1,889,481) | (4,801,186) |
| Fund Balances - January 1 | 60,823,043 | 675,109 | 1,854,833 | 3,574,790 | 44,169,822 | 111,097,597 |
| Fund Balances - December 31 | \$ 55,084,935 | \$ 2,234,970 | \$ 2,635,786 | \$ 4,060,379 | \$ 42,280,341 | \$ 106,296,411 |

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
December 31, 2009

| | |
|---|----------------------------|
| Net changes in fund balances - total governmental funds | \$ (4,801,186) |
| 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 depreciation exceeded capital asset purchases in the current period. (see Note 2.B.) | 4,153,950 |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. | 18,165,000 |
| The issuance of long term debt is an other financing source in the governmental funds, but the issuance increases long term liabilities in the Statement of Net Assets. | (15,700,000) |
| Some expenses reported in the Statement of Activities, such as compensated absences and interest payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (see Note 2.B.) | (132,957) |
| Internal service funds are used by management to charge the costs of various services to individual funds and functional categories. | 4,142,530 |
| Governmental funds report loan repayments as revenues and the issuance of new loans as expenditures. These activities are reported as changes in loans receivable in the government-wide statements. | (242,719) |
| Change in Net Assets of Governmental Activities | <u>\$ 5,584,618</u> |

See notes to financial statements.

MAJOR PROPRIETARY FUNDS

AIRPORT OPERATIONS/DEVELOPMENT FUND - To account for the operation and maintenance of the County airport buildings and runways, located in Waukesha, Wisconsin.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF NET ASSETS - ALL PROPRIETARY FUNDS
December 31, 2009

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|--|------------------------------|----------------------|---|
| | Airport Operations/ Development Fund | Other Enterprise Funds | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 3,087,515 | \$ 14,041,245 | \$ 17,128,760 | \$ 16,999,793 |
| Receivables: | | | | |
| Property taxes levied for ensuing year's budget | 192,563 | - | 192,563 | 779,872 |
| Accounts | - | 248,527 | 248,527 | 405,976 |
| Total receivables | 192,563 | 248,527 | 441,090 | 1,185,848 |
| Due from other governments | - | 320,430 | 320,430 | 115,641 |
| Prepaid items | - | - | - | 10,328 |
| Inventories | - | 185,890 | 185,890 | 355,404 |
| Total current assets | 3,280,078 | 14,796,092 | 18,076,170 | 18,667,014 |
| Noncurrent assets: | | | | |
| Advances to other funds | - | 4,461,609 | 4,461,609 | - |
| Restricted cash and investments | - | - | - | 468,437 |
| Deposit in WMMIC | - | - | - | 2,459,264 |
| Capital assets: | | | | |
| Land | 8,049,032 | 2,239,715 | 10,288,747 | - |
| Buildings | 6,550,103 | 10,211,565 | 16,761,668 | 4,122,283 |
| Improvements other than buildings | 15,090,165 | 2,983,242 | 18,073,407 | 22,089 |
| Machinery and equipment | 716,168 | 8,217,104 | 8,933,272 | 11,762,337 |
| Vehicles | - | - | - | 10,860,583 |
| Construction in progress | 13,586 | 73,233 | 86,819 | 182,689 |
| Less accumulated depreciation | (12,249,267) | (13,392,252) | (25,641,519) | (14,000,311) |
| Total capital assets (net of accumulated depreciation) | 18,169,787 | 10,332,607 | 28,502,394 | 12,949,670 |
| Total noncurrent assets | 18,169,787 | 14,794,216 | 32,964,003 | 15,877,371 |
| Total assets | \$ 21,449,865 | \$ 29,590,308 | \$ 51,040,173 | \$ 34,544,385 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 81,342 | \$ 91,985 | \$ 173,327 | \$ 550,947 |
| Accrued compensation | 13,592 | 50,017 | 63,609 | 240,139 |
| Other liabilities | 51,043 | 1,668 | 52,711 | - |
| Claims payable - current | - | - | - | 2,308,820 |
| Deferred property tax revenue | 192,563 | - | 192,563 | 779,872 |
| Other unearned revenue | - | 548,898 | 548,898 | - |
| Total current liabilities | 338,540 | 692,568 | 1,031,108 | 3,879,778 |
| Noncurrent liabilities: | | | | |
| Advances from other funds | - | 2,550,027 | 2,550,027 | - |
| Claims payable | - | - | - | 2,401,185 |
| Total noncurrent liabilities | - | 2,550,027 | 2,550,027 | 2,401,185 |
| Total liabilities | \$ 338,540 | \$ 3,242,595 | \$ 3,581,135 | \$ 6,280,963 |
| NET ASSETS | | | | |
| Invested in capital assets | \$ 18,169,787 | \$ 10,332,607 | \$ 28,502,394 | \$ 12,949,670 |
| Restricted for deposit in WMMIC | - | - | - | 2,459,264 |
| Unrestricted | 2,941,538 | 16,015,106 | 18,956,644 | 12,854,488 |
| Total net assets | \$ 21,111,325 | \$ 26,347,713 | 47,459,038 | \$ 28,263,422 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | (819,419) | |
| Net Assets of Business-type Activities | | | \$ 46,639,619 | |

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - ALL PROPRIETARY FUNDS
For The Year Ended December 31, 2009

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|--|------------------------------|--------------------|---|
| | Airport Operations/ Development Fund | Other Enterprise Funds | Total | |
| OPERATING REVENUES | | | | |
| Charges for services | | | | |
| Lease revenue | \$ 280,423 | \$ 172,488 | \$ 452,911 | \$ - |
| County park fees | - | 3,893,938 | 3,893,938 | - |
| Office and building rent | 327,184 | - | 327,184 | - |
| Other | 80,722 | 474,874 | 555,596 | 3,228,079 |
| Interdepartmental revenues | - | 582,279 | 582,279 | 27,218,973 |
| Miscellaneous revenues | | | | |
| Recycling sales | - | 794,059 | 794,059 | - |
| Recoveries | 21,995 | 179 | 22,174 | 237,853 |
| Other | 22,707 | - | 22,707 | 561,091 |
| Total operating revenues | 733,031 | 5,917,817 | 6,650,848 | 31,245,996 |
| OPERATING EXPENSES | | | | |
| Salaries | 181,018 | 1,663,279 | 1,844,297 | 3,578,144 |
| Benefits | 72,670 | 551,119 | 623,789 | 1,406,936 |
| Estimated future claims expense | - | - | - | 2,309,372 |
| Operating | 171,681 | 1,381,420 | 1,553,101 | 4,040,134 |
| Purchased services | | | | |
| Contracted | 4,597 | 38,897 | 43,494 | 683,905 |
| Transportation | 2,822 | 45,863 | 48,685 | - |
| Insurance and claims expense | - | - | - | 18,317,874 |
| Payments to municipalities | - | 955,699 | 955,699 | - |
| Other | 288,855 | 149,438 | 438,293 | 126,455 |
| Interdepartmental | 72,603 | 1,303,826 | 1,376,429 | 444,289 |
| Depreciation | 903,486 | 1,253,116 | 2,156,602 | 3,093,589 |
| Total operating expenses | 1,697,732 | 7,342,657 | 9,040,389 | 34,000,698 |
| Operating (loss) | (964,701) | (1,424,840) | (2,389,541) | (2,754,702) |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| General property taxes | 192,563 | - | 192,563 | 1,165,245 |
| Intergovernmental contracts/grants | | | | |
| State aid - recycling | - | 1,203,090 | 1,203,090 | - |
| Other | - | 1,386,918 | 1,386,918 | 14 |
| Investment earnings | 1,599 | 56,422 | 58,021 | 444,141 |
| Interest expense and fiscal charges | - | (36,909) | (36,909) | - |
| Gain on disposal of capital assets | - | - | - | 456,752 |
| Total non-operating revenues (expenses) | 194,162 | 2,609,521 | 2,803,683 | 2,066,152 |
| Income (loss) before transfers and contributions | (770,539) | 1,184,681 | 414,142 | (688,550) |
| Transfers in | - | - | - | 5,150,000 |
| Transfers out | - | (275,000) | (275,000) | (445,000) |
| Total transfers | - | (275,000) | (275,000) | 4,705,000 |
| Income (loss) before contributions | (770,539) | 909,681 | 139,142 | 4,016,450 |
| Capital contributions | - | 133,902 | 133,902 | 8,518 |
| Increase (decrease) in net assets | (770,539) | 1,043,583 | 273,044 | 4,024,968 |
| Net assets - January 1 | 21,881,864 | 25,304,130 | | 24,238,454 |
| Net assets - December 31 | \$ 21,111,325 | \$ 26,347,713 | | \$ 28,263,422 |
| Adjustment to reflect the consolidation of current year internal service fund activities related to enterprise funds | | | (117,562) | |
| Change in net assets of business-type activities | | | \$ 155,482 | |

