



**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**Green Bay, Wisconsin**

**FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

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## Independent Auditor's Report

Board of Commissioners  
Green Bay Metropolitan Sewerage District  
Green Bay, Wisconsin

We have audited the accompanying statement of net assets of the Green Bay Metropolitan Sewerage District (GBMSD), as of December 31, 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of GBMSD's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of GBMSD as of December 31, 2009 were audited by other auditors whose report dated April 21, 2010, expressed an unqualified opinion on those financial statements. As discussed in Note 13, the GBMSD has restated its 2009 financial statements during the current year to adjust accounts receivable and deferred revenue in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the financial statements before the restatement.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because we were unable to reconcile the cost of capital assets and related accumulated depreciation stated at \$223,306,822 and \$100,543,973, respectively as of December 31, 2010, or depreciation expense of \$5,123,962, to the GBMSD's subsidiary record, we are unable to form an opinion regarding these amounts.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to reconcile the capital asset cost, accumulated depreciation and depreciation expense to the subsidiary record, the financial statements referred to above present fairly, in all material respects, the financial position of the Green Bay Metropolitan Sewerage District as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 13 that were applied to restate the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2011 on our consideration of Green Bay Metropolitan Sewerage District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, except for the matter described in the third paragraph of the previous page, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clifton Gunderson LLP*

Milwaukee, Wisconsin  
June 16, 2011

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

As management of the Green Bay Metropolitan Sewerage District (GBMSD), we offer readers of GBMSD's financial statements this narrative overview of the financial activities of GBMSD for the fiscal year ending December 31, 2010. We encourage readers to consider the information presented here in conjunction with GBMSD's financial statements and notes to the financial statements to enhance their understanding of GBMSD's financial performance.

**FINANCIAL HIGHLIGHTS**

- In 2010, the assets of GBMSD exceed its liabilities at the close of the most recent fiscal year by \$177,864,840 million. Of this amount, \$1.9 million may be used to meet GBMSD's ongoing obligations. In 2010, total assets decreased \$915,410, while total liabilities decreased \$10,081,880, resulting in total net assets increasing \$9,166,470 million over the course of the year's operations.
- GBMSD's operating expenses decreased by \$1,062,155 in 2010, after an increase of \$667,909 in 2009. The most significant components of the decreases in 2010 were electricity and natural gas \$110,975, chemicals \$166,125, contracted services \$437,058, and depreciation \$365,439.
- User fee revenues from municipal waste increased by \$1,524,227 in 2010, while mill waste decreased by \$715,050 in 2010.
- Investment income decreased by \$506,722 or 25% in 2010, and decreased by \$479,350 or 18% in 2009. This decrease is reflective of the lower interest rates.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of GBMSD. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of GBMSD report information of GBMSD using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of GBMSD's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to GBMSD creditors (liabilities). It also provides the basis for evaluating the capital structure of GBMSD and assessing the liquidity and financial flexibility of GBMSD.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of GBMSD's operations over the past year and can be used to determine whether GBMSD has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities during the reporting period.

**FINANCIAL ANALYSIS OF GBMSD**

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about GBMSD's financial activities for the years ending December 31, 2010 and 2009. These statements report the year-end balances of net assets as well as the changes in net assets from one year to the next. The balance of net assets – the difference between assets and liabilities – measures GBMSD's financial health or financial position. Over time, increases or decreases in GBMSD's net assets indicate whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and changes in governmental regulations must also be considered.

