

**Rock County, Wisconsin
Board of Supervisors
51 South Main Street
Janesville, Wisconsin 53545
Phone: 608/757-5510
FAX: 608/757-5511**

COUNTY BOARD STAFF/FINANCE COMMITTEES

FRIDAY, MAY 28, 2010 – 8:30 A.M.

CONFERENCE ROOM N-1/N-2 – FIFTH FLOOR

ROCK COUNTY COURTHOUSE-EAST

Agenda

1. Call to Order & Approval of Agenda
2. Citizen Participation, Communications and Announcements
3. General Review of County's Financial Position as it Relates to the 2011 Budget
4. Set Future Meeting Dates
5. Adjournment

**ROCK COUNTY
INTEREST EARNED ON INVESTMENTS
2000 - 2010**

<u>YEAR</u>	<u>AMOUNT</u>
2000	2,296,709
2001	2,109,690
2002	1,423,481
2003	774,257
2004	717,536
2005	1,246,484
2006	2,793,638
2007	3,519,106
2008	2,651,080
2009	1,339,719
2010 (Budget)	1,035,000

**ROCK COUNTY
SIMPLE AVERAGE INTEREST RATES ON INVESTMENTS
LOCAL GOVERNMENT INVESTMENT POOL
1999 - 2009**

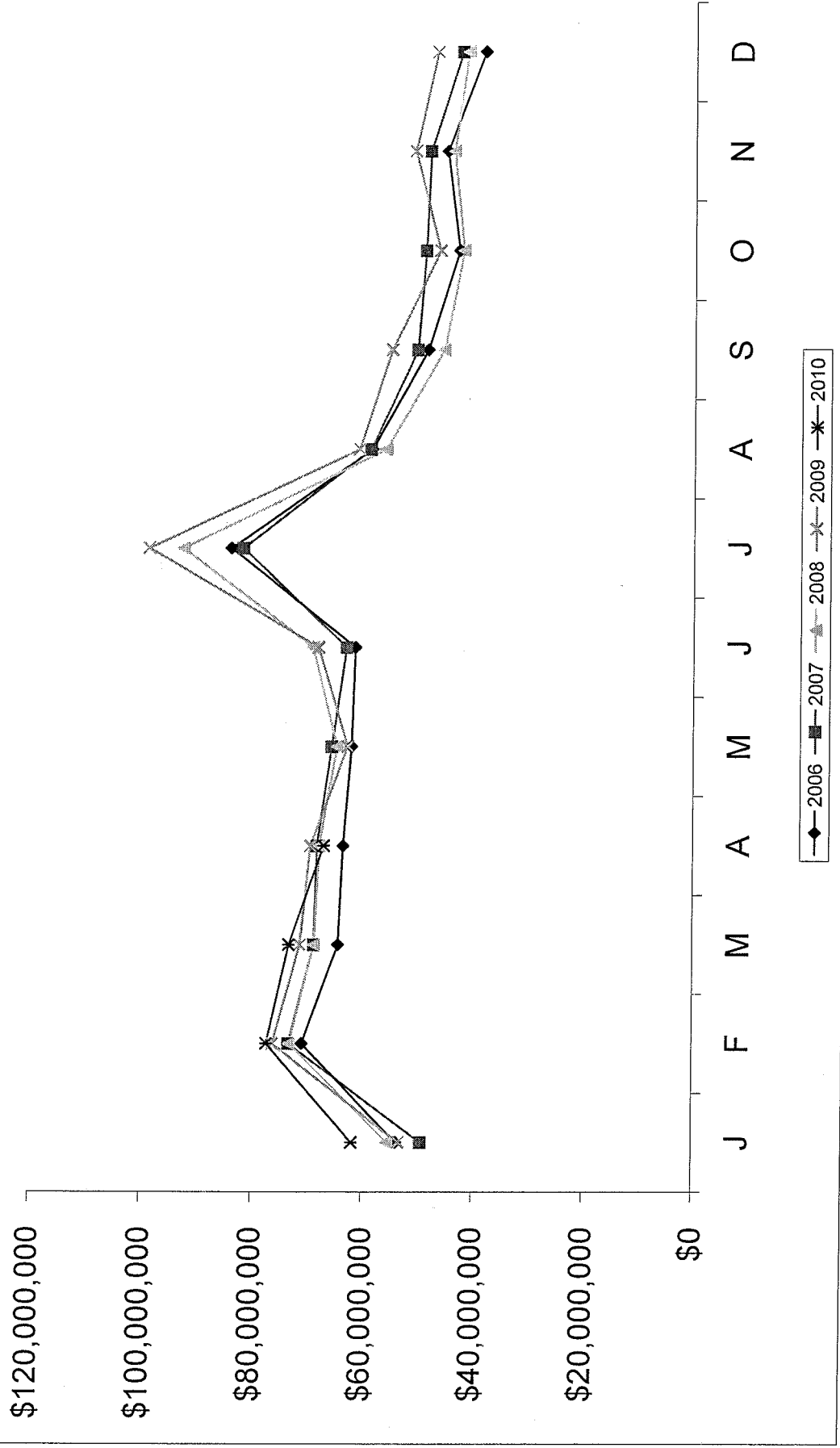
<u>YEAR</u>	<u>SIMPLE AVERAGE RATE</u>
2000	6.08%
2001	4.12%
2002	1.73%
2003	1.13%
2004	1.23%
2005	3.09%
2006	4.99%
2007	5.14%
2008	2.46%
2009	0.48%
2010 (April)	0.20%