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS
For The Year Ended December 31, 2009

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|--|------------------------------|----------------------|---|
| | Airport Operations/ Development Fund | Other Enterprise Funds | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 733,031 | \$ 5,263,203 | \$ 5,996,234 | \$ 3,846,571 |
| Receipts from interfund services provided | - | 582,279 | 582,279 | 27,249,600 |
| Payments to suppliers | (404,005) | (1,759,590) | (2,163,595) | (23,405,622) |
| Payments to employees | (253,154) | (2,217,350) | (2,470,504) | (4,973,460) |
| Payments to municipalities | - | (955,699) | (955,699) | - |
| Payments for interfund services used | (72,603) | (1,303,826) | (1,376,429) | (444,289) |
| Total cash flows from operating activities | 3,269 | (390,983) | (387,714) | 2,272,800 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfers to other funds | - | (275,000) | (275,000) | (445,000) |
| Transfers from other funds | - | - | - | 5,150,000 |
| Receipts from intergovernmental contracts/grants | - | 1,845,753 | 1,845,753 | 14 |
| Receipts from general property taxes | 192,563 | - | 192,563 | 1,165,245 |
| Total cash flows from non-capital financing activities | 192,563 | 1,570,753 | 1,763,316 | 5,870,259 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (18,795) | (479,297) | (498,092) | (3,708,963) |
| Proceeds from sales of capital assets | - | - | - | 607,510 |
| Long term receivable from municipalities | - | 449,994 | 449,994 | - |
| Principal paid on capital related interfund advance | - | (624,597) | (624,597) | - |
| Interest paid on capital related interfund advance | - | (36,909) | (36,909) | - |
| Total cash flows from capital and related financing activities | (18,795) | (690,809) | (709,604) | (3,101,453) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 1,599 | 56,422 | 58,021 | 444,141 |
| Total cash flows from investing activities | 1,599 | 56,422 | 58,021 | 444,141 |
| Cash and Cash Equivalents, Beginning of Year | 2,908,879 | 13,495,862 | 16,404,741 | 11,982,483 |
| Cash and Cash Equivalents, End of Year | \$ 3,087,515 | \$ 14,041,245 | \$ 17,128,760 | \$ 17,468,230 |
| NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Capital asset contributions | \$ - | \$ 133,902 | \$ 133,902 | \$ 8,518 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES | | | | |
| Operating (loss) | \$ (964,701) | \$ (1,424,840) | \$ (2,389,541) | \$ (2,754,702) |
| Depreciation expense | 903,486 | 1,253,116 | 2,156,602 | 3,093,589 |
| (Increase) Decrease in accounts receivable | - | (66,222) | (66,222) | (112,488) |
| (Increase) Decrease in due from other governments | - | (281,118) | (281,118) | (37,335) |
| (Increase) Decrease in prepaid items | - | 7,637 | 7,637 | 44,722 |
| (Increase) Decrease in inventories | - | (17,172) | (17,172) | 72,541 |
| Increase (Decrease) in accounts payable | 63,950 | (130,747) | (66,797) | (105,237) |
| Increase (Decrease) in accrued compensation | 534 | (2,952) | (2,418) | 11,620 |
| Increase (Decrease) in other liabilities | - | (3,690) | (3,690) | (7,943) |
| Increase (Decrease) in other unearned revenue | - | 275,005 | 275,005 | - |
| Increase (Decrease) in claims payable | - | - | - | 2,068,033 |
| Net cash provided by operating activities | \$ 3,269 | \$ (390,983) | \$ (387,714) | \$ 2,272,800 |

(CONTINUED)

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS
For The Year Ended December 31, 2009

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---------------------------------------|-----------------------------|---|
| | Airport Operations/ Development Fund | Other Enterprise Funds | Total | Governmental Activities - Internal Service Funds |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED STATEMENT OF NET ASSETS | | | | |
| Cash and investments - statement of net assets | \$ 3,087,515 | \$ 14,041,245 | \$ 17,128,760 | \$ 16,999,793 |
| Restricted cash and investments - statement of net assets | - | - | - | 468,437 |
| Cash and cash equivalents - end of year | <u>\$ 3,087,515</u> | <u>\$ 14,041,245</u> | <u>\$ 17,128,760</u> | <u>\$ 17,468,230</u> |

See notes to financial statements.

(CONCLUDED)

FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

December 31, 2009

| | Agency Funds |
|--------------------------|-----------------------------|
| ASSETS | |
| Cash and investments | \$ 38,474,478 |
| Total assets | <u>\$ 38,474,478</u> |
| LIABILITIES | |
| Other liabilities | \$ 4,511,507 |
| Due to other governments | 33,962,971 |
| Total liabilities | <u>\$ 38,474,478</u> |

See notes to financial statements.

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WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Waukesha County, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

This report includes all of the funds of Waukesha County. The reporting entity for the County consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

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 or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization (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 the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Included within the reporting entity is the following Discretely Presented Component Unit:

WAUKESHA COUNTY HOUSING AUTHORITY

The government-wide financial statements include the Waukesha County Housing Authority ("Housing Authority") as a component unit. The Housing Authority is a legally separate organization. The County Executive appoints the board of the Housing Authority. Wisconsin Statutes provide for circumstances whereby the County can impose their will on the Housing Authority, and also create a potential financial benefit to or burden on the County. See Note 13. As a component unit, the Housing Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended September 30, 2009. Separately issued financial statements of the Waukesha County Housing Authority may be obtained from the Housing Authority's office at 120 Corrina Blvd., Waukesha, Wisconsin, 53186.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues 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 included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

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

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

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

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The County reports the following major governmental and enterprise funds:

Major Governmental Funds

General Fund – accounts for the County's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Human Services Special Revenue Fund – To account for funds provided for income maintenance, counseling, alcohol and drug abuse programs, children's center services, services to the developmentally disabled, chronically mentally ill, elderly and administrative support services.

Long Term Care Special Revenue Fund – Accounts for federal and state funds that provide services to eligible persons who are elderly, developmentally disabled, physically disabled or have a long-term mental illness.

General Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than proprietary fund debt.

Major Enterprise Funds

Airport Operations/Development Fund – Accounts for the operation of the County airport buildings and runways.

The County reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Nutrition Fund
Walter Tarmann Fund
Land Information System Fund
Child Support Fund
Community Development Fund
Mental Health Center Fund
Transportation Fund
Smith Park Fund
Reuss Trust Fund
Federated Library Fund

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

1999 through 2010 Capital Projects funds

Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Radio Services Fund
Golf Course Fund
Ice Arena Fund
Materials Recovery Facility Fund

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In addition, the County reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

- Risk Management/Self Insurance Fund
- Health and Dental Insurance Fund
- Vehicle Replacement Fund
- Central Fleet Maintenance Fund
- Communications Fund
- Collections Fund
- End User Technology Fund

Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

| | |
|----------------------------|------------------------------------|
| Dog License Fund | Homemaker Fund |
| Burial Fund | Sheriff Processing Fee |
| Unclaimed Property Fund | Main Jail Fund |
| Flexible Spending Account | Municipal Property Tax Collections |
| Huber Law Fund | Clerk of Courts Fund |
| District Attorney NSF Fund | |

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Human service fund, long term care fund, mental health center fund, and certain federally funded grant revenues are considered available if they are collected within 180 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the County is entitled the resources and the amounts are available. Amounts owed to the County, which are not available, are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include general intergovernmental assistance, intergovernmental contracts/grants, interdepartmental revenues, property taxes, miscellaneous taxes, charges for services, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year that are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The enterprise funds 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.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

State statutes restrict investment of County funds. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The State of Wisconsin Local Government Investment Pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The County's adopted investment policy is more restrictive than the state statutes in that it limits participation in investment pools to 10% of total pool assets and prohibits investments in corporate bonds, foreign securities, and the use of leverage. County policy also limits the use of open-ended management investments (mutual funds) to Aaa/AAA rated money market funds.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment earnings. Investment earnings on commingled investments of various County funds is allocated based on average balances, in accordance with adopted policies. A total of \$1,067,878 of investment interest was allocated to other funds in 2009. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Exchange Commission, but operates under the statutory authority of Wisconsin Statutes Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2009, the County's share of the LGIP's assets are reported at fair value. See Note 4 for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the County, taxes are collected for and remitted to the state and local governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of fiduciary net assets.