**NET ASSETS**

A summary of GBMSD's Statement of Net Assets is presented below:

	<b>Condensed Summary of Net Assets</b>			<b>Variance of 2010 to 2009</b>	
	<b>December 31</b>			<b>Increase (decrease)</b>	
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Dollars</u>	<u>%</u>
Capital assets:					
Net plant in service	\$122,762,849	\$114,246,111	\$116,618,659	\$ 8,516,738	7.5 %
Construction in progress	49,922,221	34,798,333	9,008,837	15,123,888	43.5
Current, restricted and other assets	<u>73,810,250</u>	<u>98,366,286</u>	<u>81,795,134</u>	<u>(24,556,036)</u>	<u>(25.0)</u>
Total assets	<u>246,495,320</u>	<u>247,410,730</u>	<u>207,422,630</u>	<u>(915,410)</u>	<u>(0.4)</u>
Current liabilities	11,545,298	31,219,413	7,416,442	(19,674,115)	(63.0)
Long-term liabilities	<u>57,085,182</u>	<u>47,492,947</u>	<u>45,792,302</u>	<u>9,592,235</u>	<u>20.2</u>
Total liabilities	<u>68,630,480</u>	<u>78,712,360</u>	<u>53,208,744</u>	<u>(10,081,880)</u>	<u>(12.8)</u>
Net assets:					
Invested in capital assets, net of related debt	111,599,189	96,484,827	82,750,626	15,114,362	15.7
Restricted	64,345,651	65,995,629	49,886,910	(1,649,978)	(2.5)
Unrestricted	<u>1,920,000</u>	<u>6,217,914</u>	<u>21,576,350</u>	<u>(4,297,914)</u>	<u>(69.1)</u>
Total net assets	<u>\$177,864,840</u>	<u>\$168,698,370</u>	<u>\$154,213,886</u>	<u>\$ 9,166,470</u>	<u>5.4 %</u>

Net assets increased \$9.2 million to \$177.9 million in 2010 from \$168.7 million in 2009. Significant changes in net assets included a \$20.0 million decrease in outstanding long-term debt, a \$24.5 million decrease in current and other assets, and a \$23.6 million increase in capital assets.

Net assets decreased \$14.5 million to \$168.7 million in 2009 from \$154.2 million in 2008. Significant changes in net assets included a \$4.3 million increase in outstanding long-term debt, a \$16.4 million increase in current and other assets, and a \$23.4 million increase in capital assets.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. A summary of the Statement of Revenues, Expenses, and Changes in Net Assets is shown below:

**Condensed Summary of Revenues, Expenses and Changes in Fund Net Assets**

	Year ended December 31			Variance of 2010 to 2009 Increase (decrease)	
	2010	2009	2008	Dollars	%
<b>Revenues:</b>					
Operating revenues	\$ 21,888,491	\$ 20,780,460	\$ 19,754,742	\$ 1,108,031	5.3 %
Non-operating revenues	<u>1,528,349</u>	<u>2,035,071</u>	<u>3,127,550</u>	<u>(506,722)</u>	<u>(24.9)</u>
Total Revenues	<u>23,416,840</u>	<u>22,815,531</u>	<u>22,882,292</u>	<u>601,309</u>	<u>2.6</u>
<b>Expenses:</b>					
Depreciation expense	5,123,962	5,489,401	5,288,817	(365,439)	(6.7)
Other operating expense	17,813,432	18,510,148	18,042,823	(696,716)	(3.8)
Non-operating expense	<u>1,053,026</u>	<u>1,641,478</u>	<u>1,333,485</u>	<u>(588,452)</u>	<u>(35.8)</u>
Total Expenses	<u>23,990,420</u>	<u>25,641,027</u>	<u>24,665,125</u>	<u>(1,650,607)</u>	<u>(6.4)</u>
Decrease in net assets, before capital contributions and transfers	<u>(573,580)</u>	<u>(2,825,496)</u>	<u>(1,782,833)</u>	<u>2,251,916</u>	<u>(79.7)</u>
Capital contributions	<u>9,740,050</u>	<u>17,309,980</u>	<u>1,480,880</u>	<u>(7,569,930)</u>	<u>(43.7)</u>
Change in Net Assets	9,166,470	14,484,484	(301,953)	(5,318,014)	(36.7)
Net assets at beginning of year, restated	<u>168,698,370</u>	<u>154,213,886</u>	<u>153,748,239</u>	<u>14,484,484</u>	<u>9.4</u>
Net assets at end of year	<u>\$177,864,840</u>	<u>\$168,698,370</u>	<u>\$153,446,286</u>	<u>\$ 9,166,470</u>	<u>5.4 %</u>

As can be seen above, the capital contributions of \$9,740,050 offset by the decrease in net assets before contributions of \$573,580 resulted in an increase of \$9,166,470 in net assets in 2010. Net assets increased by \$15.3 million in 2009.