REP002S

**Rock County Schedule of Monthly Cash Balances
Other Than Construction Funds For The Years
2006, 2007, 2008, 2009, and 2010**

<u>Month</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
January	\$53,778,969	\$49,318,439	\$55,347,903	\$53,303,343	\$61,800,722
February	\$70,868,235	\$73,265,248	\$73,171,083	\$76,195,428	\$77,308,423
March	\$64,460,211	\$68,713,635	\$68,723,394	\$71,284,113	\$73,303,295
April	\$63,598,944	\$68,289,811	\$67,875,654	\$69,467,494	\$67,113,751
May	\$62,175,926	\$65,738,994	\$64,782,742	\$62,854,869	
June	\$61,542,019	\$63,123,177	\$69,203,228	\$68,237,133	
July	\$84,108,764	\$81,995,156	\$92,720,855	\$98,951,533	
August	\$58,689,591	\$58,924,791	\$56,141,233	\$60,979,485	
September	\$48,629,926	\$50,532,076	\$45,634,856	\$55,169,706	
October	\$42,966,319	\$49,085,302	\$42,135,647	\$46,464,818	
November	\$45,223,477	\$48,267,423	\$43,973,104	\$51,062,323	
December	\$38,362,383	\$42,500,075	\$41,402,307	\$47,090,198	

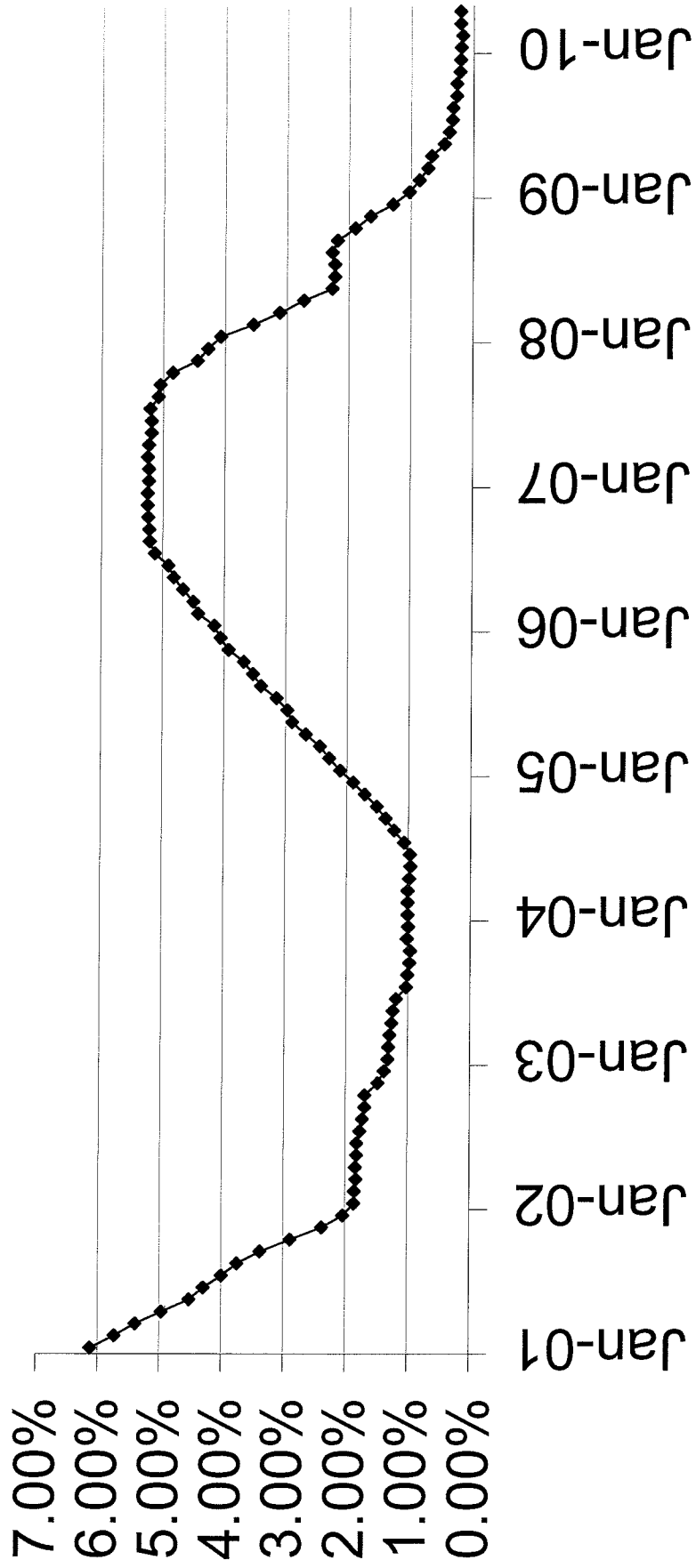
Rock County Schedule Of Monthly Cash Balances, Other Than Construction Funds, For The Years 2006, 2007, 2008, 2009, And 2010