Property tax calendar – 2009 tax roll:

| | |
|--|------------------|
| Lien date and levy date | December 2009 |
| Tax bills mailed | December 2009 |
| Payment in full, or | January 31, 2010 |
| First installment due | January 31, 2010 |
| Second installment due | July 31, 2010 |
| Personal property taxes in full | January 31, 2010 |
| Tax sale – 2009 delinquent real estate taxes | October 2012 |

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the average cost method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are valued at cost based on the average cost method and charged to operation and maintenance expense when used. Inventory quantities at December 31, 2009 were determined by physical counts.

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

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. The balance of the county's self-insured retention (SIR) deposit held by WMMIC is shown as restricted cash and investments.

5. Capital Assets

GOVERNMENT –WIDE STATEMENTS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. The County defines capital assets as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest expense was capitalized in 2009. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------|-------------|
| Buildings | 25-40 Years |
| Land Improvements | 20 Years |
| Machinery and Equipment | 2-15 Years |
| Infrastructure | 15-50 Years |

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. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2009 are determined on the basis of current salary rates and include salary related payments.

Amounts accrued in the government-wide statement of net assets are considered due within one year because the county considers the carryover balances to be used before new benefit allocations.

8. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The County does not engage in conduit debt transactions.

9. Claims and Judgments

Claims and judgments are reported in the governmental funds only if they have matured. They are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be 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. There were no significant claims or judgments at year-end.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

10. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) 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.”

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

FUND STATEMENTS

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year’s budget due to legal restrictions or resources which are not available for current spending. 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 indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

11. Prior Period Information

Prior period information has not been presented in the statements since their inclusion would make the statements unduly complex and difficult to read.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation states that “Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.” The details of this are as follows:

| | |
|---|----------------------|
| Land | \$43,554,520 |
| Construction in progress | 18,532,254 |
| Buildings and improvements | 168,904,346 |
| Machinery, equipment, and vehicles | 43,092,151 |
| Infrastructure | 192,205,519 |
| Less: Accumulated depreciation | (173,334,481) |
| Less: Internal service fund capital assets, net of depreciation | (12,949,670) |
| Adjustment for Capital Assets | <u>\$280,004,639</u> |

Another element of that reconciliation states that “Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.” The details of this are as follows:

| | |
|---------------------------------|---------------------|
| Notes payable | \$75,855,000 |
| Unamortized debt premium | 230,980 |
| Unamortized debt discount | (31,037) |
| Compensated absences | 4,585,642 |
| Accrued interest | 648,692 |
| Unamortized debt issuance costs | (149,889) |
| Total | <u>\$81,139,388</u> |

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “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 assets exceed depreciation in the current period.” The details of this are shown on the following page.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONT'D)

| | |
|---|--------------|
| Capital outlay per fund financial statements | \$18,662,001 |
| Some items are recorded as capital outlay in the fund financial statements, but do not meet the County capitalization policy, and therefore are not capitalized in the government-wide statements | (4,106,610) |
| Depreciation expense (net of internal service funds) | (10,401,441) |
| Total | \$4,153,950 |

Another element of that reconciliation states, “Some expenses reported in the statement of activities, such as compensated absences and interest payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this are as follows:

| | |
|-------------------------|-----------|
| Debt premium (discount) | \$54,061 |
| Compensated absences | 128,479 |
| Accrued interest | (45,644) |
| Debt issuance costs | (3,939) |
| Total | \$132,957 |

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds. Accordingly, a budget has been adopted for the general fund and all special revenue, debt service, capital project, enterprise, and internal service funds. These budgets are prepared on a basis consistent with generally accepted accounting principles. Budgets are not formally adopted for agency funds.

Expenditures cannot legally exceed appropriations at the department level, pursuant to s.65.90, Wisconsin State Statutes. However, for the general and special revenue funds, the County has chosen a more restrictive control in the form of appropriation units, defined as groups of account classes within a department, including personnel costs, operating expenses, interdepartmental charges, and capital outlay. For proprietary funds, budgetary control is at the fund level. For capital project funds, budgetary control is at the individual project level.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

State statutes, (s.65.905 (a)), also provide for the County Board to authorize an amendment of the budget by a vote of two-thirds of the entire membership of the Board. The County Board has authorized the Finance Committee, under County Code Section 2-211(c)(3), the following fund transfer authority:

1. A transfer of funds from one appropriation unit to another within the department budget.
2. A transfer of funds from the contingency fund, not to cumulatively exceed 10% of the funds originally appropriated for a department in a fiscal year.

In addition, the statutes allow supplemental budget appropriations to be made from unanticipated revenues received or fund equity, as defined by ordinance and adopted by two-thirds approval of the County Board.

Supplemental appropriations necessary for 2009 were as follows:

| | Adopted Budget | Modified Budget* | Change |
|------------------|----------------|------------------|---------------|
| General | \$ 95,583,433 | \$ 97,316,313 | \$ 1,732,880 |
| Special Revenue | 81,507,660 | 89,391,854 | 7,884,194 |
| Debt Service | 13,442,338 | 21,142,338 | 7,700,000 |
| Capital Projects | 18,407,400 | 16,909,700 | (1,497,700) |
| Enterprise | 8,979,920 | 9,047,820 | 67,900 |
| Internal Service | 38,533,371 | 38,533,371 | 0 |
| Totals | \$ 256,454,122 | \$ 272,341,396 | \$ 15,887,274 |

*Excludes carryover project funds from prior years for general (\$2,542,281) special revenue (\$3,771,712), capital projects (\$25,236,531), enterprise (\$1,180,420) and internal service (\$1,202,754).

The adopted budgets for the general, special revenue, debt service and capital project funds are prepared on a basis consistent with generally accepted accounting principles. A comparison of budget and actual is included in the accompanying financial statements for governmental fund types with annual budgets.

The adopted budgets for enterprise and internal service funds are prepared on a basis consistent with generally accepted accounting principles. Both budget and accounting treat depreciation as an expense and for budget purposes capital outlay is a memo entry only.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

Budget and actual comparisons (excluding capital project revenues and expenses) of the County's enterprise and internal service funds for the year ended December 31, 2009 are as follows:

| Enterprise Funds | Revenues | | Expenses | |
|-------------------------------|--------------|--------------|--------------|--------------|
| | Budget | Actual | Budget | Actual |
| Radio Services* | \$ 1,095,512 | \$ 1,804,530 | \$ 1,235,616 | \$ 1,188,819 |
| Golf Courses | 3,464,900 | 2,962,035 | 3,458,511 | 3,104,471 |
| Ice Arenas* | 1,004,000 | 971,151 | 1,116,411 | 1,049,471 |
| Materials Recovery Facility | 2,462,500 | 2,826,531 | 1,935,177 | 1,592,099 |
| Airport* | 943,642 | 927,193 | 1,192,371 | 1,117,617 |
| Internal Service Funds | | | | |
| Risk Mgmt/Self-Insurance | \$ 1,733,300 | \$ 1,651,255 | \$ 2,328,164 | \$ 2,275,752 |
| Health and Dental Insurance | 19,349,000 | 19,227,010 | 21,363,600 | 18,845,138 |
| Vehicle Equipment Replacement | 2,440,099 | 2,510,239 | 2,440,099 | 2,218,795 |
| Central Fleet Maintenance | 3,417,267 | 2,870,651 | 3,529,588 | 3,121,026 |
| Communications | 768,366 | 739,711 | 798,353 | 738,148 |
| Collections | 684,225 | 762,156 | 795,133 | 719,485 |
| End User Technology Fund | 5,440,438 | 5,551,126 | 6,745,944 | 6,082,354 |

*Actual expenses exclude depreciation expense for capital assets acquired by grants externally restricted for capital acquisitions and construction (Radio Services, \$360,072; Ice Arena, \$84,634; Airport, \$580,115).