GBMSD's operating revenues increased by \$1,108,031 to \$21,888,491 in 2010 due to an increase in flows and loads from GBMSD's municipal customers. Also, the non-operating revenues, which represent investment earnings decreased by \$506,722 to \$1,528,349 in 2010 from \$2,035,071 in 2009. This decrease is primarily due to the general decrease in interest rates during 2010.

GBMSD's operating revenues increased by \$1,025,018 to \$20,780,460 in 2009 due to an increase in flows and loads from most of GBMSD's municipal customers, resulting from the annexation of the waste water treatment facility of the City of De Pere. Also, the non-operating revenues decreased by \$1,092,479 to \$2,035,071 in 2009 from \$3,127,550 in 2008. This decrease is primarily due to the general decrease in interest rates during 2009.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

**BUDGETARY HIGHLIGHTS**

GBMSD adopts an annual budget and a five-year capital plan following public budget workshops and a public hearing. The budget includes proposed expenses for operations, debt service, and plant and equipment. The budget then identifies the means of financing the expenses. The budget is used as the basis for establishing user rates on an annual basis. A fiscal 2010 and 2009 budget comparison and analysis is presented to management as interim financial statements; however, they are not reported on nor shown in the financial statement section of this report.

The following is a summary of the 2010 budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 22,172,581	\$ 21,888,491	\$ (284,090)
Expenses:			
Salaries and benefits	9,928,167	9,882,941	45,226
Employee development	161,359	82,080	79,279
Travel and meetings	30,850	53,201	(22,351)
Power	2,581,866	2,562,269	19,597
Natural gas and fuel oil	1,102,883	1,036,468	66,415
Chemicals	1,137,726	791,486	346,240
Maintenance - plant	1,155,330	1,096,553	58,777
Maintenance - Interceptors	193,371	211,658	(18,287)
Contracted services	1,281,336	910,388	370,948
Insurance	235,000	192,689	42,311
Solid waste disposal	463,451	414,616	48,835
Strategic initiatives	424,500	36,342	388,158
Office related expenses	345,440	236,027	109,413
Supplementary expenses	324,766	306,714	18,052
Total Expenses	<u>19,366,045</u>	<u>17,813,432</u>	<u>1,552,613</u>
Net change	<u>\$ 2,806,536</u>	<u>\$ 4,075,059</u>	<u>\$ 1,268,523</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

The following is a summary of the 2009 budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 20,461,874	\$ 20,780,460	\$ 318,586
Operation and maintenance expenses			
Salaries and benefits	9,986,778	9,727,465	259,313
Power	2,775,115	2,628,127	146,988
Contracted services	1,126,600	1,347,446	(220,846)
Maintenance and repairs	1,051,465	1,039,950	11,515
Chemicals	1,019,155	957,611	61,544
Natural gas & fuel oil	1,282,168	1,081,585	200,583
Insurance	235,000	229,808	5,192
Other	1,949,747	1,498,156	451,591
Total operation and maintenance expenses	<u>19,426,028</u>	<u>18,510,148</u>	<u>915,880</u>
Net change	<u>\$ 1,035,846</u>	<u>\$ 2,270,312</u>	<u>\$ 1,234,466</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

**CAPITAL ASSETS**

At the end of 2010, GBMSD had \$273 million invested in capital assets including two treatment plants and interceptors. The increase in construction in process is reflective of the multiple capital projects initiated and ongoing during 2010, including plant upgrades and interceptor repairs.

