

## **GOVERNMENT-WIDE STATEMENTS**

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF NET ASSETS  
December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 126,185,613	\$ 19,444,658	\$ 145,630,271	\$ 508,328
Receivables:				
Property taxes - delinquent	11,586,214	-	11,586,214	-
Property taxes - levied for subsequent years budget	100,713,729	192,563	100,906,292	-
Taxes levied for other governments	8,409,373	-	8,409,373	-
Accrued interest	739,347	-	739,347	636
Accounts	1,917,588	50,973	1,968,561	-
Due from other governments	8,750,920	22,627	8,773,547	6,796
Internal balances	946,428	(946,428)	-	-
Prepaid items	164,511	-	164,511	385
Inventories	987,809	137,871	1,125,680	-
Unamortized debt issuance expense	174,443	-	174,443	-
Advances to/from other funds	(2,360,016)	2,360,016	-	-
Restricted cash and investments	500,000	-	500,000	375,377
Deposit in WMMIC	2,459,264	-	2,459,264	-
Long term receivable	5,613,774	-	5,613,774	-
Capital assets:				
Land	49,937,591	10,288,747	60,226,338	-
Construction in progress	20,595,402	-	20,595,402	-
Buildings	161,793,703	18,435,970	180,229,673	-
Improvements other than buildings	18,250,422	18,714,456	36,964,878	-
Machinery and equipment	31,919,846	9,291,105	41,210,951	-
Software	1,443,604	-	1,443,604	-
Vehicles	14,120,565	-	14,120,565	-
Infrastructure	222,094,929	-	222,094,929	-
Accumulated depreciation	(196,923,461)	(29,340,387)	(226,263,848)	-
<b>Total assets</b>	<b>\$ 590,021,598</b>	<b>\$ 48,652,171</b>	<b>\$ 638,673,769</b>	<b>\$ 891,522</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,539,188	\$ 222,662	\$ 9,761,850	\$ 3,520
Accrued compensation	4,758,008	67,093	4,825,101	6,166
Other liabilities	1,025,919	51,043	1,076,962	81,876
Due to other governments	8,900,435	-	8,900,435	34,741
Claims payable - current	2,669,551	-	2,669,551	-
Accrued interest payable	509,725	-	509,725	-
Unearned property tax revenue	100,713,729	192,563	100,906,292	-
Other unearned revenue	1,092,870	1,166,736	2,259,606	-
Long-Term Liabilities:				
Compensated absences - current	4,698,800	-	4,698,800	3,007
Claims payable - non current	2,605,219	-	2,605,219	-
Notes payable - current	11,995,000	-	11,995,000	-
Notes payable - non current	60,129,729	-	60,129,729	-
<b>Total liabilities</b>	<b>\$ 208,638,174</b>	<b>\$ 1,700,097</b>	<b>\$ 210,338,271</b>	<b>\$ 129,310</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 254,637,685	\$ 27,389,891	\$ 282,027,576	\$ -
Restricted net assets for:				
Park development	6,501,983	-	6,501,983	-
Debt service	3,263,977	-	3,263,977	-
Community development	6,338,964	-	6,338,964	-
Library purposes	1,021,171	-	1,021,171	-
Human services	1,319,855	-	1,319,855	-
Deposit in WMMIC	2,459,264	-	2,459,264	-
Housing assistance payments	-	-	-	258,796
Unrestricted net assets	105,840,525	19,562,183	125,402,708	503,416
<b>Total net assets</b>	<b>\$ 381,383,424</b>	<b>\$ 46,952,074</b>	<b>\$ 428,335,498</b>	<b>\$ 762,212</b>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	PRIMARY GOVERNMENT				Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Expenses	Program Revenues		Capital Grants and Contributions	Governmental Activities	Primary Government		
		Charges for Services	Operating Grants and Contributions			Business-type Activities	Total	
<b>GOVERNMENTAL ACTIVITIES</b>								
Justice and public safety	\$ 54,853,061	\$ 12,519,982	\$ 3,252,972	\$ -	\$ (39,080,107)	\$ -	\$ (39,080,107)	\$ -
Health and human services	70,672,615	8,350,837	39,101,807	-	(23,219,971)	-	(23,219,971)	-
Environment, parks and education	20,944,133	7,845,628	1,762,373	1,639,581	(9,696,551)	-	(9,696,551)	-
Public works	31,659,321	5,687,356	5,237,086	12,148,569	(8,586,310)	-	(8,586,310)	-
General government	17,440,844	3,772,509	951,759	-	(12,716,576)	-	(12,716,576)	-
Interest expense	2,240,404	-	-	-	(2,240,404)	-	(2,240,404)	-
<b>Total Governmental Activities</b>	<b>197,810,378</b>	<b>38,176,312</b>	<b>50,305,997</b>	<b>13,788,150</b>	<b>(95,539,919)</b>	<b>-</b>	<b>(95,539,919)</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Radio services	391,298	506,172	-	-	-	114,874	114,874	-
Golf courses	2,991,178	2,792,713	-	-	-	(198,465)	(198,465)	-
Ice arenas	1,172,385	995,302	-	788,496	-	611,413	611,413	-
Materials recovery facility	2,392,616	1,818,024	874,122	-	-	299,530	299,530	-
Airport	1,755,951	716,783	-	738,518	-	(300,650)	(300,650)	-
<b>Total Business-type Activities</b>	<b>8,703,428</b>	<b>6,828,994</b>	<b>874,122</b>	<b>1,527,014</b>	<b>-</b>	<b>526,702</b>	<b>526,702</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 206,513,806</b>	<b>\$ 45,005,306</b>	<b>\$ 51,180,119</b>	<b>\$ 15,315,164</b>	<b>\$ (95,539,919)</b>	<b>\$ 526,702</b>	<b>\$ (95,013,217)</b>	<b>\$ -</b>
<b>COMPONENT UNIT</b>								
Housing authority	\$ 2,470,353	\$ -	\$ 2,566,600	\$ -	\$ -	\$ -	\$ -	\$ 96,247
<b>GENERAL REVENUES</b>								
Property taxes					103,821,378	192,563	104,013,941	-
Grants and contributions, not restricted to specific programs					2,042,121	-	2,042,121	-
Investment earnings					6,426,213	33,480	6,459,693	2,747
Miscellaneous					4,555,165	50,801	4,605,966	38,826
Gain on disposal/sale of capital assets					442,342	5,490	447,832	-
<b>Total General Revenues</b>					<b>117,287,219</b>	<b>282,334</b>	<b>117,569,553</b>	<b>41,573</b>
<b>Change in Net Assets</b>					<b>21,747,300</b>	<b>809,036</b>	<b>22,556,336</b>	<b>137,820</b>
Net Assets - Beginning of Year					359,636,124	46,143,038	405,779,162	624,392
<b>Net Assets - End of Year</b>					<b>\$ 381,383,424</b>	<b>\$ 46,952,074</b>	<b>\$ 428,335,498</b>	<b>\$ 762,212</b>

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.