Rock County
Cash Investments
For the Year Ended December 31, 2010

Date	1st National		Certificates of Deposit		MBIA		LGIP		Total
	\$	%	\$	%	\$	%	\$	%	
1/31	5,250,446	8.50%	9,832,546	15.91%	19,083,605	30.88%	27,634,125	44.71%	61,800,722
2/28	11,115,385	14.38%	9,333,318	12.07%	19,115,427	24.73%	37,744,293	48.82%	77,308,423
3/31	9,873,407	13.47%	9,473,405	12.92%	19,119,899	26.08%	34,836,584	47.52%	73,303,295
4/30	7,779,823	11.59%	8,819,360	13.14%	19,241,050	28.67%	31,273,518	46.60%	67,113,751
5/31	0	#DIV/0!	0	0.00%	0	#DIV/0!	0	#DIV/0!	0
6/30	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
7/31	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
8/31	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
9/30	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
10/31	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
11/30	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
12/31	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0

Local Government Investment Pool Monthly Interest Rates January 2001 - April 2010



**ROCK COUNTY
ANALYSIS OF DELINQUENT TAX BALANCES
2005 – 2009**

<u>LEVY/BUDGET YEAR</u>	<u>BALANCES AT DECEMBER 31</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1997 Levy Due in 1998	5,689	5,689	1,967	640	640
1998 Levy Due in 1999	4,170	4,170	1,280	964	964
1999 Levy Due in 2000	4,468	4,468	1,436	1,161	1,161
2000 Levy Due in 2001	5,348	3,868	1,232	947	947
2001 Levy Due in 2002	19,252	6,042	3,402	1,186	920
2002 Levy Due in 2003	119,151	9,324	2,744	1,647	1,373
2003 Levy Due in 2004	796,230	158,609	7,908	3,164	1,429
2004 Levy Due in 2005	2,810,843	924,496	195,483	5,195	1,380
2005 Levy Due in 2006	---	3,100,721	1,068,134	247,750	15,016
2006 Levy Due in 2007	---	---	3,453,411	1,248,714	376,858
2007 Levy Due in 2008	---	---	---	4,140,494	1,602,493
2008 Levy Due in 2009	---	---	---	---	4,720,213
TOTALS	3,801,841	4,240,425	4,741,726	5,652,812	6,723,394

**ROCK COUNTY
INTEREST & PENALTY COLLECTED ON DELINQUENT TAXES
2000 – 2010**

<u>YEAR</u>	<u>AMOUNT</u>
2000	1,038,520
2001	1,093,854
2002	1,202,256
2003	1,442,245
2004	1,458,898
2005	1,521,748
2006	1,390,689
2007	1,468,748
2008	1,584,453
2009	1,758,094
2010 (Budget)	1,905,819

REP003S

**ROCK COUNTY
ANALYSIS OF TAX LEVY AND RATE
LEVY YEARS 2000 - 2009**

<u>TAX LEVY</u>		<u>TAX RATE PER \$1,000 OF E. V.</u>	
<u>LEVY YEAR</u>	<u>BUDGET YEAR</u>	<u>AMOUNT</u>	<u>PERCENT</u>
2000	2001	44,872,104	10.61%
2001	2002	42,445,368	(5.41%)
2002	2003	44,958,576	5.92%
2003	2004	47,231,113	5.05%
2004	2005	49,482,117	4.77%
2005	2006	51,337,515	3.75%
2006	2007	51,833,005	0.97%
2007	2008	53,409,838	3.04%
2008	2009	55,026,100	3.03%
2009	2010	57,221,641	3.99%
		<u>AMOUNT</u>	<u>PERCENT</u>
		6.70	10.61%
		6.12	(5.41%)
		6.19	5.92%
		6.26	5.05%
		6.20	4.77%
		5.96	3.75%
		5.59	0.97%
		5.46	3.04%
		5.38	3.03%
		5.67	3.99%
		<u>INCREASE (DECREASE)</u>	<u>PERCENT</u>
		4,305,538	5.17%
		(2,426,736)	(8.76%)
		2,513,208	1.22%
		2,272,537	.10%
		2,251,004	(0.98%)
		1,855,398	(3.92%)
		485,490	(6.20%)
		1,576,833	(2.22%)
		1,616,262	(1.53%)
		2,195,541	5.37%
		<u>INCREASE (DECREASE)</u>	<u>PERCENT</u>
		.33	5.17%
		(.58)	(8.76%)
		.07	1.22%
		.07	.10%
		(.06)	(0.98%)
		(.24)	(3.92%)
		(.37)	(6.20%)
		(.12)	(2.22%)
		(.08)	(1.53%)
		.29	5.37%