At the end of 2009, GBMSD had \$245 million invested in capital assets including two treatment plants and interceptors. The increase in construction and process is reflective of the multiple capital projects initiated during 2009, including plant upgrades and interceptor repairs.

	<b>CAPITAL ASSETS</b>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 3,871,155	\$ 3,871,155	\$ 3,871,155
Structures	73,092,079	72,840,945	72,903,069
Machinery and equipment	75,321,693	73,350,086	74,616,845
Furniture and fixtures	991,960	924,590	918,995
Autos and trucks	615,806	553,401	355,834
Interceptors	68,653,322	57,603,144	54,495,672
Amortizable assets	760,807	760,807	745,987
Construction in process	<u>49,922,221</u>	<u>34,798,333</u>	<u>9,008,837</u>
Sub-totals	273,229,043	244,702,461	216,916,394
Less: Accumulated depreciation	<u>100,543,973</u>	<u>95,658,017</u>	<u>91,288,898</u>
Net Property & Equipment	<u>\$ 172,685,070</u>	<u>\$ 149,044,444</u>	<u>\$ 125,627,496</u>

In 2009, GBMSD's five-year capital plan included plant electrical upgrades of approximately \$2.5 million, process piping of approximately \$7.5 million, other facility upgrades of approximately \$9.0 million at both facilities, and approximately \$8.6 million of interceptor conveyance projects.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

**DEBT ADMINISTRATION**

In order to abate levying a tax for debt service, GBMSD maintains cash and investments in a reserve fund in an amount no less than what is required to meet the balance of the current year's debt service requirements plus the subsequent year's debt service. By October 1 of each year, GBMSD's customers are informed that GBMSD will not levy any taxes for the existing debt service. GBMSD believes the most equitable method is collecting for municipal debt service requirements based on the flow and loadings to the plant. The mills are assessed debt service cost based on their contractual plant capacity.

General obligation indebtedness outstanding at December 31, 2010 and 2009 amounted to \$61.6 million and \$70.4 million, respectively. This balance includes funds received by GBMSD through the State of Wisconsin Clean Water Fund Loan program, which has replaced grant funding for the construction of wastewater treatment facilities. Interest on these loans is payable semi-annually at rates of 2.365 – 5.00%. On July 30, 2009, GBMSD issued \$20.0 million general obligation sewerage system improvement bond anticipation notes at an interest rate of 1%. More detailed information about GBMSD's long-term liabilities is presented in Note 6 of the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Commission and management of GBMSD considered many factors when setting the fiscal year 2010 and 2009 budgets, user fees, and charges. One of those factors is the local economy, and the impact our rates have on the major industries. By maintaining competitive rates, GBMSD believes it can help keep its industrial customers competitive in their respective markets. The following table presents the budget rate history:

**BUDGET RATE HISTORY  
Municipal Rate History**

<u>Fiscal Year</u>	<u>Volume (Per 1,000 gals)</u>	<u>BOD (Per Lb.)</u>	<u>Suspended Solids (Per Lb.)</u>	<u>Phosphorus (Per Lb.)</u>	<u>TKN (Per Lb.)</u>
2003	0.46691	0.18650	0.17388	0.65035	0.47032
2004	0.47951	0.19156	0.18378	0.58922	0.47433
2005	0.48149	0.18915	0.18534	0.59931	0.47319
2006	0.47604	0.20901	0.18995	0.62599	0.47071
2007	0.48093	0.20830	0.19374	0.77477	0.43893
2008	0.51271	0.19526	0.20291	0.83148	0.46411
2009	0.53679	0.21044	0.20719	0.85349	0.53473
2010	0.61640	0.20702	0.23233	0.82980	0.67116