**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, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 57,844,505	\$ 3,773,563	\$ 45,993,718	\$ 107,611,786
Receivables:				
Property taxes - delinquent	11,586,214	-	-	11,586,214
Property taxes levied for ensuing year's budget	79,968,363	13,415,000	7,310,366	100,693,729
Taxes levied for other governments	8,409,373	-	-	8,409,373
Accrued interest	739,347	-	-	739,347
Accounts	1,530,183	-	16,198	1,546,381
Due from other governments	5,203,133	-	3,514,140	8,717,273
Due from other funds	1,336,045	-	-	1,336,045
Prepaid items	3,730	-	-	3,730
Inventories	-	-	580,873	580,873
Advances to other funds	1,639,984	-	-	1,639,984
Long term receivable	-	-	5,613,774	5,613,774
<b>Total assets</b>	<b>\$ 168,260,877</b>	<b>\$ 17,188,563</b>	<b>\$ 63,029,069</b>	<b>\$ 248,478,509</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 4,796,952	\$ -	\$ 3,547,950	\$ 8,344,902
Accrued compensation	4,499,234	-	33,659	4,532,893
Other liabilities	950,923	-	2,384	953,307
Due to other governments	8,821,468	-	78,967	8,900,435
Due to other funds	-	-	1,336,045	1,336,045
Deferred property tax revenue	81,219,137	13,415,000	7,310,366	101,944,503
Other deferred revenue	329,521	-	6,377,123	6,706,644
Advances from other funds	-	-	4,000,000	4,000,000
<b>Total liabilities</b>	<b>\$ 100,617,235</b>	<b>\$ 13,415,000</b>	<b>\$ 22,686,494</b>	<b>\$ 136,718,729</b>
<b>FUND BALANCES</b>				
Non-spendable:				
Non-current interfunds	\$ 2,976,029	\$ -	\$ -	\$ 2,976,029
Prepaid items	3,730	-	-	3,730
Inventories	-	-	580,873	580,873
Delinquent taxes	10,335,579	-	-	10,335,579
Restricted:				
Park purposes	189,300	-	6,312,683	6,501,983
Debt service	-	3,773,563	-	3,773,563
Community development	-	-	725,190	725,190
Library purposes	-	-	1,021,171	1,021,171
Human services	-	-	1,319,855	1,319,855
Committed:				
Sick leave payout	500,000	-	-	500,000
Interfund loan payment	4,000,000	-	-	4,000,000
Capital project purposes	-	-	19,896,666	19,896,666
Assigned:				
Jail assessment fees	1,143,024	-	-	1,143,024
Seized funds	274,244	-	-	274,244
Juror donations	1,090	-	-	1,090
Redaction fees	294,295	-	-	294,295
Subsequent year's budget	6,409,605	-	22,023	6,431,628
Equipment replacement	998,400	-	-	998,400
Contingency fund	1,200,000	-	-	1,200,000
Capital project purposes	3,119,000	-	10,464,114	13,583,114
Unassigned	36,199,346	-	-	36,199,346
<b>Total fund balances</b>	<b>\$ 67,643,642</b>	<b>\$ 3,773,563</b>	<b>\$ 40,342,575</b>	<b>\$ 111,759,780</b>
<b>Total liabilities and fund balances</b>	<b>\$ 168,260,877</b>	<b>\$ 17,188,563</b>	<b>\$ 63,029,069</b>	<b>\$ 248,478,509</b>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
December 31, 2011

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Total Fund Balances - Governmental Funds	\$ 111,759,780
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.)	308,915,786
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.)	(77,158,811)
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.	31,002,121
Other long term assets are not available to pay for current period expenditures and, therefore are deferred in the funds. (See Note 5)	6,864,548
<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 381,383,424</u></b>

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, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
General intergovernmental assistance	\$ 1,041,769	\$ -	\$ 4,244,329	\$ 5,286,098
Intergovernmental contracts/grants	35,813,690	-	18,650,802	54,464,492
Taxes	79,355,669	13,305,000	7,143,281	99,803,950
Fines and licenses	3,211,223	-	-	3,211,223
Charges for services	21,646,038	-	994,838	22,640,876
Interdepartmental revenues	3,595,570	-	550,147	4,145,717
Investment earnings	5,496,895	189,019	341,275	6,027,189
Miscellaneous revenues	9,447,060	126,325	1,550,408	11,123,793
<b>Total revenues</b>	<b><u>159,607,914</u></b>	<b><u>13,620,344</u></b>	<b><u>33,475,080</u></b>	<b><u>206,703,338</u></b>
<b>EXPENDITURES</b>				
Current:				
Justice and public safety	55,692,702	-	-	55,692,702
Health and human services	64,383,565	-	9,873,280	74,256,845
Environment, parks and education	12,842,110	-	4,995,689	17,837,799
Public works	9,590,979	-	11,544,338	21,135,317
General government	12,162,412	-	-	12,162,412
Capital outlay:				
Justice and public safety	437,731	-	134,058	571,789
Environment, parks and education	339,758	-	3,183,281	3,523,039
Public works	232,319	-	13,003,453	13,235,772
General government	-	-	2,806,283	2,806,283
Debt service:				
Principal retirement	-	21,760,000	-	21,760,000
Interest and fiscal charges	-	2,375,230	-	2,375,230
<b>Total expenditures</b>	<b><u>155,681,576</u></b>	<b><u>24,135,230</u></b>	<b><u>45,540,382</u></b>	<b><u>225,357,188</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>3,926,338</u></b>	<b><u>(10,514,886)</u></b>	<b><u>(12,065,302)</u></b>	<b><u>(18,653,850)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
General obligation notes issued	-	9,490,000	10,000,000	19,490,000
Transfers in	672,974	550,000	5,650,000	6,872,974
Transfers out	(2,253,522)	-	(5,177,974)	(7,431,496)
<b>Total other financing sources (uses)</b>	<b><u>(1,580,548)</u></b>	<b><u>10,040,000</u></b>	<b><u>10,472,026</u></b>	<b><u>18,931,478</u></b>
<b>Net change in fund balances</b>	<b><u>2,345,790</u></b>	<b><u>(474,886)</u></b>	<b><u>(1,593,276)</u></b>	<b><u>277,628</u></b>
Fund Balances - January 1 - as restated	65,297,852	4,248,449	41,935,851	111,482,152
<b>Fund Balances - December 31</b>	<b><u>\$ 67,643,642</u></b>	<b><u>\$ 3,773,563</u></b>	<b><u>\$ 40,342,575</u></b>	<b><u>\$ 111,759,780</u></b>

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, 2011

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Net changes in fund balances - total governmental funds	\$ 277,628
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets and contributions exceeded depreciation in the current period (see Note 2.B.)	17,204,922
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets.	21,760,000
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.	(19,490,000)
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.)	(322,975)
Internal service funds are used by management to charge the costs of various services to individual funds and functional categories.	2,034,242
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. Delinquent property taxes are also not expected to be paid during the current period and are not reported in the governmental funds.	283,483
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 21,747,300</u></b>

See notes to financial statements.