**ANALYSIS OF EQUALIZED VALUATION
(EXCLUDING TIDS)
LEVY YEARS 2000 - 2010**

<u>LEVY YEAR</u>	<u>BUDGET YEAR</u>	<u>EQUALIZED VALUATION</u>	<u>INCREASE (DECREASE) AMOUNT</u>	<u>%</u>
2000	2001	6,692,751,810	329,422,500	5.18%
2001	2002	6,938,864,510	246,112,700	3.68%
2002	2003	7,260,972,110	322,107,600	4.64%
2003	2004	7,545,095,810	284,123,700	3.91%
2004	2005	7,982,584,910	437,489,100	5.80%
2005	2006	8,619,737,100	637,152,190	7.98%
2006	2007	9,278,014,610	658,277,510	7.64%
2007	2008	9,777,775,910	499,761,300	5.39%
2008	2009	10,229,914,310	452,138,400	4.62%
2009	2010	10,095,867,310	(134,047,000)	(1.31%)

REP004S

**ROCK COUNTY
LIABILITY AND WORKERS COMPENSATION
SELF-INSURANCE TRUST FUND BALANCES
AS OF DECEMBER 31**

<u>YEAR</u>	<u>LIABILITY INSURANCE</u>	<u>WORKERS COMPENSATION</u>
1985	311,299	266,827
1986	331,913	284,496
1987	1,039,167	301,160
1988	1,287,283	322,502
1989	1,584,806	349,956
1990	1,903,064	332,580
1991	2,063,782	359,422
1992	2,101,788	348,904
1993	2,278,828	346,198
1994	2,525,043	346,198
1995	2,863,383	346,198
1996	3,173,098	368,634
1997	3,327,097	371,151
1998	3,558,120	371,151
1999	3,970,350	336,451
2000	3,970,350	336,451
2001	3,970,350	336,451
2002	3,970,350	336,451
2003	3,970,350	336,451
2004	3,970,350	336,451
2005	3,970,350	336,451
2006	3,970,350	336,451
2007	3,877,275	336,451
2008	3,711,502	336,451
2009	3,807,225	403,588

REP005S

**AUDITED GENERAL FUND EQUITY
AT DECEMBER 31**

YEAR	DESIGNATED			SUBTOTAL	UNRESERVED/ UNDESIGNATED	TOTAL FUND EQUITY
	DELINQUENT TAXES	FUND BALANCE AND ADVANCES	+ INVENTORY & PREPAIDS			
2003	2,363,221	3,228,125(a)	57,180	5,648,526	17,055,497	22,704,023
2004	2,180,943	3,462,497 (b)	65,733	5,709,173	17,236,838	22,946,011
2005	2,146,538	3,426,841(c)	107,294	5,680,673	19,609,916	25,290,589
2006	2,293,659	3,539,050(d)	65,699	5,898,408	19,378,846	25,277,254
2007	2,676,925	2,821,499(e)	101,065	5,599,489	17,166,670	22,766,159
2008	3,076,559	1,665,365(f)	208,534	4,950,458	12,810,680	17,761,138
2009 (Pre-Audit)	3,867,383	515,824(g)	157,631	4,540,838	13,650,944	18,191,782

FOOTNOTES:

- (a) Includes \$3,000,000 General Fund balance applied.
- (b) Includes \$1,700,000 General Fund balance applied, carryover appropriations of \$36,522, advance to Airport Fund of \$511,329 and advance to Capital Projects Fund of \$1,187,711 (mostly for 911 Communications Center Expansion) which was repaid by the 2005 debt issue.
- (c) Includes \$2,693,391 General Fund balance applied, carryover appropriations of \$63,973, advance to Airport Fund of \$501,587 and \$167,890 advance to other funds.
- (d) Includes \$2,693,391 General Fund balance applied, carryover appropriations of \$117,740 and advances to other funds of \$727,919.
- (e) Includes \$1,693,391 General Fund balance applied, carryover appropriations of \$147,357, Open Capital Project Contract Obligation of \$1,689 and advances to other funds of \$979,062.
- (f) Includes \$700,385 General Fund balance applied, carryover appropriations of \$45,190, advances to other funds and reserve for long-term receivables of \$919,790.
- (g) Includes \$52,345 carryover appropriations and advances to other funds and reserve for long-term receivables of \$463,389.