Budgetary amounts lapse at year-end, except for unexpended appropriations for capital projects, which carry forward to the ensuing year. The County Board, by ordinance, can authorize the carry forward of prior year's unexpended appropriations to the ensuing year.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

No funds had excess expenditures over appropriations.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

C. DEFICIT BALANCES

No funds had a deficit balance at December 31, 2009.

D. LIMITATIONS ON THE COUNTY'S TAX LEVY RATE AND ITS ABILITY TO ISSUE NEW DEBT

As part of Wisconsin's 1993 State Budget Bill (Act 16), legislation was passed (s.55.605, Wisconsin statutes) that limits the County's future tax levy rates. Generally, the County is limited to its 1992 tax levy rate for a five-year period, based upon current legislation. However, this limitation does not affect debt authorized prior to August 12, 1993 or refunding bonds.

The County may also exceed the limitation by holding a referendum (s.55.605 (3)(a)(1)) authorizing the County Board to approve a higher rate. The County may also exceed the rate if it increases the services it provides due to a transfer of these services from another governmental unit.

State statutes (s.55.605 and 67.045) also impose restrictions on the county's ability to issue new debt. Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- Refunding debt issues
- 75% approval by the County Board
- A reasonable expectation that the new debt can be accommodated within the existing tax rate
- Other exceptions as listed in State Statutes Section 67.045

The County is in compliance with the limitation.

Property Tax Levy Increase Limits

Enrolled Wisconsin Act 20 (2007-2009 State Biennium Budget Bill) imposed local property tax levy increase limits for 2008 and 2009 budget years. The law prohibits a County from increasing its total property tax levy for the 2009 Budget by the greater of the percentage change in the county growth in equalized value due to new construction between the previous year and the current year or 2.0%. The Federated Library system tax levy, debt service tax levy and local bridge aid tax levy increases are exempt from the levy limit. There is also a formula levy exemption (% of increment) for tax incremental finance (TID) districts dissolved in 2008. The 2009 budget meets the tax levy limit as adopted in Wisconsin Act 20.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 4 – DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. The deposit and investment balances of the various fund types on December 31, 2009 are as follows:

| | |
|-------------------------------------|-----------------------|
| General Fund | \$ 44,845,128 |
| Special Revenue Funds | 13,254,838 |
| Debt Service Funds | 4,060,379 |
| Capital Projects Funds | 38,118,576 |
| Enterprise Funds | 17,128,760 |
| Internal Service Funds | 16,999,793 |
| Internal Service Funds – Restricted | 468,437 |
| Agency Funds | 38,474,478 |
| Total | \$ 173,350,389 |

The County has adopted a formal investment policy which delegates authority to the Director of Administration to invest the money of the County, to sell or exchange securities purchased and to provide for the safekeeping of such securities. The Department of Administration contracts with investment advisory firms for investment management services.

Investment Risk Factors

There are many factors that can affect the value of investments, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies, such as Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk. The County's investment policy permits investments in securities only rated in the top two rating categories by Moody's and/or S&P.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)

The credit risk profile for fixed income securities at December 31, 2009 is as follows:

| U.S. Government Guaranteed | |
|--|----------------------|
| U.S. Treasury | \$25,824,618 |
| U.S. Agencies | 85,160,292 |
| Total U.S. Government Guaranteed | \$110,984,910 |
| Money Market Accounts | |
| AAAm | \$3,601,625 |
| Unrated – Wisconsin Local Government Investment Pool | 3,867,403 |
| Total Money Market Accounts | \$7,469,028 |
| U.S. Agencies | |
| AAA rated | \$7,633,857 |
| Municipal Bonds | |
| AAA rated | \$4,809,470 |
| AA rated | 4,330,097 |
| Total Municipal Bonds | \$9,139,567 |
| Grand Total | \$135,227,362 |

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian holding the County's deposits and investments, the deposits and investments may not be returned.

As of December 31, 2009 the carrying amount of the County's deposits was \$38,039,045 and the bank balance was \$30,285,047. \$30,285,047 of the bank balance at year-end was covered by Federal and State depository insurance or by collateral held by the County's agent in the County's name. None of the bank balance was uninsured or uncollateralized at year-end. In addition, the County maintains petty cash funds in the amount of \$83,982.

The County's Investment Policy requires all investment institutions acting as a depository for the County to enter into a "depository agreement" requiring the depository to pledge collateral to secure deposits over and above the \$250,000 of federal depository insurance and the \$400,000 covered by the State Deposit Guarantee. Additionally, non-interest bearing transaction accounts are currently fully guaranteed by the Federal Deposit Insurance Corporation. Federal depository insurance on all accounts is scheduled to be reduced to the prior limit of \$100,000 on December 31, 2013. All securities serving as collateral shall be specifically pledged to the County (not as part of a pooled fund) and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution. The custodian shall send statements of pledged collateral to the Treasurer's Office on a monthly basis.

The County's Investment Policy requires all of the County's investments to be held in the County's name by a third party custodian (a bank trust company), or be part of an external investment pool. There is no custodial credit risk exposure for these investments.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification of having significant funds invested in a few individual issuers, thereby exposing the County to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

Major issuers (over five percent of total investments) in the County's portfolio as of December 31, 2009 are as follows:

| Issuer | Amount | Percentage |
|---------------------------------------|----------------------|--------------|
| Federal National Mortgage Association | \$45,074,203 | 33.3% |
| US Treasury | 25,824,618 | 19.1% |
| Federal Home Loan Mortgage Corp. | 26,891,866 | 19.9% |
| Small Business Administration | 7,845,604 | 5.8% |
| Other Issuers (none over 5%) | 22,122,043 | 16.4% |
| Grand Total | \$127,758,334 | 94.5% |

The County's Investment Policy limits participation in investment pools or money market funds to no greater than ten percent of the total funds invested in the pool, based on monthly statement ending balances. There are no restrictions relating to concentration of credit risk on investments in debt securities.

Interest Rate Risk

The maturity limits in the County's investment policy are 120 days average maturity for money markets, 270 days for commercial paper, (which the County does not currently own) and 7 years on out of state general obligation securities. The County doesn't have any overall restrictions, and instead manages risk on an individual portfolio basis.

The County's Investment Policy specifies duration as the method to manage interest rate risk for its investments. In practice, the County contracts with professional portfolio management firms for its investments. Each portfolio management firm has been assigned a widely recognized benchmark or combination of benchmarks thereof, consistent with their management strategy. J.P. Morgan Asset Management has been assigned the Barclays Capital Intermediate Government Index as their benchmark. Dana Investment Advisors has been assigned a hybrid index consisting of 70 percent of the Citigroup 1 Year Treasury Index and 30 percent of the Merrill Lynch Mortgage Backed Index as their benchmark. Galliard Capital Management has been assigned a hybrid index consisting of 70 percent of the Barclays Capital Intermediate Government Index and 30 percent of the Barclays Capital Mortgage Index as their benchmark.