## **MAJOR PROPRIETARY FUND**

**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, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Other Enterprise Funds	Total	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 3,441,528	\$ 16,003,130	\$ 19,444,658	\$ 18,573,827
Receivables:				
Property taxes levied for ensuing year's budget	192,563	-	192,563	20,000
Accounts	-	50,973	50,973	371,207
Total receivables	192,563	50,973	243,536	391,207
Due from other governments	-	22,627	22,627	33,647
Prepaid items	-	-	-	160,781
Inventories	-	137,871	137,871	406,936
Total current assets	3,634,091	16,214,601	19,848,692	19,566,398
Noncurrent assets:				
Advances to other funds	-	4,461,609	4,461,609	-
Restricted cash and investments	-	-	-	500,000
Deposit in WMMIC	-	-	-	2,459,264
Capital assets:				
Construction in progress	-	-	-	1,124,973
Land	8,049,032	2,239,715	10,288,747	-
Buildings	6,550,103	11,885,867	18,435,970	4,122,283
Improvements other than buildings	15,704,941	3,009,515	18,714,456	22,089
Machinery and equipment	976,178	8,314,927	9,291,105	12,165,438
Software	-	-	-	46,343
Vehicles	-	-	-	12,819,983
Less accumulated depreciation	(14,113,476)	(15,226,911)	(29,340,387)	(15,984,294)
Total capital assets (net of accumulated depreciation)	17,166,778	10,223,113	27,389,891	14,316,815
Total noncurrent assets	17,166,778	14,684,722	31,851,500	17,276,079
<b>Total assets</b>	<b>\$ 20,800,869</b>	<b>\$ 30,899,323</b>	<b>\$ 51,700,192</b>	<b>\$ 36,842,477</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 51,991	\$ 170,671	\$ 222,662	\$ 1,194,287
Accrued compensation	14,203	52,890	67,093	225,115
Other liabilities	51,043	-	51,043	72,612
Claims payable - current	-	-	-	2,669,551
Unearned property tax revenue	192,563	-	192,563	20,000
Other unearned revenue	-	1,166,736	1,166,736	-
Total current liabilities	309,800	1,390,297	1,700,097	4,181,565
Noncurrent liabilities:				
Advances from other funds	-	2,101,593	2,101,593	-
Claims payable	-	-	-	2,605,219
Total noncurrent liabilities	-	2,101,593	2,101,593	2,605,219
<b>Total liabilities</b>	<b>\$ 309,800</b>	<b>\$ 3,491,890</b>	<b>\$ 3,801,690</b>	<b>\$ 6,786,784</b>
<b>NET ASSETS</b>				
Invested in capital assets	\$ 17,166,778	\$ 10,223,113	\$ 27,389,891	\$ 14,316,815
Restricted for deposit in WMMIC	-	-	-	2,459,264
Unrestricted	3,324,291	17,184,320	20,508,611	13,279,614
<b>Total net assets</b>	<b>\$ 20,491,069</b>	<b>\$ 27,407,433</b>	<b>47,898,502</b>	<b>\$ 30,055,693</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(946,428)	
<b>Net Assets of Business-type Activities</b>			<b>\$ 46,952,074</b>	

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, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Other Enterprise Funds	Total	
<b>OPERATING REVENUES</b>				
Charges for services				
Lease revenue	\$ 292,859	\$ 199,260	\$ 492,119	\$ -
County park fees	-	3,788,016	3,788,016	-
Office and building rent	336,508	-	336,508	-
Other	87,415	442,215	529,630	3,244,782
Interdepartmental revenues	-	594,738	594,738	30,194,833
Miscellaneous revenues				
Recycling sales	-	1,696,248	1,696,248	-
Recoveries	26,554	8,181	34,735	466,506
Other	-	2,540	2,540	500,259
<b>Total operating revenues</b>	<b>743,336</b>	<b>6,731,198</b>	<b>7,474,534</b>	<b>34,406,380</b>
<b>OPERATING EXPENSES</b>				
Salaries	185,227	1,866,368	2,051,595	3,545,888
Benefits	75,990	643,400	719,390	1,446,288
Estimated future claims expense	-	-	-	951,273
Operating	124,631	1,410,867	1,535,498	4,582,013
Purchased services				
Contracted	41,733	178,978	220,711	757,947
Transportation	227	3,858	4,085	-
Insurance and claims expense	-	-	-	19,432,600
Payments to municipalities	-	1,269,805	1,269,805	-
Other	227,730	164,084	391,814	194,288
Interdepartmental	147,639	1,157,418	1,305,057	520,551
Depreciation	937,038	817,395	1,754,433	2,895,675
<b>Total operating expenses</b>	<b>1,740,215</b>	<b>7,512,173</b>	<b>9,252,388</b>	<b>34,326,523</b>
<b>Operating income (loss)</b>	<b>(996,879)</b>	<b>(780,975)</b>	<b>(1,777,854)</b>	<b>79,857</b>
<b>NON-OPERATING REVENUES</b>				
General property taxes	192,563	-	192,563	399,872
Intergovernmental contracts/grants				
State aid - recycling	-	874,122	874,122	-
Investment earnings	1,197	32,282	33,479	399,023
Gain on disposal of capital assets	5,490	-	5,490	434,820
<b>Total non-operating revenues</b>	<b>199,250</b>	<b>906,404</b>	<b>1,105,654</b>	<b>1,233,715</b>
<b>Income (loss) before transfers and contributions</b>	<b>(797,629)</b>	<b>125,429</b>	<b>(672,200)</b>	<b>1,313,572</b>
Transfers in	-	-	-	678,522
Transfers out	-	-	-	(120,000)
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>558,522</b>
<b>Income (loss) before contributions</b>	<b>(797,629)</b>	<b>125,429</b>	<b>(672,200)</b>	<b>1,872,094</b>
Capital contributions	738,518	788,496	1,527,014	116,370
<b>Increase (decrease) in net assets</b>	<b>(59,111)</b>	<b>913,925</b>	<b>854,814</b>	<b>1,988,464</b>
Net assets - January 1	20,550,180	26,493,508		28,067,229
<b>Net assets - December 31</b>	<b>\$ 20,491,069</b>	<b>\$ 27,407,433</b>		<b>\$ 30,055,693</b>
Adjustment to reflect the consolidation of current year internal service fund activities related to enterprise funds			(45,778)	
<b>Change in net assets of business-type activities</b>			<b>\$ 809,036</b>	