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

**Mill Rate History**

<u>Fiscal Year</u>	<u>Volume (Per 1,000 gals)</u>	<u>BOD (Per Lb.)</u>	<u>Suspended Solids (Per Lb.)</u>	<u>Phosphorus (Per Lb.)</u>	<u>TKN (Per Lb.)</u>
2003	0.30271	0.16080	0.16045	0.62342	0.40393
2004	0.32187	0.16512	0.16987	0.56675	0.41450
2005	0.31820	0.16259	0.17060	0.57598	0.41174
2006	0.34372	0.18961	0.18344	0.61624	0.44461
2007	0.35917	0.20092	0.19645	0.77873	0.44909
2008	0.37286	0.17038	0.20054	0.82603	0.45258
2009	0.40517	0.18287	0.20402	0.84653	0.51832
2010	0.42111	0.16810	0.21243	0.78548	0.56928

**GBMSD CONTACT INFORMATION**

This financial report is designed to provide its customers and creditors with a general overview of GBMSD's finances and to demonstrate GBMSD's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Paul Kaster, Director of Business Services, Green Bay Metropolitan Sewerage District, 2231 N. Quincy Street, Green Bay, WI 54302, or by phone at 920-438-1060, or by email at [pkaster@gbmsd.org](mailto:pkaster@gbmsd.org).

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**STATEMENTS OF NET ASSETS**  
December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,110,256	\$ 3,769,282
Investments	115,826	556,698
Receivables		
Sewage treatment service	3,028,399	2,557,824
Accrued interest	471	2,320
Other	113,444	96,666
Inventories	1,042,124	1,057,158
Prepaid items	181,073	223,989
Total current assets	8,591,593	8,263,937
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	9,177,794	26,694,333
Investments	37,674,586	40,665,688
Accrued interest receivable	271,632	393,248
Accounts receivable - debt	376,739	-
Interceptor cost recovery, current portion	1,551,971	1,502,714
Interceptor cost recovery, long-term portion	14,358,420	14,881,051
Industrial contributions receivable	1,714,682	965,541
Grants receivable	-	4,900,527
Total restricted assets	65,125,824	90,003,102
<b>CAPITAL ASSETS</b>		
Wastewater treatment facilities	151,905,625	149,733,316
Interceptor sewers	71,401,197	60,170,812
Total, at cost	223,306,822	209,904,128
Accumulated depreciation	100,543,973	95,658,017
Construction in progress	49,922,221	34,798,333
Total capital assets	172,685,070	149,044,444
<b>OTHER ASSETS</b>		
Unamortized bond issue costs	92,833	99,247
<b>TOTAL ASSETS</b>	<b>246,495,320</b>	<b>247,410,730</b>

The accompanying notes are an integral part of the financial statements.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,091,866	\$ 2,371,041
Accrued salaries	106,151	104,800
Accrued compensated absences, current portion	353,210	372,077
Other accrued liabilities	98,479	20,164
Total current liabilities	1,649,706	2,868,082
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Accounts payable	3,705,521	2,246,573
Unearned revenue	-	965,541
Current maturities of long-term debt	5,838,754	24,786,326
Accrued interest payable	351,317	352,891
Total current liabilities payable from restricted assets	9,895,592	28,351,331
<b>LONG-TERM LIABILITIES</b>		
General obligation long-term debt, less current maturities	55,768,816	45,662,625
Compensated absences	1,316,366	1,830,322
Total long-term liabilities	57,085,182	47,492,947
Total liabilities	68,630,480	78,712,360
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	111,599,189	96,484,827
Restricted for		
Equipment and interceptor replacement	56,718,705	62,274,852
Debt retirement	7,626,946	3,720,777
Unrestricted	1,920,000	6,217,914
Total Net Assets	\$ 177,864,840	\$ 168,698,370