In addition to using the assigned benchmarks to evaluate the performance of the portfolio management firms, the firms also manage interest rate risk by maintaining the effective duration of their portfolios consistent to the duration of the assigned benchmark. The duration of the County's overall investments at December 31, 2009 is as follows (total duration includes money market accounts, which are not listed in the table):

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)

| Investment Type | Amount | Effective Duration |
|---|----------------------|--------------------|
| Federal Agency Coupon Securities | 20,054,463 | 4.64 years |
| Federal Agency Discount Securities | 250,000 | 1.94 years |
| U.S. Treasury Coupon Securities | 19,361,833 | 4.63 years |
| U.S. Treasury Discount Securities | 4,307,495 | 4.95 years |
| U.S. Treasury Inflation Protected Securities | 2,155,290 | 0.00 years |
| Federal Agency Mortgage Pass Through Securities | 72,489,686 | 3.74 years |
| Municipal Discount Securities | 173,102 | 0.49 years |
| Municipal Bonds | 8,966,465 | 1.90 years |
| Grand Total | \$127,758,334 | 3.06 years |

For money market fund investments and the Wisconsin Local Government Investment Pool, weighted average maturity is used to measure interest rate risk. The weighted average maturity of all of the County's money market investments at December 31, 2009 is as follows:

| Fund Name | Amount | Weighted Average Maturity |
|--|--------------------|---------------------------|
| Wisconsin Local Government Investment Pool | \$3,867,403 | 88 days |
| Federated Government Obligations Fund | 833,472 | 36 days |
| JP Morgan Government Money Market Fund | 2,768,153 | 43 days |
| Grand Total | \$7,469,028 | |

Foreign Currency Risk

The County's Investment Policy does not permit investments in securities of foreign issuers or in securities denominated in a currency other than the U.S. Dollar.

NOTE 5 - RECEIVABLES

Property Taxes

The County's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the County. The taxes are due and payable in the following year. Such amounts are recorded as property taxes receivable and deferred revenues in the accompanying financial statements. The aggregate levy of \$98,485,302 will be recognized as revenue during 2010.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 5 - RECEIVABLES (CONT'D)

Property taxes are recognized in the appropriate fund as revenues in the succeeding year when they are collected and available to finance services. If not collected by July 31st the delinquent property taxes are recorded as receivables and deferred revenues in the general fund. Delinquent property taxes are recognized as revenue when collected. Simple interest and penalty of 1 1/2 percent per month on delinquent property taxes are assessed by the County and recognized as revenue when received.

The County purchases uncollected property taxes from other taxing authorities at the unpaid amount to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues.

Local treasurers collect property taxes levied, typically through the last day of January in each year.

At this time, a settlement process between the county treasurer and local treasurers determines the amount due the various taxing districts. Tax collection becomes the responsibility of the County and taxes receivable represent unpaid taxes levied for all taxing entities within the County. The exceptions to this process are the Cities of Muskego, New Berlin, Oconomowoc and Waukesha and the Villages of Mukwonago and Sussex, wherein the settlement process does not occur until August of each year. Periodic advances from these taxing districts to the County are made prior to August of each year.

On August 31, the tax lien date, all unpaid taxes are reflected as tax certificates. No allowance for losses on delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the property.

Delinquent property taxes purchased from other taxing authorities are shown as reservations of fund balance at year-end. Delinquent property taxes levied by the County are shown as deferred revenue and are excluded from the fund balance until collected.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 5 - RECEIVABLES (CONT'D)

At December 31, 2009, delinquent property taxes by year levied consisted of the following:

| Tax Certificates | Total | County Levied | County Purchased |
|---|---------------------|----------------------|-------------------------|
| 2008 | \$8,197,535 | \$891,892 | \$7,305,643 |
| 2007 | 2,431,773 | 267,495 | 2,164,278 |
| 2006 | 765,698 | 86,371 | 679,327 |
| 2005 | 15,896 | 1,853 | 14,043 |
| 2004 | 1,182 | 136 | 1,046 |
| 2003 | 1,206 | 136 | 1,070 |
| 2002 and prior | 14,924 | 1,734 | 13,190 |
| Tax Deeds | 81,018 | 9,246 | 71,772 |
| Total Delinquent Property Taxes Receivable | \$11,509,232 | \$1,258,863 | \$10,250,369 |

Noncurrent Receivables

The amount of receivables not expected to be collected within one year includes an estimated \$7.5 million of property taxes and \$4.3 million of CDBG loans.

Deferred Revenue

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. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of current period. They have been levied with the intention to finance the following year's activities. 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:

| | Unavailable | Unearned | Total |
|--|--------------------|----------------------|----------------------|
| Property taxes receivable for subsequent year | \$ - | \$97,512,867 | \$97,512,867 |
| Delinquent property taxes receivable | - | 1,250,379 | 1,250,379 |
| CDBG loans receivable | 5,006,019 | - | 5,006,019 |
| Municipal loans receivable | 180,629 | - | 180,629 |
| Grant draw downs prior to meeting all eligibility requirements | - | 1,274,463 | 1,274,463 |
| Total deferred/unearned revenue for governmental funds | \$5,186,648 | \$100,037,709 | \$105,224,357 |
| Deferred/unearned revenue for internal service funds | | 779,872 | |
| Total deferred/unearned revenue for governmental activities | | \$100,817,581 | |

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 6– DUE FROM OTHER GOVERNMENTS

At December 31, 2009, amounts due from other governments consisted of the following:

| | |
|---|---------------------|
| Federal: | |
| CDBG Grants | \$ 1,348,726 |
| Aging and Disability Resource Center | 131,217 |
| Dept of Justice/U.S. Marshall | 248,622 |
| Other Federal | 147,288 |
| State: | |
| Health and Human Services Aid | 3,075,816 |
| Dept of Transportation | 1,271,368 |
| Other State | 2,118,261 |
| County and Municipal | 546,820 |
| Total per Statement of Net Assets | \$ 8,888,118 |

NOTE 7– LONG TERM RECEIVABLES

Communications Center. The 2003 capital budget included the appropriation of general fund balance as loans to municipalities to help them finance their half of infrastructure costs for a Waukesha County Communications Center. During 2002, the County received commitments from 29 municipalities, in the form of promissory notes to Waukesha County, to pay their estimated share of the capital costs. These notes totaled \$1,423,526, and were recorded as long-term receivables from municipalities in 2003, when construction began on the communications center. As of December 31, 2009, \$180,629 was outstanding on the notes.

Community Development Programs. As of December 31, 2009, \$5,006,019 is receivable from cities, villages, towns and non-profit corporations for federally funded Housing Assistance, Economic Development, and HOME loan programs.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 8- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

| Governmental Activities | Balance 1/1/2009 | Additions | Deletions | Balance 12/31/2009 |
|---|---------------------|--------------|-------------|-----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$42,048,378 | \$1,506,142 | \$0 | \$43,554,520 |
| Construction in progress | \$9,704,823 | \$8,827,431 | \$0 | \$18,532,254 |
| Other Capital Assets | | | | |
| Buildings | \$151,437,365 | \$1,323,433 | \$7,250 | \$152,753,548 |
| Land improvements | 15,888,187 | 262,611 | 0 | 16,150,798 |
| Machinery and equipment | 30,311,462 | 2,176,262 | 1,312,473 | 31,175,251 |
| Vehicles | 11,371,037 | 2,656,667 | 2,110,804 | 11,916,900 |
| Infrastructure | 190,672,534 | 1,532,985 | 0 | 192,205,519 |
| Total other capital assets at historical cost | \$399,680,585 | \$7,951,958 | \$3,430,527 | \$404,202,016 |
| Less: Accumulated Depreciation for: | | | | |
| Buildings | \$41,890,461 | \$3,681,187 | \$7,250 | \$45,564,398 |
| Land improvements | 7,995,005 | 779,153 | 0 | 8,774,158 |
| Machinery and equipment | 20,455,092 | 3,117,808 | 1,152,478 | 22,420,422 |
| Vehicles | 6,065,933 | 1,512,657 | 2,087,264 | 5,491,326 |
| Infrastructure | 86,679,952 | 4,404,225 | 0 | 91,084,177 |
| Total Accumulated Depreciation | \$163,086,443 | \$13,495,030 | \$3,246,992 | \$173,334,481 |
| Net Other Capital Assets | 236,594,142 | (5,543,072) | 183,535 | 230,867,535 |
| Total Capital Assets | \$288,347,343 | \$4,790,501 | \$183,535 | \$292,954,309 |

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 8– CAPITAL ASSETS (CONT'D)