County Sales Tax Receipts

<u>Month</u>	<u>County Sales Tax Receipts</u>
May, 2007	\$ 164,899.94
June, 2007	765,012.26
July, 2007	772,807.73
August, 2007	898,770.08
September, 2007	882,982.69
October, 2007	843,188.96
November, 2007	1,073,384.86
December, 2007	629,146.40
January, 2008	745,170.71
2007 Totals	<u>\$ 6,775,363.63</u>
<u>2008</u>	
February, 2008	\$ 979,062.01
March, 2008	924,994.11
April, 2008	704,559.27
May, 2008	819,640.04
June, 2008	809,219.17
July, 2008	922,320.56
August, 2008	1,024,480.94
September, 2008	877,969.98
October, 2008	968,699.23
November, 2008	915,530.51
December, 2008	700,904.99
January, 2009	857,795.73
2008 Totals	<u>\$ 10,505,176.54</u>
<u>2009</u>	
February, 2009	\$ 836,893.26
March, 2009	705,559.27
April, 2009	704,988.50
May, 2009	874,710.28
June, 2009	880,463.64
July, 2009	912,878.78
August, 2009	720,388.54
September, 2009	891,022.27
October, 2009	843,020.96
November, 2009	856,833.05
December, 2009	810,329.37
Janauary, 2010	800,623.20
2009 Totals	<u>\$ 9,837,711.12</u>

County Sales Tax Receipts

<u>Month</u>	<u>County Sales Tax Receipts</u>
February, 2010	\$ 691,314.17
March, 2010	800,975.33
April, 2010	721,460.06
May, 2010	
June, 2010	
July, 2010	
August, 2010	
September, 2010	
October, 2010	
November, 2010	
December, 2010	
Janaury, 2011	
2010 Totals	<hr/> \$ 2,213,749.56 <hr/>
Grand Total Inception to Date	\$ 29,332,000.85

COUNTY SALES TAX BUDGETS

2007 BUDGET

<u>Account Number</u>	<u>Description</u>	<u>Amount</u>
00-0000-0001-41500	County Wide Sales Taxes	\$1,240,000.00
18-1843-0000-41500	UW-Rock Expansion Project	<u>7,260,000.00</u>
Total 2007 Budget		\$8,500,000.00
2007 Actual Collections		<u>6,775,363.63</u>
Difference		<u>\$1,724,636.37</u>

2008 BUDGET

<u>Account Number</u>	<u>Description</u>	<u>Amount</u>
00-0000-0001-41500	County Wide Sales Taxes	\$2,240,000.00
18-1849-0000-41500	Jail/HCC Complex Project	<u>9,175,620.00</u>
Total 2008 Budget		\$11,415,620.00
2008 Actual Collections		<u>10,505,176.54</u>
Difference		<u>\$910,443.46</u>

2009 BUDGET

<u>Account Number</u>		<u>Amount</u>
00-0000-0001-41500	County Wide Sales Taxes	\$ 6,013,184.00
18-1849-0000-41500	Jail/HCC Complex Project	<u>3,986,816.00</u>
Total 2009 Budget		\$ 10,000,000.00
2009 Actual Collections		<u>9,837,911.12</u>
Difference		<u>\$ 162,088.88</u>

2010 BUDGET

<u>Account Number</u>		<u>Amount</u>
00-0000-0001-41500	County Wide Sales Taxes	\$6,995,849.00
07-1444-0000-41500	IT Capital Projects	267,315.00
22-1202-0000-41500	Courts Video Conferencing	45,500.00
41-4300-4320-41500	Highway Road Construction	491,336.00
41-4350-4280-41500	Highway Equipment Cost Pool	<u>1,000,000.00</u>
Total 2010 Budget		\$8,800,000.00
2010 Actual Collections		
Difference		

**ROCK COUNTY
OUTSTANDING DEBTS END OF LEVY YEAR
2000 – 2010**

<u>LEVY YEAR</u>	<u>BUDGET YEAR</u>	<u>PRINCIPAL OUTSTANDING DECEMBER 31</u>
1999	2000	29,930,000
2000	2001	26,345,000
2001	2002	27,570,000
2002	2003	26,790,000
2003	2004	23,455,000
2004	2005	18,765,000
2005	2006	20,385,000
2006	2007	20,690,000
2007	2008	23,115,000
2008	2009	16,915,000
2009	2010	13,475,000

ROCK COUNTY DEBT SERVICE SCHEDULE AT DECEMBER 31, 2009

<u>YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2010	3,250,000	518,813	3,768,813
2011	2,900,000	394,937	3,294,937
2012	2,325,000	282,313	2,607,313
2013	2,375,000	193,312	2,568,312
2014	1,675,000	100,313	1,775,313
2015	950,000	35,625	985,625
TOTALS	\$ 13,475,000	\$ 1,525,313	\$ 15,000,313

Rock County's legal debt margin [total statutory debt allowed which is 5% of the county's equalized valuation including TIDs (\$10,607,155,700), less principal outstanding] as of December 31, 2009 was \$516,882,785 (97.46%).