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS  
For The Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Other Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 743,336	\$ 6,488,866	\$ 7,232,202	\$ 4,306,477
Receipts from interfund services provided	-	594,738	594,738	30,256,126
Payments to suppliers	(427,488)	(1,676,888)	(2,104,376)	(26,138,423)
Payments to employees	(260,796)	(2,504,981)	(2,765,777)	(5,014,605)
Payments to municipalities	-	(1,269,805)	(1,269,805)	-
Payments for interfund services used	(147,639)	(1,157,418)	(1,305,057)	(520,551)
<b>Total cash flows from operating activities</b>	<b>(92,587)</b>	<b>474,512</b>	<b>381,925</b>	<b>2,889,024</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	-	-	-	(120,000)
Transfers from other funds	-	-	-	678,522
Receipts from intergovernmental contracts/grants	-	874,122	874,122	-
Receipts from general property taxes	192,563	-	192,563	399,872
<b>Total cash flows from non-capital financing activities</b>	<b>192,563</b>	<b>874,122</b>	<b>1,066,685</b>	<b>958,394</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	(83,751)	(83,751)	(3,041,836)
Proceeds from sales of capital assets	5,490	-	5,490	504,040
<b>Total cash flows from capital and related financing activities</b>	<b>5,490</b>	<b>(83,751)</b>	<b>(78,261)</b>	<b>(2,537,796)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	1,197	32,282	33,479	399,023
<b>Total cash flows from investing activities</b>	<b>1,197</b>	<b>32,282</b>	<b>33,479</b>	<b>399,023</b>
<b>Net change in cash and cash equivalents</b>	<b>106,663</b>	<b>1,297,165</b>	<b>1,403,828</b>	<b>1,708,645</b>
Cash and Cash Equivalents, Beginning of Year	3,334,865	14,705,965	18,040,830	17,365,182
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,441,528</b>	<b>\$ 16,003,130</b>	<b>\$ 19,444,658</b>	<b>\$ 19,073,827</b>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital asset contributions	\$ 738,518	\$ 788,496	\$ 1,527,014	\$ 116,370
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (996,879)	\$ (780,975)	\$ (1,777,854)	\$ 79,857
Depreciation expense	937,038	817,395	1,754,433	2,895,675
(Increase) Decrease in accounts receivable	-	25,659	25,659	38,706
(Increase) Decrease in due from other governments	-	12,793	12,793	63,046
(Increase) Decrease in prepaid items	-	-	-	96,230
(Increase) Decrease in inventories	-	14,184	14,184	15,308
Increase (Decrease) in accounts payable	(33,167)	76,376	43,209	(461,766)
Increase (Decrease) in accrued compensation	421	4,787	5,208	(22,429)
Increase (Decrease) in other liabilities	-	(9,661)	(9,661)	(2,562)
Increase (Decrease) in other unearned revenue	-	313,954	313,954	-
Increase (Decrease) in claims payable	-	-	-	186,959
<b>Net cash flows from operating activities</b>	<b>\$ (92,587)</b>	<b>\$ 474,512</b>	<b>\$ 381,925</b>	<b>\$ 2,889,024</b>

(CONTINUED)

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS  
For The Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Other Enterprise Funds	Total	
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED STATEMENT OF NET ASSETS</b>				
Cash and investments - statement of net assets	\$ 3,441,528	\$ 16,003,130	\$ 19,444,658	\$ 18,573,827
Restricted cash and investments - statement of net assets	-	-	-	500,000
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 3,441,528</u></b>	<b><u>\$ 16,003,130</u></b>	<b><u>\$ 19,444,658</u></b>	<b><u>\$ 19,073,827</u></b>

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, 2011

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and investments	\$ 36,366,223
<b>Total assets</b>	<b><u>\$ 36,366,223</u></b>
<b>LIABILITIES</b>	
Other liabilities	\$ 3,232,612
Due to other governments	33,133,611
<b>Total liabilities</b>	<b><u>\$ 36,366,223</u></b>

See notes to financial statements.

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WAUKESHA COUNTY, WISCONSIN  
INDEX TO NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

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WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

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

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 14. 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, 2011. Separately issued financial statements of the Waukesha County Housing Authority may be obtained from the Housing Authority's office at 600 Arcadian Avenue, Waukesha, Wisconsin, 53186.

**B. Government-Wide and Fund Financial Statements**

In February 2009, the GASB issued statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement established fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as established additional note disclosures regarding fund balance classification policies and procedures.

The County implemented this standard effective January 1, 2011.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

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

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**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 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, 2011

**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.

Debt Service Fund – accounts for resources that are restricted, committed, or assigned to expenditures for payments of 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Walter Tarmann Fund  
Land Information System Fund  
Community Development Fund  
Aging and Disability Resource Center Grant Fund  
Transportation Fund  
Federated Library Fund  
Café Shared Automation Fund

Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of equipment and/or major capital facilities.

2001 through 2012 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

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.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

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

---

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	Deferred Compensation Administration
Flexible Spending Account	Main Jail Fund
Huber Law Fund	Municipal Property Tax Collections
Workforce Development Center 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 guidance 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 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. The aging and

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

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

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disability resource center grant fund and certain state and 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 guidance issued after November 30, 1989.

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.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

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

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**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, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace 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 \$852,432 of investment interest was allocated to other funds in 2011.

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

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, 2011, the County's share of the LGIP's assets are reported at fair value. See Note 4 for further information.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

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

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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 – 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax sale – 2011 delinquent real estate taxes	October 2014

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 nonspendable fund balance 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, 2011 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**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 2011. 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/amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation/amortization reflected in the statement of net assets. Depreciation/amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation/amortization. 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
Software	3 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, 2011

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

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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, 2011 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 recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

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

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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. GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as established additional note disclosures regarding fund balance classification policies and procedures. The County implemented this standard in 2011.

Fund balance is further classified into these five components: nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance is inherently so; it is the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Restricted fund balance has externally enforceable limitations on use, either by creditors, grantors, contributors, or laws and regulations. Committed fund balance has self-imposed limitations (through formal action of the County Board) set in place prior to the end of the period. Assigned fund balance has limitations established by County management. Unassigned fund balance is the residual amount left, or surplus.

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

The County has a formal fund balance policy. The County will maintain unassigned fund balances to provide necessary working capital to avoid cash flow interruptions and short-term borrowing to fund daily operations. The ratio of unassigned fund balance to general and special revenue fund expenditures will be maintained at a minimum of 11%. Fund balance reserves will not be used to offset continuous operation costs.

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, 2011

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

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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	\$49,937,591
Construction in progress	20,595,402
Buildings and improvements	180,044,125
Machinery, equipment, and vehicles	46,040,411
Software	1,443,604
Infrastructure	222,094,929
Less: Accumulated depreciation	(196,923,461)
Less: Internal service fund capital	
assets, net of depreciation	(14,316,815)
Adjustment for Capital Assets	\$308,915,786

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	\$71,660,000
Unamortized debt premium	509,683
Unamortized debt discount	(44,954)
Compensated absences	4,698,800
Accrued interest payable	509,725
Unamortized debt issuance costs	(174,443)
Total	\$77,158,811

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, 2011

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

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Capital outlay per fund financial statements	\$20,136,883
Some items are recorded as capital outlay in the fund financial statements, but do not meet the County's capitalization policy, and therefore are not capitalized in the government-wide statements	(\$3,387,916)
Some additions to capital assets are contributed to the County and therefore are not reported as expenditures in the fund financial statements	12,032,199
Depreciation expense (net of internal service funds)	(11,576,244)
Total	\$17,204,922

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)	(\$333,428)
Compensated absences	(84,145)
Accrued interest payable	88,949
Debt issuance costs	5,649
Total	(\$322,975)

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**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, 2011

**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 2011 were as follows:

	Adopted Budget	Modified Budget*	Change
General	\$ 161,672,971	\$ 163,077,156	\$ 1,404,185
Special Revenue	25,073,916	25,904,786	830,870
Debt Service	14,609,386	24,484,386	9,875,000
Capital Projects	19,975,500	21,805,500	1,830,000
Enterprise	9,199,688	9,219,688	20,000
Internal Service	37,532,630	38,157,630	625,000
Totals	\$ 268,064,091	\$ 282,649,146	14,585,055

\*Excludes carryover project funds from prior years for general (\$1,892,331) special revenue (\$11,011,955), capital projects (\$20,207,760), enterprise (\$1,081,080) and internal service (\$2,217,528).