Depreciation expense was charged to functions as follows:

| | |
|--|---------------------|
| Justice and Law Enforcement | \$172,605 |
| Health & Human Services | 9,929 |
| Public Works (includes roads, bridges, signals, buildings) | 7,888,542 |
| Environment, Parks, and Education | 1,069,154 |
| General Government | 1,261,211 |
| Risk Management | 213 |
| Vehicle Replacement Fund | 2,130,982 |
| Central Fleet | 136,044 |
| Communications | 9,087 |
| Collections | 6,823 |
| End User Technology Fund | <u>810,440</u> |
| Total Governmental Activities Depreciation Expense | <u>\$13,495,030</u> |

| Business-type Activities | Balance 1/1/2009 | Additions | Deletions | Balance 12/31/2009 |
|---|---------------------|----------------------|----------------|-----------------------|
| Capital assets not being depreciated: | | | | |
| Land | <u>\$10,288,747</u> | <u>\$0</u> | <u>\$0</u> | <u>\$10,288,747</u> |
| Construction in progress | <u>\$36,157</u> | <u>\$51,545</u> | <u>\$883</u> | <u>\$86,819</u> |
| Other Capital Assets | | | | |
| Buildings | \$16,748,585 | \$13,083 | \$0 | \$16,761,668 |
| Land improvements | 18,073,407 | 133,902 | 133,902 | 18,073,407 |
| Machinery and equipment | <u>8,498,925</u> | <u>434,347</u> | <u>\$0</u> | <u>8,933,272</u> |
| Total other capital assets at historical cost | <u>\$43,320,917</u> | <u>\$581,332</u> | <u>133,902</u> | <u>43,768,347</u> |
| Less: Accumulated depreciation for: | | | | |
| Buildings | \$7,376,697 | \$519,833 | \$0 | \$7,896,530 |
| Land improvements | 10,269,067 | 805,487 | 133,902 | 10,940,652 |
| Machinery and equipment | <u>5,973,055</u> | <u>831,282</u> | <u>\$0</u> | <u>6,804,337</u> |
| Total Accumulated Depreciation | <u>\$23,618,819</u> | <u>\$2,156,602</u> | <u>133,902</u> | <u>25,641,519</u> |
| Net Other Capital Assets | <u>\$19,702,098</u> | <u>(\$1,575,270)</u> | <u>\$0</u> | <u>\$18,126,828</u> |
| Total Capital Assets | <u>\$30,027,002</u> | <u>(\$1,523,725)</u> | <u>\$883</u> | <u>\$28,502,394</u> |

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 8 – CAPITAL ASSETS (CONT'D)

Depreciation expense was charged to functions as follows:

| | |
|---|---------------------|
| Radio Services | \$ 61,701 |
| Golf Courses | 188,055 |
| Ice Arenas | 221,923 |
| Materials Recovery Facility | 181,437 |
| Airport | <u>903,486</u> |
| Total Business-type Activities Depreciation Expense | <u>\$ 2,156,602</u> |

NOTE 9- INTERFUND ADVANCES AND TRANSFERS

Individual balances for interfund advances at December 31, 2009 are shown below. The principal purpose of these interfunds is to provide funding for capital projects through internal borrowing.

| Receivable Fund | Payables Fund | Amount | Amount Not Due Within One Year | Purpose |
|---|-----------------------|-------------|--------------------------------|-------------------------|
| General Fund | 2003 Capital Projects | \$1,085,925 | \$907,985 | Loans to Municipalities |
| General Fund | Ice Arena Fund | 1,639,984 | 1,639,984 | Building Construction |
| General Fund | Radio Services | 448,434 | 0 | Building Construction |
| Subtotal – General Fund | | \$3,174,343 | \$2,547,969 | |
| Golf Course Fund | Ice Arena Fund | 461,609 | 461,609 | Building Construction |
| Materials Recovery Facility | 2006 Capital Projects | 2,000,000 | 2,000,000 | Capital Project Funding |
| Materials Recovery Facility | 2007 Capital Projects | 2,000,000 | 2,000,000 | Capital Project Funding |
| Subtotal - Fund financial statements | | 7,635,952 | 7,009,578 | |
| Less fund eliminations | | (5,724,370) | | |
| Total – Government-wide statement of net assets | | \$1,911,582 | | |

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 9 - INTERFUND ADVANCES AND TRANSFERS (CONT'D)

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

| Fund Transferred From | Fund Transferred To | Amount | Principal Purpose |
|--|----------------------------|------------------|--------------------------|
| General Fund | Debt Service | \$570,000 | Debt retirement |
| General Fund | Long Term Care | 230,000 | Operating budget support |
| General Fund | Risk Management | 500,000 | Operating budget support |
| General Fund | Health/Dental Insurance | 3,950,000 | To establish new fund |
| General Fund | End User Technology | 350,000 | Operating budget support |
| General Fund | 2009 Capital Projects Fund | 2,760,000 | Capital project support |
| Subtotal General Fund | | \$8,360,000 | |
| Other Governmental: | | | |
| Long Term Care Fund | Human Services Fund | \$175,000 | Operating budget support |
| 1999 Capital Projects Fund | 2009 Capital Projects Fund | \$85,201 | Capital project support |
| 2000 Capital Projects Fund | 2009 Capital Projects Fund | 253,914 | Capital project support |
| 2001 Capital Projects Fund | 2009 Capital Projects Fund | 585,885 | Capital project support |
| 2004 Capital Projects Fund | 2008 Capital Projects Fund | 20,000 | Capital project support |
| Total Governmental | | \$9,480,000 | |
| Proprietary: | | | |
| Materials Recovery Facility | General Fund | \$275,000 | Operating budget support |
| Communications Fund | End User Technology | 350,000 | Capital project support |
| Collections Fund | General Fund | 95,000 | Repay start-up costs |
| Total Proprietary | | \$720,000 | |
| Subtotal Fund Financial Statements | | \$10,200,000 | |
| Less: Fund Eliminations | | (9,925,000) | |
| Grand Total - Statement of Activities | | \$275,000 | |

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 10- LONG-TERM OBLIGATIONS

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--------------------------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------------|
| Governmental Activities | | | | | |
| General Obligation Debt | \$78,320,000 | \$15,700,000 | (\$18,165,000) | \$75,855,000 | \$10,925,000 |
| Unamortized debt premium (discount) | 145,882 | 78,411 | (24,350) | 199,943 | - |
| Compensated Absences (Note 1.D.7) | 4,457,163 | 4,585,642 | (4,457,163) | 4,585,642 | 4,585,642 |
| Total Governmental Activities | \$82,923,045 | \$20,364,053 | (\$22,646,513) | \$80,640,585 | \$15,510,642 |

General Obligation Debt

The County has issued general obligation debt for the purpose of financing various capital improvements. All general obligation notes and bonds payable are backed by the full faith and credit of the County. Notes and bonds in the governmental funds will be retired by future property tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the County may not exceed five percent of the equalized value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2009, based on an equalized value of \$52,111,509,500 was \$2,605,575,475. Total general obligation debt outstanding at year-end was \$75,855,000.

| General Obligation Debt | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance 12/31/09 |
|--------------------------------|---------------|----------------|----------------|-----------------------|-------------------|
| Governmental Activities | | | | | |
| 2003A GOPN | 04/15/03 | 04/01/13 | 2.00%-3.875% | 13,500,000 | 9,100,000 |
| 2004A GOPN | 04/01/04 | 04/01/14 | 2.00%-3.20% | 14,000,000 | 9,700,000 |
| 2005A GOPN | 05/01/05 | 04/01/15 | 3.50%-4.00% | 14,400,000 | 12,255,000 |
| 2006A GOPN | 05/01/06 | 04/01/16 | 4.00%-4.15% | 12,000,000 | 10,400,000 |
| 2007A GOPN | 05/15/07 | 04/01/17 | 3.75%-3.875% | 10,000,000 | 9,200,000 |
| 2008A GOPN | 05/01/08 | 04/01/18 | 3.25%-3.50% | 10,000,000 | 9,500,000 |
| 2009A GOPN | 04/15/09 | 04/01/19 | 1.50%-3.375% | 15,700,000 | 15,700,000 |
| Total | | | | | 75,855,000 |

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 10 – LONG-TERM OBLIGATIONS (CONT'D)

Debt service requirements to maturity are as follows:

| Governmental Activities General Obligation Debt | | |
|--|----------------------|---------------------|
| Years | Principal | Interest |
| 2010 | 10,925,000 | 2,411,031 |
| 2011 | 11,785,000 | 2,068,663 |
| 2012 | 11,690,000 | 1,685,081 |
| 2013 | 11,320,000 | 1,284,681 |
| 2014 | 9,795,000 | 899,475 |
| 2015-2019 | 20,340,000 | 1,206,990 |
| Total | \$ 75,855,000 | \$ 9,555,921 |

As of December 31, 2009, \$4,060,379 is available in the governmental funds to service the general obligation debt.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general and human services funds.