REP007S

Summary:

Rock County, Wisconsin; General Obligation

Primary Credit Analyst:

Scott D Garrigan, Chicago (1) 312-233-7014; scott_garrigan@standardandpoors.com

Secondary Credit Analyst:

Adam Watson, Chicago (1) 312-233-7044; adam_watson@standardandpoors.com

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Rationale

Outlook

Additional Revenue Flexibility

Related Criteria And Research

Summary:

Rock County, Wisconsin; General Obligation

Credit Profile

US\$5 815 mil GO prom nts dtd 06/15/2010 due 09/01/2019

<i>Long Term Rating</i>	AA/Stable	New
Rock Cnty GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Rationale

The 'AA' long-term rating assigned to Rock County, Wis.' general obligation (GO) promissory notes reflects the following credit characteristics:

- A diversifying economic base with a decreasing reliance on manufacturing employment,
- Economic indicators that Standard & Poor's Ratings Services considers at least adequate;
- A general fund balance we consider to be very strong combined with good financial management practices, and
- A moderate debt burden, in our opinion, with rapid principal amortization.

Somewhat offsetting these characteristics is a fairly significant drop in the general fund balance that occurred in 2008. Before 2008, the ending unreserved general fund balance had typically been at a level that represents at least 48% of expenditures. However, in 2008, the ending unreserved balance was drawn down by \$5 million, to 31% of expenditures, due to one-time flood-related expenditures. Because the budget remains in structural balance, we do not view this as a negative credit factor at this time.

The 2010 bonds will be issued as recovery zone economic development bonds, subject to a 45% interest subsidy payable to the county from the federal government. The county will levy gross of this subsidy and offset a portion of its debt service levy only with funds on hand. The county will use the bond proceeds for various capital projects.

Rock County is located about 30 miles south of Madison, Wis., on the border of Wisconsin and Illinois. The county is traversed by Interstate 90, which provides it with a direct link to Madison, Wis. and Chicago, Ill. The county's population grew 9% during the 1990s and is estimated to have grown another 4% since 2000 to about 159,000 today. The county's largest communities are its seat, Janesville (AA-/Stable GO debt rating) and Beloit (A+/Stable). Equalized value grew at a compound annual rate of 4.7% from 2005-2009, to an estimated market value of \$10.6 billion, which we view as a strong \$66,552 per capita. The tax base is also very diverse, with the 10 largest taxpayers accounting for only 3.4% of assessed valuation.

Although historically dominated by automotive and other manufacturing, the county's employment base is diversifying. Additional growth in recent years has been fueled by development along Interstate 90. The larger employers are a combination of manufacturing and services, and include the following:

- Mercy Health System, 3,767 employees;
- Beloit Health System, 1,847;
- Janesville School District, 1,512;

- Rock County, 1,174;
- Beloit School District, 894;
- Hendricks Holdings (various construction businesses), 857; and
- GHC Specialty Brands (safety and materials handling equipment), 831.

The unemployment rate has typically remained slightly above national averages, but increased recently to 12.5% in 2009; for March 2010, it was 12.8%.

In 2009, General Motors Corp.'s (GM) Janesville manufacturing plant, which in 2008 employed about 2,500, closed. Another 1,000 were employed at local automotive parts plants that do business with GM. Employment at the GM plant was close to 5,300 in 1997, but had been substantially decreased since then. Although the plant's loss will deal a hard blow to the city's employment base, its impact on the city's finances is expected by the county to be manageable. The plant represents less than 1% of equalized valuation and pays less than \$530,000 of property taxes to the county.

Median household effective buying income is considered good at 93% of the national average while per capita effective buying income is considered adequate at 87% of the national average.

Despite a reduction in the general fund balance for the previous two audited years, we still consider the general fund balance to be very strong. From 2004-2006, the general fund balance remained at a level that was at least 48% of expenditures. However, in 2007, the general fund balance decreased by \$2.5 million, due primarily to lower sales tax revenue collections and a planned spend down of the balance. Then, in 2008, the general fund balance went down by another \$5 million due primarily to flood-related spending. On Dec. 31, 2008, the unreserved general fund balance was \$13.6 million, or what we still consider a very strong 31.3% of expenditures.

For 2009, the county expects to post a \$13.7 million undesignated general fund balance, and the 2010 budget is balanced without the use of reserves.