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, 2011

**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, 2011 are as follows:

Enterprise Funds	Revenues		Expenses	
	Budget	Actual	Budget	Actual
Radio Services*	\$ 1,109,090	\$ 1,100,910	\$ 977,563	\$ 866,554
Golf Courses	3,330,000	2,813,165	3,405,999	2,966,868
Ice Arenas*	1,035,000	1,009,673	1,067,109	1,067,109
Materials Recovery Facility	2,165,200	2,713,854	2,665,584	2,393,282
Airport*	924,886	942,586	1,316,235	1,146,004
<b>Internal Service Funds</b>				
Risk Mgmt/Self-Insurance	\$ 2,000,600	\$ 1,828,033	\$ 2,556,895	\$ 2,543,178
Health and Dental Insurance	19,993,000	20,483,307	20,790,699	18,459,886
Vehicle Equipment Replacement	2,602,918	2,704,768	2,573,078	2,398,960
Central Fleet Maintenance	3,756,468	3,577,546	3,896,369	3,700,828
Communications	757,268	791,664	791,667	790,603
Collections	731,886	736,739	872,507	829,702
End User Technology Fund	5,582,705	5,518,038	7,213,586	5,603,366

\*Actual expenses exclude depreciation expense for capital assets acquired by grants externally restricted for capital acquisitions and construction (Radio Services, \$117,956; Ice Arena, \$100,404; Airport, \$594,211).

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, 2011

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

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**C. DEFICIT BALANCES**

No funds had a deficit balance at December 31, 2011.

**D. PROPERTY TAX LEVY INCREASE LIMITS**

Enrolled 2009 Wisconsin Act 28 (2009-2011 State Biennium Budget Bill) imposed local property tax levy increase limits for the 2010 and 2011 budget years. The law prohibits a County from increasing its total property tax levy for the 2010 or 2011 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 3.0%. The Federated Library system tax levy, debt service tax levy (including related refinancing and refunding) and bridge and culvert repair aids to towns paid with County tax levy are exempt from the levy limit. There is also an exemption provision to allow for payments of consolidated (shared) services. The 2011 budget meets the tax levy limit as adopted in Wisconsin Act 28.

Enrolled 2011 Wisconsin Act 32 (2011-2013 State Budget) imposed new local tax levy increase limits for the 2012 and 2013 budgets. The law allows a County to increase its total property tax levy for the 2012 or 2013 Budgets by the percentage change in the County growth in equalized value due to net new construction between the previous year and the current year. It continues major current law exemptions including the Federated Library system tax levy, debt service tax levy (including related refinancings and refundings) and bridge and culvert repair aids to towns paid with County tax levy and an exemption provision to allow for payments of consolidated (shared) services. In addition, unused tax levy authority up to a maximum of 0.5% of the prior year levy could be carried forward by a super majority vote of the County Board. Waukesha County did not utilize the unused levy carry forward to meet its 2012 tax levy budget. The 2012 Waukesha County Budget meets the tax levy limit as adopted in Wisconsin Act 32.

**E. PROPERTY TAX LEVY RATE LIMIT**

Since 1993, limits have been imposed on the property tax levy rates for Wisconsin counties. There are separate limits for the operating levy and the debt service levy. The baseline for the limits is the actual 1992 tax rate adopted for the 1993 Budget. The operating levy rate and the debt levy rate cannot exceed the baseline rates unless the county qualifies for one of the exceptions allowed under the statute, as described below. The statute establishes specific penalties for failure to meet the freeze requirements. Among the penalties for exceeding the limits is a reduction of state shared revenues and transportation aids.

The operating levy rate can be exceeded only if responsibility for services is transferred to the county from another governmental unit (transfers by the county to other governmental units reduce the maximum rate) or if an increase in the maximum rate is approved by referendum. The limits for the operating levy rate are suspended for property taxes levied in 2012.

A county can exceed the debt service levy limit if the individual borrowing is adopted by at least three-fourths vote of the county board. The Waukesha County Board has adopted each debt issue since the tax levy limits took effect by votes of greater than 3/4 of the members elect. Therefore, each note issued is not subject to the debt service rate limit.

The 2011 Budget is within both the operating and debt tax levy rate limitations contained in the state law, and is within the limit even without the exception from the debt service rate limits, which apply to the County's obligations.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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The County maintains a cash and investment pool that is available for use by all funds, except Agency Funds. The deposits and investments of the Agency Funds are held separately from those of other County funds. The deposit and investment balances of the various fund types on December 31, 2011 are as follows:

General Fund	\$57,844,505
Special Revenue Funds	9,365,478
Debt Service Funds	3,773,563
Capital Projects Funds	36,628,240
Enterprise Funds	19,444,658
Internal Service Funds	18,573,827
Internal Service Funds – Restricted	500,000
Agency Funds	36,366,223
<b>Total</b>	<b>\$182,496,494</b>

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, 2011

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)**

The credit risk profile for fixed income securities at December 31, 2011 is as follows:

<b>U.S. Government Guaranteed</b>	
U.S. Treasury	\$44,432,406
U.S. Agencies	84,133,896
<b>Total U.S. Government Guaranteed</b>	<b>\$128,566,302</b>
<b>Money Market Accounts</b>	
AAAm	\$3,378,818
Unrated - Wisconsin Local Government Investment Pool	2,633,139
<b>Total Money Market Accounts</b>	<b>\$6,011,957</b>
<b>U.S. Agencies</b>	
AAA rated	\$5,394,248
<b>Municipal Bonds</b>	
AAA rated	\$2,475,698
AA rated	\$3,904,185
<b>Total Municipal Bonds</b>	<b>\$6,379,883</b>
<b>Grand Total</b>	<b>\$146,352,390</b>

**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, 2011 the carrying amount of the County's deposits was \$36,002,094 and the bank balance was \$29,317,110. \$29,317,110 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 \$142,010. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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 for time and savings accounts (including NOW accounts) and \$250,000 for interest bearing demand deposit accounts 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, 2011

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)**

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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, 2011 are as follows:

Issuer	Amount	Percentage
US Treasury	\$44,432,406	31.7%
Federal National Mortgage Association	44,252,125	31.5%
Federal Home Loan Mortgage Corp.	16,877,453	12.0%
US Small Business Administration	10,143,879	7.2%
Government National Mortgage Association	8,297,822	5.9%
Other Issuers (none over 5%)	16,336,748	11.7%
<b>Grand Total</b>	<b>\$140,340,433</b>	<b>100.0%</b>

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. 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. J.P. Morgan Asset Management and Galliard Capital Management have 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, 2011 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, 2011

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)**

Investment Type	Amount	Effective Duration
Federal Agency Coupon Securities	22,963,100	3.65 years
U.S. Treasury Coupon Securities	19,816,936	5.02 years
U.S. Treasury Discount Securities	5,273,097	5.89 years
U.S. Treasury Inflation Protected Securities	19,342,373	1.80 years
Federal Agency Mortgage Pass Through Securities	63,459,744	3.15 years
Reverse Mortgage Securities	3,105,300	3.90 years
Municipal Bonds	6,379,883	2.75 years
<b>Grand Total</b>	<b>\$140,340,433</b>	<b>2.84 years</b>

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, 2011 is as follows:

Fund Name	Amount	Weighted Average Maturity
Wisconsin Local Government Investment Pool	\$2,633,139	97 days
Federated Government Obligations Fund	833,927	36 days
JP Morgan Government Money Market Fund	2,544,891	45 days
<b>Grand Total</b>	<b>\$6,011,957</b>	

**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 \$100,906,292 will be recognized as revenue during 2012.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**NOTE 5 - RECEIVABLES (CONT'D)**

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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 reflected as nonspendable 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, 2011

**NOTE 5 - RECEIVABLES (CONT'D)**

At December 31, 2011, delinquent property taxes by year levied consisted of the following:

<b>Tax Certificates</b>	<b>Total</b>	<b>County Levied</b>	<b>County Purchased</b>
2010	\$7,329,605	\$780,603	\$6,549,002
2009	2,890,685	320,577	2,570,108
2008	1,086,077	118,165	967,912
2007	101,391	11,153	90,238
2006	24,430	2,756	21,674
2005	1,340	156	1,184
2004 and prior	9,401	1,083	8,318
Tax Deeds	143,285	16,142	127,143
Total Delinquent Property Taxes Receivable	\$11,586,214	\$1,250,635	\$10,335,579

**Noncurrent Receivables**

The amount of receivables not expected to be collected within one year includes an estimated \$8.92 million of property taxes and \$5.0 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:

	<b>Unavailable</b>	<b>Unearned</b>	<b>Total</b>
Property taxes receivable for subsequent year	\$0	\$100,693,729	\$100,693,729
Delinquent property taxes receivable	1,250,774	0	1,250,774
CDBG loans receivable	5,613,774	0	5,613,774
Grant draw downs prior to meeting all eligibility requirements	0	1,092,870	1,092,870
Total deferred/unearned revenue for governmental funds	\$6,864,548	\$101,786,599	\$108,651,147
Deferred/unearned revenue for internal service funds		20,000	
Total deferred/unearned revenue for governmental activities		\$101,806,599	

WAUKESHA COUNTY, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2011

**NOTE 6– DUE FROM OTHER GOVERNMENTS**

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At December 31, 2011, amounts due from other governments consisted of the following:

Federal:	
CDBG Grants	\$ 2,511,707
Health and Human Services Aid	2,340,277
Dept of Justice/U.S. Marshall	239,185
Other Federal	125,332
State:	
Health and Human Services Aid	969,474
Dept of Transportation	329,815
Other State	1,815,981
County and Municipal	441,776
Total per Statement of Net Assets	\$ 8,773,547

**NOTE 7– LONG TERM RECEIVABLES**

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Community Development Programs. As of December 31, 2011, \$5,613,774 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, 2011

**NOTE 8- CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011 was as follows:

<b>Governmental Activities</b>	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Capital assets not being depreciated/amortized:				
Land	\$48,702,699	\$1,234,892	\$0	\$49,937,591
Construction in progress	\$18,640,295	\$27,526,145	\$25,571,038	\$20,595,402
Other Capital Assets				
Buildings	\$156,119,914	\$5,673,789	\$0	\$161,793,703
Land improvements	17,384,011	866,411	0	18,250,422
Machinery and equipment	31,873,546	989,365	943,065	31,919,846
Software	0	1,443,604	-	1,443,604
Vehicles	12,921,154	2,494,556	1,295,145	14,120,565
Infrastructure	204,547,817	18,024,285	477,173	222,094,929
Total other capital assets at historical cost	<u>\$422,846,442</u>	<u>\$29,492,010</u>	<u>\$2,715,383</u>	<u>\$449,623,069</u>
Less: Accumulated Depreciation/Amortization for:				
Buildings	\$49,306,630	\$3,848,282	\$0	\$53,154,912
Land improvements	9,549,485	1,633,882	0	11,183,367
Machinery and equipment	24,219,249	3,185,691	941,672	26,463,268
Software	0	145,519	0	145,519
Vehicles	6,203,321	711,348	1,088,351	5,826,318
Infrastructure	95,658,907	4,947,197	456,027	100,150,077
Total Accumulated Depreciation/Amortization	<u>\$184,937,592</u>	<u>\$14,471,919</u>	<u>\$2,486,050</u>	<u>\$196,923,461</u>
Net Other Capital Assets	<u>\$237,908,850</u>	<u>\$15,020,091</u>	<u>\$229,333</u>	<u>\$252,699,608</u>
Total Capital Assets	<u><u>\$305,251,844</u></u>	<u><u>\$43,781,128</u></u>	<u><u>\$25,800,371</u></u>	<u><u>\$323,232,601</u></u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**NOTE 8 – CAPITAL ASSETS (CONT'D)**

Depreciation expense was charged to functions as follows:

Governmental:	
Justice and Public Safety	\$200,087
Health & Human Services	13,896
Environment, Parks, and Education	1,955,927
Public Works (includes roads, bridges, signals, buildings)	8,448,552
General Government	957,782
Risk Management	213
Vehicle Replacement Fund	2,304,762
Central Fleet	131,594
Communications	9,087
Collections	3,120
End User Technology Fund	446,899
Total Governmental Activities Depreciation Expense	<u>\$14,471,919</u>

<b>Business-type Activities</b>	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Capital assets not being depreciated:				
Land	\$10,288,747	\$0	\$0	\$10,288,747
Construction in progress	\$18,806	\$738,518	\$757,324	\$0
Other Capital Assets				
Buildings	\$17,576,713	\$859,257	\$0	\$18,435,970
Land improvements	18,217,142	497,314	0	18,714,456
Machinery and equipment	9,021,955	273,000	3,850	9,291,105
Total other capital assets at historical cost	<u>\$44,815,810</u>	<u>\$1,629,571</u>	<u>\$3,850</u>	<u>\$46,441,531</u>
Less: Accumulated depreciation for:				
Buildings	\$8,430,387	\$565,652	\$0	\$8,996,039
Land improvements	11,766,399	821,158	0	12,587,557
Machinery and equipment	7,393,018	367,623	3,850	7,756,791
Total Accumulated Depreciation	<u>\$27,589,804</u>	<u>\$1,754,433</u>	<u>\$3,850</u>	<u>\$29,340,387</u>
Net Other Capital Assets	<u>\$17,226,006</u>	<u>(\$124,862)</u>	<u>\$0</u>	<u>\$17,101,144</u>
Total Capital Assets	<u>\$27,533,559</u>	<u>\$613,656</u>	<u>\$757,324</u>	<u>\$27,389,891</u>