Current Refunding

On April 15, 2009, the County issued \$7,700,000 in general obligation promissory notes with an average interest rate of 2.59% to current refund \$1,500,000 and \$6,425,000 of outstanding Series 2001 and Series 2002 general obligation promissory notes, respectively, with average interest rates of 4.5% and 4.3%, respectively.

The cash flow requirement on the refunded notes prior to the current refunding was \$13,565,413 from 2009 through 2012. The cash flow requirements on the Series 2009 general obligation promissory notes are \$10,548,585 from 2009 through 2012. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$484,548.

NOTE 11– LEASE DISCLOSURES

The County has no material capital leases as lessee or lessor.

Operating Leases

1. The County has a master lease agreement with the WCTC Foundation for the rental of space in a building known as the Workforce Development Center. The initial lease covered a ten-year period beginning January 1, 1995 with one ten-year renewal option. In August, 2004 an extension was negotiated for a period of five years commencing on January 1, 2005. The extension included reduced footage (4,271 square feet) and an annual payment composed of a base rent (for 2005 only) and an

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 11– LEASE DISCLOSURES (CONT'D)

additional amount for payment of operating costs and capital improvements/major maintenance (sinking fund). The annual rate for operating costs continues the 1995 initial rate of \$4.00 per square foot with an annual adjustment based on the Consumer Price Index. The resulting actual 2009 lease costs are detailed below.

| | | |
|--|----|---------------|
| Operating costs | \$ | 24,661 |
| Sinking fund: Capital improvements/major maintenance | | 2,349 |
| Total | \$ | <u>27,010</u> |

2. The County, through the Airport Commission, oversees the overall operation of the airport, and is lessor of the facility under various operating leases for periods ranging from 2010 through 2038. Operating leases at December 31, 2009 provide for the following future minimum lease payments:

| Year | Amount |
|--------------|------------------|
| 2010 | 287,699 |
| 2011 | 287,699 |
| 2012 | 282,054 |
| 2013 | 241,917 |
| 2014 | 224,454 |
| 2015-19 | 946,053 |
| 2020-24 | 727,264 |
| 2025-29 | 719,764 |
| 2030-34 | 504,872 |
| 2035-38 | 136,690 |
| Total | 4,358,466 |

The leased facilities have a cost of \$2,947,806, accumulated depreciation of \$1,789,916, and a net book value of \$1,157,890.

NOTE 12 –GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2009 includes the following:

| | | |
|--|--|----------------------|
| Invested in capital assets, net of related debt | | |
| Land | | \$43,554,520 |
| Construction in progress | | 18,532,254 |
| Other capital assets, net of accumulated depreciation | | 230,867,535 |
| Less: related long-term debt outstanding (net of unspent proceeds of debt) | | <u>(71,715,890)</u> |
| Total invested in capital assets | | <u>\$221,238,419</u> |

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 13– COMPONENT UNIT

This report contains the Waukesha County Housing Authority (Authority), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities. The footnote below is reproduced from the Authority's report.

NOTE 1 – Summary of Significant Accounting Policies

The accounting policies of the Waukesha County Housing Authority, Wisconsin conform to generally accepted accounting principles as applicable to enterprise funds of governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

This report contains the financial information of the Waukesha County Housing Authority (the "Authority"), which is a component unit of Waukesha County.

The Authority is a legally separate organization. The board of commissioners of the Authority is appointed by the county executive and board of supervisors of Waukesha County. Wisconsin Statutes provide for circumstances whereby Waukesha County can impose their will on the Authority, and also create a potential financial benefit to or burden on Waukesha County.

The reporting entity for the Authority consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

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 or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (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. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. This report does not contain any component units.

The Authority was established for the purpose of engaging in the development, acquisition, and administrative activities of low-income housing programs and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 13– Component Unit (Cont'd)

responsibility for administering the low-income housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to local housing authorities for the purpose of maintaining the low-rent character of the local housing programs.

B. Financial Statements

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into “invested in capital assets, net of related debt”; “restricted”; and “unrestricted” components.

The Authority follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The Authority currently does not have any operating revenues. Operating expenses for the Authority include administrative expenses, tenant expenses, maintenance and operation and housing assistance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 expenses during the reporting period. Actual results could differ from those estimates.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 13– Component Unit (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of Authority funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The Authority's investment policy follows the state statute for allowable investments. The Authority does not have a policy that pertains to custodial credit risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

See NOTE III.A. for further information.

2. Receivables

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$0.

3. Prepaid Items

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by external parties. Current liabilities payable from these restricted assets are so classified.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 13– Component Unit (Cont'd)

5. Capital Assets

Capital assets used by the Authority are those assets owned by the Housing Authority of the City of Waukesha. Consequently, the Authority does not report any capital assets.

6. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at September 30, 2009 are determined on the basis of current salary rates and include salary related payments.

7. Conduit Debt

The Authority has issued multifamily housing refunding revenue bonds for the benefit of private enterprises. The bonds are secured by revenue agreements on the associated projects and do not constitute indebtedness of the Authority. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of bonds outstanding at the end of the year is \$29,705,000, made up of five issues.

8. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

9. Equity Classifications

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

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

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

NOTE II – Stewardship, Compliance, and Accountability

A. Budgetary Information

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for funds receiving federal expenditure awards. All budgets are prepared on a basis

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE 13– Component Unit (Cont'd)

prescribed by HUD which is materially consistent with generally accepted accounting principles. All annual appropriations lapse at year-end.

NOTE III – Detailed Notes on All Funds

A. Deposits and Investments

The Authority's cash and investments at year end were comprised of the following:

| | Carrying Value | Bank Balance | Associated Risks |
|-----------------------------------|-------------------|-------------------|-----------------------|
| Demand deposits | \$ 424,270 | \$ 424,324 | Custodial credit risk |
| Certificates of deposit | 228,745 | 228,745 | Custodial credit risk |
| Total Cash and Investments | \$ 653,015 | \$ 653,069 | |

Reconciliation to financial statements

Per statement of net assets

| | |
|--|-------------------|
| Unrestricted cash and cash equivalents | \$ 276,208 |
| Unrestricted investments | 228,745 |
| Restricted cash and cash equivalents | 148,062 |
| Total Cash and Investments | \$ 653,015 |

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts. Additionally, the Authority's bank participates in the FDIC's Transaction Account Guarantee Program which provides unlimited coverage for interest bearing accounts with a rate below 0.5%.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual entities.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to the Authority.

As of September 30, 2009, none of the Authority's total bank balances was exposed to custodial credit risk.

B. Receivables

All of the Authority's receivables are expected to be collected within one year.

C. Restricted Assets

The following represent the balances of the restricted assets:

Tenant Deposits

The Authority holds certain assets under the Family Self Sufficiency Program which are for the purpose of assisting tenants with accumulating funds. This amounted to \$50,502 at year end.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 13– Component Unit (Cont'd)

Housing Assistance Payments

The Authority has received Housing Assistance Payments in advance of the actual disbursement to the recipients. This amounted to \$97,560 at year end.

NOTE IV – Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

B. Commitments and Contingencies

From time to time, the Authority is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Authority's Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Authority's financial position or results of operations.

The Authority has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

C. Economic Dependency

The Authority is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The Authority operates at a loss prior to receiving contributions and grants from HUD.