The accompanying notes are an integral part of the financial statements.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>	\$ 21,888,491	\$ 20,780,460
<b>OPERATING EXPENSES</b>	<u>22,937,394</u>	<u>23,999,549</u>
Operating loss	<u>(1,048,903)</u>	<u>(3,219,089)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment earnings	1,528,349	2,035,071
Loss on disposal of capital assets	(27,264)	(536,184)
Amortization of bond issue costs	(6,414)	(6,414)
Interest expense	<u>(1,019,348)</u>	<u>(1,098,880)</u>
Total non-operating revenues (expenses)	<u>475,323</u>	<u>393,593</u>
Loss before capital contributions	(573,580)	(2,825,496)
<b>CAPITAL CONTRIBUTIONS</b>	<u>9,740,050</u>	<u>17,309,980</u>
<b>CHANGE IN NET ASSETS</b>	9,166,470	14,484,484
<b>NET ASSETS, BEGINNING OF YEAR (RESTATED)</b>	<u>168,698,370</u>	<u>154,213,886</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 177,864,840</u>	<u>\$ 168,698,370</u>

The accompanying notes are an integral part of the financial statements.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 21,024,399	\$ 20,811,108
Paid to suppliers	(9,151,716)	(9,247,303)
Payments to employees	(10,336,098)	(9,732,970)
Net cash provided by operating activities	1,536,585	1,830,835
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	16,062,324	29,096,257
Payments on long-term debt	(24,903,705)	(4,303,893)
Interest paid on long-term debt	(1,787,867)	(1,614,093)
Acquisition and construction of capital assets	(26,600,309)	(26,430,907)
Proceeds from the sale of capital assets	34,350	-
Interceptor cost recovery income	1,471,729	1,488,280
Capital contributions received	11,927,540	9,859,316
Net cash provided by (used in) capital and related financing activities	(23,795,938)	8,094,960
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	1,651,814	2,277,207
Purchase of investments	(22,396,452)	(4,389,078)
Proceeds from sales and maturities of investments	25,828,426	13,266,950
Net cash provided by investing activities	5,083,788	11,155,079
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(17,175,565)	21,080,874
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
	30,463,615	9,382,741
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
	\$ 13,288,050	\$ 30,463,615

The accompanying notes are an integral part of the financial statements.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</b>		
Unrestricted	\$ 4,110,256	\$ 3,769,282
Restricted	9,177,794	26,694,333
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 13,288,050</b>	<b>\$ 30,463,615</b>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating income (loss)	\$ (1,048,903)	\$ (3,219,089)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	5,123,962	5,489,401
Effects of changes in operating assets and liabilities		
Accounts receivable	(864,092)	30,648
Inventories	15,034	(132,633)
Prepaid items	42,916	(136,927)
Accounts payable	(1,279,175)	(236,680)
Accrued salaries	79,666	27,624
Compensated absences	(532,823)	6,583
Other accrued liabilities	-	1,908
<b>Net cash provided by operating activities</b>	<b>\$ 1,536,585</b>	<b>\$ 1,830,835</b>

The accompanying notes are an integral part of the financial statements.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Green Bay Metropolitan Sewerage District (GBMSD) was organized in December, 1931, under Section 66.20 of the Wisconsin Statutes, to construct intercepting sewers, including rights-of-way and appurtenances, and construct and operate a sewage disposal plant. GBMSD's service area includes all of the Cities of Green Bay and De Pere, Villages of Ashwaubenon, Allouez, Bellevue, Hobart, and Howard, Towns of Ledgeview, Pittsfield, Scott, Green Bay, Humboldt, and Lawrence in Brown County; all of the Town of Red River, the Village of Luxemburg, and part of the Town of Luxemburg in Kewaunee County, and all of the Village of Pulaski located in Brown, Shawano and Oconto counties. GBMSD, the City of Green Bay, and two paper mills located within the Green Bay city limits (Georgia-Pacific Consumer Products LP and Procter & Gamble Paper Products Company) have entered into a tripartite agreement setting forth the distribution of the total cost of construction and operation of the wastewater treatment facilities. Pursuant to the agreements, the two paper mills share proportionately in the principal and interest payments falling due during the fiscal year, thus reducing the amount assessable to the various municipalities within GBMSD. Each entity utilizing GBMSD's services is billed for the actual units of volume and strength of its sewage treated. GBMSD is a municipal corporation governed by a five member commission, appointed by the Brown County Executive, and operates under the jurisdiction of the Wisconsin State Statutes.