WAUKESHA COUNTY, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2011

**NOTE 8 – CAPITAL ASSETS (CONT'D)**

Depreciation expense was charged to functions as follows:

Business-Type:	
Radio Services	\$234,802
Golf Courses	182,533
Ice Arenas	232,193
Materials Recovery Facility	167,867
Airport	937,038
Total Business-type Activities Depreciation Expense	<u>\$1,754,433</u>

**NOTE 9- INTERFUND RECEIVABLES/PAYABLES/ADVANCES AND TRANSFERS**

Individual fund interfund receivable and payable balances for overdrafts on pooled cash accounts at December 31, 2011 were as follows:

Receivable Fund	Payables Fund	Amount	Amount Not Due Within One Year
General Fund	Community Development Fund	\$ 1,336,045	\$ 1,336,045
Less fund eliminations		(1,336,045)	
Total - Government-wide statement of Net Assets		\$ -	

Individual balances for interfund advances at December 31, 2011 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	Ice Arena Fund	\$1,639,984	\$1,639,984	Building Construction
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		\$6,101,593	6,101,593	
Less fund eliminations		3,741,577		
Total – Government-wide statement of net assets		2,360,016		

WAUKESHA COUNTY, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2011

**NOTE 9 - INTERFUND RECEIVABLES/PAYABLES/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:

<b>Fund Transferred From</b>	<b>Fund Transferred To</b>	<b>Amount</b>	<b>Principal Purpose</b>
General Fund	Debt Service	\$550,000	Debt retirement
General Fund	Risk Management	528,522	Operating budget support
General Fund	End User Technology	150,000	Operating budget support
General Fund	2011 Capital Projects Fund	1,025,000	Capital project support
Subtotal General Fund		\$2,253,522	
<b>Other Governmental:</b>			
Transportation	General Fund	552,974	Operating budget support
2001 Capital Projects Fund	2011 Capital Projects Fund	4,325,399	Capital project support
2002 Capital Projects Fund	2011 Capital Projects Fund	299,601	Capital project support
Total Governmental		\$7,431,496	
<b>Proprietary:</b>			
Collections Fund	General Fund	120,000	Repay start-up costs
Total Proprietary		\$120,000	
Subtotal Fund Financial Statements		\$7,551,496	
Less: Fund Eliminations		(7,551,496)	
<b>Grand Total - Statement of Activities</b>		\$0	

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, 2011

**NOTE 10– LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Debt	\$73,930,000	\$19,490,000	(\$21,760,000)	\$71,660,000	\$11,995,000
Unamortized debt premium (discount)	131,301	373,197	(39,769)	464,729	0
Compensated Absences (Note 1.D.7)	4,614,655	4,698,800	(4,614,655)	4,698,800	4,698,800
<b>Total Governmental Activities</b>	<b>\$78,675,956</b>	<b>\$24,561,997</b>	<b>(\$26,414,424)</b>	<b>\$76,823,529</b>	<b>\$16,693,800</b>

**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, 2011, based on an equalized value of \$49,552,562,500 was \$2,477,628,125. Total general obligation debt outstanding at year-end was \$71,660,000.

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/11
<b>Governmental Activities</b>					
2005A GOPN	05/01/05	04/01/15	3.50%-4.00%	\$14,400,000	\$9,210,000
2006A GOPN	05/01/06	04/01/16	4.00%-4.15%	12,000,000	8,000,000
2007A GOPN	05/15/07	04/01/17	3.75%-3.875%	10,000,000	7,900,000
2008A GOPN	05/01/08	04/01/18	3.25%-3.50%	10,000,000	8,600,000
2009A GOPN	04/15/09	04/01/19	1.50%-3.375%	15,700,000	9,560,000
2010A TGOPN (RZEDB)	06/08/10	04/01/20	0.85%-4.05%	9,000,000	8,900,000
2011A GOPN	07/19/11	04/01/21	1.25%-2.75%	19,490,000	19,490,000
<b>Total</b>					<b>\$71,660,000</b>

WAUKESHA COUNTY, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2011

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

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Debt service requirements to maturity are as follows:

Governmental Activities General Obligation Debt		
Years	Principal	Interest
2012	11,995,000	2,003,898
2013	11,880,000	1,581,740
2014	10,985,000	1,295,942
2015	9,525,000	1,014,634
2016	9,085,000	725,781
2017-2021	18,190,000	904,727
Total	\$ 71,660,000	\$ 7,526,722

As of December 31, 2011, \$3,773,563 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 fund.

**Current Refunding**

On July 19, 2011, the County issued \$9,490,000 in general obligation promissory notes with an average interest rate of 1.8% to current refund \$3,775,000 and \$6,100,000 of outstanding Series 2003 and Series 2004 general obligation promissory notes, respectively, with average interest rates of 3.8% and 3.0%, respectively.

The cash flow requirement on the refunded notes prior to the current refunding was \$10,306,587 from 2012 through 2014. The cash flow requirements on the Series 2011 general obligation promissory notes are \$9,750,450 from 2012 through 2014. 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 \$345,485.

**NOTE 11– LEASE DISCLOSURES**

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

**Operating Leases**

1. The County has had a lease agreement with the WCTC Foundation for the rental of space in a building known as the Workforce Development Center since 1995. The lease in effect for 2011, which covers 4,271 square feet, included operating costs of \$5.755 per square foot and a sinking fund payment (for capital improvements and maintenance) of \$0.55 per square foot. Costs for the operating portion are adjusted annually for the increase or decrease in the Consumer Price Index (CPI). Costs for the sinking fund are not subject to a CPI adjustment. The resulting actual 2011 lease costs are detailed on the following page.

WAUKESHA COUNTY, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2011

**NOTE 11– LEASE DISCLOSURES (CONT'D)**

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Operating costs	\$	24,580
Sinking fund: Capital improvements/major maintenance		2,349
Total	\$	26,929

The lease in effect for 2011 expired on December 31, 2011, and was extended for another five years, through 2015. Beginning in 2012, the County must pay an additional \$1.46 per square foot each year (\$6,236) for the term of the agreement to WCTC Foundation as a management fee. This fee is not subject to any CPI adjustments.

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 2012 through 2040. Operating leases at December 31, 2011 provide for the following future minimum lease payments:

Year	Amount
2012	\$ 295,231
2013	248,851
2014	231,191
2015	200,761
2016	200,761
2017-21	877,969
2022-26	744,070
2027-31	717,100
2032-36	346,245
2037-40	53,665
Total	\$ 3,915,844

The leased facilities have a cost of \$2,947,806, accumulated depreciation of \$1,931,939, and a net book value of \$1,015,867.