The county's total expenditure base for its governmental funds is \$140 million, the largest special revenue funds being for human services and developmentally disabled services. Total expenditures for these two funds are approximately \$70 million and both are allocated property tax revenues from the county's general operating levy. The general fund provides budgeted operating support for these two funds as well, which cover operating deficits and bring the fund balances to zero at the end of each fiscal year.

The county's financial management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that financial management practices exist in most areas, although all may not be formalized or monitored regularly by county officials. Highlights of these policies are as follows:

- Comprehensive review of revenue and expenditure assumptions when the budget is being formulated;
- The existence of financial projections for two years after the current fiscal year as well as a five-year capital improvement plan, both of which are updated annually;
- A formal investment policy with monthly reporting of investment holdings and earnings to elected officials, and
- A formal fund balance policy that stipulates a minimum undesignated general fund balance to represent 10%-17% of the combined expenditures for general, special revenue, and enterprise funds.

The county's overall debt burden is moderate at \$2,305 per capita and 3.5% of equalized value. Debt service

typically represents a low 4%-8% of operating expenditures, and all of the county's debt is retired by 2019. Additional debt should be issued annually in accordance with the county's capital improvement program.

Outlook

The stable outlook reflects our expectation that the county will maintain its very strong financial operations as its economy continues to grow and diversify. However, we will continue to monitor the reductions in the general fund balance; if a structural imbalance ensues, this could affect the rating.

Additional Revenue Flexibility

A fair amount of the revenue-raising flexibility the county has is due to the county's decreasing property tax operating rate, which for fiscal 2010 provides \$7.1 million of unused levy under the county's 5.845-mill operating rate limit. The county also operates under a levy cap imposed by the state, which has been in place since 2005, but still has \$5.9 million of capacity under that limit.

A half-cent sales tax, which the county began to collect in April 2007, has generated about \$10 million annually since 2008, but the county's 2010 budget assumes a drop of 10% to \$8.8 million. The county budgets a portion of revenues generated from sales taxes for support of general fund operations, but all excess funds are used for capital projects.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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MOODY'S

INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS Aa1 TO ROCK COUNTY (WI) \$5.8 MILLION TAXABLE GO PROMISSORY NOTES (RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS - DIRECT PAY)

Global Credit Research - 21 May 2010

Aa1 RATING APPLIES TO \$19.3 MILLION OF POST SALE GOULT DEBT

County
WI

Moody's Rating ISSUE

RATING

Taxable General Obligation Promissory Notes (Recovery Zone Economic Development Bonds - Direct Pay) Aa1

Sale Amount	\$5,815,000
Expected Sale Date	05/27/10
Rating Description	General Obligation

Opinion

NEW YORK, May 21, 2010 -- Moody's Investors Services has assigned a Aa1 rating to Rock County's (WI) \$5.8 million Taxable General Obligation Promissory Notes (Recovery Zone Economic Development Bonds - Direct Pay). Concurrently, Moody's has affirmed the Aa1 rating on the county's \$13.5 million of general obligation debt. Post-sale the county will have \$19.3 million of general obligation debt outstanding. Debt service payments for the notes are secured by the county's general obligation unlimited tax pledge and proceeds will be used to finance various capital improvement projects. The Aa1 rating reflects the county's solid financial position supported by healthy reserves, sizeable tax base and a manageable debt profile.

SIZEABLE TAX BASE EXPERIENCING GROWTH AND DIVERSIFICATION

Rock County is located along the Illinois-Wisconsin border, with direct highway access to the cities of Madison (general obligation rated Aaa), Rockford(Aa2), Milwaukee(Aa1/negative) and Chicago(Aa2/stable). The county's economy has historically been dominated by agriculture as well as manufacturing, specifically concentrated in the cities of Janesville(Aa2) and Beloit(A1). The northern portion of the county, in particular, benefits from its proximity to the city of Madison's strong and stable economy, as residential and commercial projects continue along Interstate 90.

In June 2008 General Motors (GM), announced production at its Janesville plant would end before December 2010. Approximately 2,400 employees were affected by this closure. As a result of the plant's closure, GM is no longer one of the county's top taxpayers and the plant's valuation changes should have little impact on the county's tax base going forward. Although the local economy has historically been dominated by GM, plant downsizing occurring over the last few decades has provided opportunities for diversification in the county's tax base as evidenced by expansion of major taxpayers including Hendericks Holdings, the county's largest taxpayer. Hendericks recently acquired Bradco Supply Corp. and now is one of the largest wholesale distributors of siding, windows, and other select exterior building products with combined sales of over \$4 billion. Additionally, in 2009, Kerry Ingredients opened a \$50 million commercial and technology center headquarters creating and retaining an estimated 350 positions. Officials continue to leverage the county's favorable location along transportation corridors to spur economic development and these efforts have resulted in new warehousing and distribution businesses. Favorably, a pair of recently announced local expansion projects, SSI Technologies and GHC Specialty Brands demonstrate the continued commitment by existing firms to remain in Rock County. GHC Specialty Brands is investing nearly \$3 million into their facility adding up to 130 new positions. SSI has also made a similar capital investment adding an estimated 40 new jobs.