A summary of significant accounting policies follows:

**Basis of Accounting**

GBMSD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as formulated by the Government Accounting Standards Board (GASB). The accounts of GBMSD are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses, including depreciation, are recorded when incurred.

Pursuant to GASB, *Proprietary Fund Accounting and Financial Reporting*, GBMSD applies all applicable private-sector standards of accounting (Interpretations of the Financial Accounting Standards Board) issued on or before November 30, 1989 to the extent that they do not conflict with or contradict guidance of the Government Accounting Standards Board. GBMSD has elected not to follow the private-sector standards issued after November 30, 1989.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates in Preparing Financial Statements**

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

**Cash and Cash equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include any highly liquid investments with a maturity of three months or less when acquired.

**Investments**

Investments are reported at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair value is determined based on quoted market prices. No amounts are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the statements of revenues, expenses, and changes in net assets as increases or decreases in investment income.

**Accounts Receivable**

Accounts receivable is composed of charges to customers for wastewater services. Receivables are reported at their gross values and are considered to be fully collectible as they are primarily due from other municipalities. The municipalities have the right under Wisconsin Statutes to place delinquent bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

**Inventories**

Inventories of supplies are valued at average cost, which approximates market. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenses at the time they are consumed.

**Prepaid Items**

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

**Restricted Assets**

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets are defined by GBMSD as assets with an initial, individual cost of more than \$2,500 for general assets or \$5,000 for computers and an estimated useful life in excess of one year.

Capital assets of GBMSD are recorded at cost or the fair market value at the time of contribution to GBMSD. Major outlays for plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested debt proceeds over the same period. Expenditures for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

Depreciation is computed using the straight-line method over estimated asset lives as follows:

Buildings	20 - 80 years
Improvements	3 - 80 years
Sewers	50 - 100 years
Equipment	3 - 30 years

**Compensated Absences**

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees. The unpaid liability is reflected as compensated absences payable. The liability is liquidated from general operating revenues of GBMSD.

**Long-Term Obligations**

Long-term debt and other obligations are reported as GBMSD liabilities. Bond premiums or discounts, as well as issuance costs, are capitalized and amortized over the term of the bond using the straight-line method.

**Revenues and Expenses**

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the principal ongoing operations. The principal operating revenues of GBMSD are fees and capital revenue for wastewater treatment services. Operating expenses include the costs associated with the conveyance and treatment of wastewater, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Net assets are classified in three separate categories. The categories and their general descriptions are as follows:

- 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 and unamortized bond issuance costs.
- b. Restricted net assets - consists of net assets with constraints placed on their use 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 debt service, it is GBMSD's policy to use restricted resources first, then unrestricted resources.

**Capital Contributions**

Capital contributions consist of interceptor connection charges, contributed capital assets, and federal and state grants received to pay a portion of the construction costs of the wastewater treatment facility.

**Reclassifications**

Certain reclassifications have been made to the amounts presented in the prior year to be consistent with the current year's presentation.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

As of December 31, 2010 and 2009, cash, cash equivalents, and investments included the following:

	2010	2009
Petty cash	\$ 500	\$ 500
Demand deposits		
Checking account	507,563	194,065
Money market accounts	3,253,797	1,141,752
Money market fund	9,479,268	9,390,675
Local Government Investment Pool	46,922	19,736,623
Federally backed notes	19,718,382	24,336,820
Corporate bonds	13,941,740	11,482,060
Mortgage backed securities	4,130,290	5,403,506
 Total cash, cash equivalents, and investments	 \$ 51,078,462	 \$ 71,686,001
 Reconciliation to the financial statements:		
Cash and cash equivalents		
Unrestricted	\$ 4,110,256	\$ 3,769,282
Restricted	9,177,794	26,694,333
Investments		
Unrestricted	115,826	556,698
Restricted	37,674,586	40,665,688
 Total cash, cash equivalents, and investments	 \$ 51,078,462	 \$ 71,686,001