NOTE 14– EMPLOYEES' RETIREMENT SYSTEM

All eligible County employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, and 5.0% for Protective Occupations with Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for County employees covered by the system for the year ended December 31, 2009 was \$75,257,626; the employer's total payroll was \$77,185,464. The total required contribution for the year ended December 31, 2009 was \$8,451,886 or 11.2 percent of covered payroll. Of this amount, the employer contributed 98 percent for the current year. Total contributions for the years ending December 31, 2008 and 2007 were \$8,705,410 and \$8,120,785, respectively, equal to the required contributions for each year.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 14– EMPLOYEES’ RETIREMENT SYSTEM (Cont’d)

Employees who retire at or after age 65 (62 for elected officials, 54 for protective occupation employees with less than 25 years of service, and 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee’s three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

There was no pension-related debt for the County as of December 31, 2009.

NOTE 15 – RISK MANAGEMENT/SELF INSURANCE

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and workers compensation. The County purchases commercial insurance to provide coverage for losses from theft of, damages to, or destruction of assets. The County also participates in a public entity risk pool called the Wisconsin Municipal Mutual Insurance Company (WMMIC) to provide coverage for losses from torts, errors and omission, and workers compensation. Such risks are accounted for and financed by the County in an internal service fund – the risk management fund.

Public Entity Risk Pool

During 1987, the County, together with certain other units of government within the State of Wisconsin, created the Wisconsin Municipal Mutual Insurance Company (WMMIC), a nonassessable mutual company which provides liability insurance and risk management services to its members. The County became a member of WMMIC in 1987 by issuing a general obligation note for \$2,459,264 and investing the proceeds in WMMIC. The scope of insurance protection provided by WMMIC is broad, covering automobile liability, general liability, law enforcement liability, public official’s errors and omissions, civil rights, incidental medical malpractice, personal injury, equal rights, and Americans with Disabilities Act at policy limits of \$5,000,000 per occurrence with a \$15,000,000 aggregate for general and automobile liability claims and a \$15,000,000 aggregate for errors or omissions claims. The County’s self-insured retention limit is \$350,000 for each occurrence and \$1,250,000 annual aggregate. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. WMMIC’s exposure in its layer of insurance is limited to \$1,000,000 per occurrence in that the company purchases \$4,000,000 per occurrence in reinsurance for losses in excess of its retained layer of coverage.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
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NOTE 15– RISK MANAGEMENT/SELF INSURANCE (CONT'D)

WMMIC is governed by one entity-one vote. Member entities include Waukesha County and the counties of Brown, Chippewa, Dane, Dodge, Eau Claire, Kenosha, LaCrosse, Manitowoc, Marathon, Outagamie, Rock, St. Croix, and Walworth and the cities of Eau Claire and Madison. All member entities participate in the governing of the company. Its Board of Directors is made up of at least five representatives of the participating entities and the company's Charter allows for the appointment of two at large members to the Board of Directors. The participants elect the board members at the annual meeting. The board has the authority to adopt its own budget, set policy matters and control the financial affairs of the company.

The actuary for WMMIC determines the insurance premiums for each member based upon the relevant rating exposure bases as well as the historical loss experience by member. WMMIC's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company. The County's share in the operation of WMMIC as of December 31, 2009 is 10.56%.

The County's investment in WMMIC is reported on the risk management fund balance sheet as a deposit. The amount reported is the original capitalization of \$2,459,264. According to its bylaws, WMMIC allocates equity to members based on the percentage of participation. GASB pronouncements do not allow the current value of the County's account at WMMIC to be recorded as an asset. However, the amount is \$3,554,700. A list of other members and their share of participation is in the WMMIC report. Separate financial statements can be obtained from WMMIC at their address of 4785 Hayes Road, Madison, Wisconsin, 53704-7364.

WMMIC requires that the County maintain a minimum reserve amount for the payment of claims equal to the expected present value of unpaid losses as determined by the company's actuary consultant. At December 31, 2009, the county's minimum reserve amount required by WMMIC is \$1,284,424.

Self Insurance – Worker's Compensation

The worker's compensation internal service fund is maintained to provide for self-insured worker's compensation insurance coverage and employee safety and loss control programs. The County contracts with a third party claims administrator for the purpose of adjusting worker's compensation claims. An excess insurance policy covers individual claims in excess of the County's \$300,000 self-insured retention up to statutory requirements (unlimited) per claim. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. Costs associated with the worker's compensation program are billed to other County departments based on exposure and historical loss experience and include amounts necessary to fund current year claims to be paid in the current year and in the future.

At December 31, 2009, the expected present value of unpaid losses, as determined by the County's actuary consultant, is \$1,171,589.

Claims Liability

The liability for both risk management and worker's compensation is accounted for in the same fund on a combined basis. At December 31, 2009, the County's liability and worker's compensation combined claims reserve totals \$2,986,312, which closely approximates an expected confidence level of about 70-75%. The County's objective is to provide a reserve confidence level of 75% by December 31, 2010.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 15– RISK MANAGEMENT/SELF INSURANCE (CONT'D)

| <u>Liability and Workers Compensation Claims</u> | <u>2008</u> | <u>2009</u> |
|--|---------------------|---------------------|
| Unpaid claims, including incurred but not reported - | | |
| Beginning of Year | \$ 2,725,740 | \$ 2,641,972 |
| Current year claims and changes in estimates | 492,423 | 928,372 |
| Claim payments | <u>(576,191)</u> | <u>(584,032)</u> |
| Unpaid claims - End of Year | <u>\$ 2,641,972</u> | <u>\$ 2,986,312</u> |
| Amount not due within one year | | \$ 2,315,000 |
| In addition, net assets can be analyzed as follows: | | |
| Invested in capital assets | | \$ 1,532 |
| WMMIC deposit | | 2,459,264 |
| Reserves for losses not captured within actuary analysis (e.g., pollution liability, employment litigation back wages, etc.) and for catastrophic losses | | <u>(178,608)</u> |
| Total Net Assets | | <u>\$ 2,282,188</u> |

Self-Insurance - Health Coverage

The County has established a self-insurance program for health claims. Claims are accounted for in an internal service fund, the health and dental insurance fund. Claims are processed by a third party claims administrator. The uninsured risk of loss is \$275,000 per individual claimant per year. The County has purchased commercial stop-loss insurance for claims in excess of the \$275,000 retention. In 2009, there were no claims that exceeded the \$275,000 specific stop loss retention.

The County also has a self-funded dental plan. The insurance claim payments shown below include both self-funded health and dental.

All funds of the County participate in the health and dental insurance programs. Amounts payable to the health and dental insurance fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The County does not allocate overhead costs or other non-incremental costs to the claims liability.

| Claims Liability | <u>2008</u> | <u>2009</u> |
|--|---------------------|---------------------|
| Unpaid claims – Beginning of Year | \$2,428,900 | \$1,951,480 |
| Current year claims and changes in estimates | 13,978,490 | 16,086,776 |
| Claim payments | <u>(14,455,910)</u> | <u>(16,314,563)</u> |
| Unpaid claims - End of Year | <u>\$1,951,480</u> | <u>\$1,723,693</u> |
| Amount not due within one year | | <u>\$86,185</u> |

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
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NOTE 16– COMMITMENTS AND CONTINGENCIES

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and corporation counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

During 2009, the County borrowed \$8,000,000 for the purpose of making various capital improvements. This money, as well as revenue from other sources, is reflected in the 2009 capital projects fund. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable. The balance of contract amounts plus open purchase orders of \$3,203,318 at year end will be paid out of the reserved fund balance in the capital projects funds.

Funding for the operating budget of the County comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the County. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the County.

NOTE 17– SUBSEQUENT EVENTS

On February 23, 2010, the County Board reduced the 2010 Capital Budget by \$1,000,000 and reduced debt borrowing by the same amount.

On March 23, 2010, the County Board authorized the issuance of not to exceed \$9,000,000 Taxable General Obligation Promissory Notes for capital projects. The County intends to designate the Notes as "Recovery Zone Economic Development Bonds".

On June 8, 2010, the County issued \$9,000,000 of General Obligation Promissory Notes maturing on April 1, 2011 through 2020. The proceeds of the Notes will finance part of the cost of capital improvements within the County.

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