We believe the county's tax base will continue to experience moderate growth over the medium term due to residential development and significant redevelopment projects underway throughout the county and within Janesville and Beloit. The county's large tax base, valued at \$10.6 billion in 2009, experienced a slight decline (-0.9%) from 2008 due to the GM closure and reassessment. Despite this modest softening, the county's tax base has continued to exhibit steady growth averaging 5.4% annually over five years. Resident incomes indices approximate state-wide medians, with per capita income and median family income at 98.2% and 100.9%, respectively. The county's February 2010 unemployment rate of 12.7% was substantially higher than the national level of 10.4% for the same period, which primarily reflects the GM closure.

SOUND FINANCIAL OPERATIONS SUPPORTED BY HEALTHY RESERVES AND FINANCIAL FLEXIBILITY

We expect the county's financial operations to remain strong based on its demonstrated ability to control expenditure growth and reduce budget pressures. Though the county's General Fund balance has decreased in recent years, the county has remained within their formal policy to retain an undesignated general fund balance of between 10% to 17% of total audited General, Special Revenue and Enterprise Fund expenditures. On average, prior to fiscal 2007, the county's General Fund reserves has approximated \$23 million (or an ample 57% of General Fund revenues). However, fiscal 2008 ended with a General Fund balance of \$17.7 million, but remained a healthy 44.1% of General Fund revenues. In 2008, the county posted an operating deficit of \$5 million due to unplanned expenditures related to increased costs of winter maintenance from record snowfalls, two FEMA declared disasters and increased fuel costs. In fiscal 2009 unaudited results indicate the county posted an operating surplus of \$840,000, a favorable variance from the original budgeted deficit of \$700,000. Management indicates that fiscal 2010 poses particular budgetary challenges, necessitating some form of revenue enhancement or expenditure reduction. As a proactive approach, the county implemented multiple expenditure controls in fiscal 2010, including the elimination of approximately 11 positions and reviewing operations to implement efficiencies where appropriate. Fiscal 2010 is now projected to end with balanced operations. Ongoing expenditure cuts will be required to balance the budget and management expects to continue to exert tight financial control throughout the next fiscal year.

In 2007 the county implemented a 0.5% sales tax, the maximum allowed, with collections beginning in April 2007. The county plans to use the sales tax revenue primarily to support capital projects and to offset the application of General Fund reserves to support operations in the future. Management reports that fiscal 2010 sales tax collections are estimated to be approximately \$8.8 million. Of that total, \$7 million will be used for operational costs and the remaining amount will be used for capital projects. We believe the flexibility to allocate sales tax revenues to operations is a credit strength and provides future operating flexibility to meet budgetary obligations without tapping General Fund reserves.

MANAGEABLE DEBT PROFILE; ADDITIONAL BORROWING FOR CAPITAL PROJECTS PLANNED

We expect the county's debt profile to remain manageable due to a modest direct debt ratio and rapid principal amortization. At 0.2% of full valuation, the county's direct debt is modest and its overall debt burden of 3.3% is slightly above average due to borrowing by underlying entities. Principal amortization is above average with 100% of debt retired in ten years. In 2011, management projects borrowing for implementation of a sprinkler system for the Rock Haven nursing facility, which is federally mandated. Although officials have yet to size the borrowing amount, costs would be based on the size and scope of the project. The county board is currently evaluating construction costs and timelines on either remodeling of the existing facility or constructing a new facility. The board will decide in the next coming months.

KEY STATISTICS:

2009 Estimated population: 160,635

2009 Full Valuation: \$10.6 billion

Full value per capita: \$66,033

2000 Per capita income as a % of state: 98.1%

2000 Median family income as a % of state: 100.9%

Rock County unemployment rate (02/10): 12.7%

Direct debt: 0.2% (3.3% overall)

Amortization of principal (10 years): 100%

FY 2008 General Fund balance: \$17.7 million (44.1% of General Fund revenues)

Post-sale general obligation debt: \$19.3 million

PRINCIPAL METHODOLOGY AND LAST RATING ACTION

The principal methodology used in assigning the rating was General Obligation Bonds Issued by U.S. Local Governments, published on October 2009, and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action with respect to the Rock County Wisconsin was on July 9, 2008, when a municipal finance scale rating of Aa2 was assigned to the County's General Obligation Promissory Notes. That rating was subsequently recalibrated to Aa1 on April 16, 2010.

Analysts

Tatiana Killen
Analyst
Public Finance Group
Moody's Investors Service

Beth A. Dougherty
Backup Analyst
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653



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