**NOTE 12 –GOVERNMENTAL ACTIVITIES NET ASSETS**

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Governmental activities net assets reported on the government wide statement of net assets at December 31, 2011 includes the following:

Invested in capital assets, net of related debt

Land	\$	49,937,591
Construction in progress		20,595,402
Other capital assets, net of accumulated depreciation		252,699,608
Less: related long-term debt outstanding (net of unspent proceeds of debt)		(68,594,916)
Total invested in capital assets	\$	254,637,685

WAUKESHA COUNTY, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2011

**NOTE 13– RESTATEMENT OF FUND BALANCES**

The County restated opening fund balances as a result of the implementation of GASB 54.

	General Fund	Non-major Special Revenue Funds
Fund balance, December 31, 2010 (as reported)	\$57,778,443	\$12,194,955
Human services fund (previous major fund) now in general fund	4,676,248	N/A
Nutrition fund now in general fund	358,583	(358,583)
Child support fund now in general fund	296,483	(296,483)
Mental health center fund now in general fund	1,003,556	(1,003,556)
Portion of aging and disability resource center grant fund now in general fund	781,206	(781,206)
Portion of transportation fund now in general fund	214,510	(214,510)
Smith park fund now in general fund	183,164	(183,164)
Ruess trust fund now in general fund	5,659	(5,659)
Fund balance, December 31, 2010 (as restated)	<u>\$65,297,852</u>	<u>\$9,351,794</u>

**NOTE 14– 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.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**NOTE 14– COMPONENT UNIT (CONT'D)**

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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 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.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**NOTE 14– COMPONENT UNIT (CONT'D)**

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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 guidance 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.

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, or the Wisconsin Aerospace 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.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**NOTE 14– COMPONENT UNIT (CONT'D)**

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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.

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, 2011 and 2010 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 September 30, 2011 is \$22,615,000, made up of four issues.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**NOTE 14– COMPONENT UNIT (CONT'D)**

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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.

WAUKESHA COUNTY, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2011

**NOTE 14– COMPONENT UNIT (CONT'D)**

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 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	\$ 593,889	\$ 593,889	Custodial credit risk
Certificates of deposit	289,816	289,816	Custodial credit risk
Total Cash and Investments	<u>\$ 883,705</u>	<u>\$ 883,705</u>	

Reconciliation to financial statements

Per statement of net assets

Unrestricted cash	
and cash equivalents	\$ 218,512
Unrestricted investments	289,816
Restricted cash and cash equivalent	<u>375,377</u>
Total Cash and Investments	<u>\$ 883,705</u>

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. This coverage has not been considered in computing custodial credit risk.

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, 2011, none of the Authority's total bank balance was exposed to custodial credit risk.

B. Receivables

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

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

**NOTE 14– COMPONENT UNIT (CONT'D)**

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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 \$81,840 at September 30, 2011.

*Housing Assistance Payments*

The Authority has received Housing Assistance Payments in advance of the actual disbursement to the recipients. This amounted to \$340,636 at September 30, 2011.

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.

D. Effect of New Accounting Standards on Current-Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 15– EMPLOYEES’ RETIREMENT SYSTEM**

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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 (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, and 5.8% for Protective Occupations with Social Security) to the plan through June 28, 2011. Beginning June 29, 2011 and thereafter, covered employees in the General category are required by statute to contribute 5.8% of their salary (5.65% for Executives and Elected Officials, and 5.8% for Protective Occupations with Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution subject to terms of employment contracts and which employee group they are a member of. 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, 2011 was \$77,482,332; the employer’s total payroll was \$79,355,026. The total required contribution for the year ended December 31, 2011 was \$9,764,094 or 12.6 percent of covered payroll. Of this amount, the employer contributed 69 percent for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$9,142,084 and \$8,451,886, respectively, equal to the required contributions for each year.

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. 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, or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 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, 2011.

**NOTE 16 – RISK MANAGEMENT/SELF INSURANCE**

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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.

WAUKESHA COUNTY, WISCONSIN  
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**NOTE 16 – RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

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 \$10,000,000 per occurrence with a \$30,000,000 aggregate for general and automobile liability claims and a \$30,000,000 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 \$9,000,000 per occurrence in reinsurance for losses in excess of its retained layer of coverage.

WMMIC is governed by one entity-one vote. Member entities include Waukesha County and the counties of Brown, Chippewa, Dane, Dodge, Eau Claire, Jefferson, 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, 2011 is 10.38 %.

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 \$3,680,149. 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 liability claims equal to the expected present value of unpaid losses as determined by the company's actuary consultant. At December 31, 2011, the county's minimum reserve amount required by WMMIC is \$1,242,245.

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

WAUKESHA COUNTY, WISCONSIN  
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**NOTE 16 – RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

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, 2011, the expected present value of unpaid losses, as determined by the County's actuary consultant, is \$1,689,797.

**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, 2011, the County's liability and worker's compensation combined claims reserve totals \$3,196,392, which closely approximates an expected confidence level of about 50-75%.

<u>Liability and Workers Compensation Claims</u>	<u>2010</u>	<u>2011</u>
Unpaid claims, including incurred but not reported -		
Beginning of Year	\$ 2,986,312	\$ 3,073,117
Estimated future claims expense	963,699	951,273
Current year claim payments and changes in estimates	(876,894)	(827,998)
Unpaid claims - End of Year	<u>\$ 3,073,117</u>	<u>\$ 3,196,392</u>

Amount not due within one year		\$ 2,501,300
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In addition, net assets can be analyzed as follows:

Invested in capital assets		\$ 1,107
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>(272,896)</u>
Total Net Assets		<u>\$ 2,187,475</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 2011, 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.

WAUKESHA COUNTY, WISCONSIN  
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**NOTE 16 – RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

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.

Insurance Claims Liability	2010	2011
Unpaid claims – Beginning of Year	\$ 1,723,683	\$ 2,014,694
Current year claims and changes in estimates	17,976,560	16,244,997
Claim payments	(17,685,549)	(16,181,313)
Unpaid claims - End of Year	<u>\$ 2,014,694</u>	<u>\$ 2,078,378</u>
Amount not due within one year		<u>\$ 103,919</u>

**NOTE 17– 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 2011, the County borrowed \$10,000,000 for the purpose of making various capital improvements. This money, as well as revenue from other sources, is reflected in the 2011 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 \$5,880,833 at year end will be paid out of the committed 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.

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**NOTE 18– SUBSEQUENT EVENTS**

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On March 27, 2012, the County Board authorized the issuance of not to exceed \$20,000,000 General Obligation Promissory Notes to fund 2012 capital projects.

On April 2, 2012, the County issued \$6,635,000 General Obligation Refunding Bonds to refinance a portion of the County's outstanding debt that had been originally issued in 2005.

**NOTE 19 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS**

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The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.

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