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest bearing accounts. The FDIC created the Temporary Liquidity Guarantee Program. One element of that program provides for an unlimited guarantee by the FDIC of funds held in an insured depository institution in non-interest-bearing transaction deposit accounts through December 31, 2010. This guarantee is over and above the \$250,000 coverage on all interest bearing deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2010, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

GBMSD also has investments in U.S. Government and U.S. Government Agency obligations purchased through a private sector securities dealer and held by a third-party custodian. These investments are readily marketable, specifically identifiable, and include discount notes and adjustable and fixed rate mortgage backed securities.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of net assets.

**Investment Policy**

Investment of GBMSD funds is restricted by Wisconsin Statutes to:

- Time deposits in any credit union, bank, savings bank, or trust company authorized to conduct business in the state maturing in three years or less.
- 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, local professional baseball park district, local professional football stadium district, local cultural arts district, or the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The Wisconsin Local Government Investment Pool (LGIP).
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

GBMSD's investment policy requires the following:

- Collateralization or insurance will be required on certificates of deposit, repurchase agreements, and cash liquidity investments.
- Collateral will always be held by an independent third party with whom GBMSD has a current custodial agreement. A clearly marked evidence of ownership is to be supplied to GBMSD and retained.
- The right of collateral substitution is granted.
- The exception to this section is collateralization or insurance will not be required for certificates of deposit under the following circumstances: 1) the certificate of deposit has a maturity date of not more than one year, 2) the total amount of certificates of deposit held at the financial institution is not greater than \$3 million, and 3) the financial institution has a Moody's credit rating of A or higher or an equivalent credit rating of a nationally recognized rating agency.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2010, GBMSD had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity in Years</u>		
		<u>&lt; 1</u>	<u>1-5</u>	<u>6-10</u>
Money market fund	\$ 9,479,268	\$ 9,479,268	\$ -	\$ -
LGIP	46,922	46,922	-	-
Federal Farm Credit Bank (FFCB)	2,049,460	-	-	2,049,460
Federal Home Loan Bank (FHLB)	4,023,800	1,999,080	2,024,720	-
Federal National Mortgage Association (FNMA)	11,515,542	-	11,515,542	-
Federal Home Loan Mortgage Corporation Note (FHLMC)	2,129,580	-	2,129,580	-
Federal Home Loan Mortgage Corporation Pool (FHLMC)	4,130,290	-	4,130,290	-
Corporate Bonds	13,941,740	2,028,160	11,913,580	-
	<u>\$ 47,316,602</u>	<u>\$ 13,553,430</u>	<u>\$ 31,713,712</u>	<u>\$ 2,049,460</u>

As of December 31, 2009, GBMSD had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity in Years</u>		
		<u>&lt; 1</u>	<u>1-5</u>	<u>6-10</u>
LGIP	\$ 19,736,623	\$ 19,736,623	\$ -	\$ -
Money market fund	9,390,675	9,390,675	-	-
Federal Farm Credit Bank (FFCB)	2,030,620	-	-	2,030,620
Federal Home Loan Bank (FHLB)	12,404,789	5,026,260	7,378,529	-
Federal National Mortgage Association (FNMA)	3,061,891	2,006,260	1,055,631	-
Federal Home Loan Mortgage Corporation (FHLMC)	12,243,026	1,809,873	4,424,533	6,008,620
Corporate Bonds	11,482,060	2,024,760	7,312,880	2,144,420
	<u>\$ 70,349,684</u>	<u>\$ 39,994,451</u>	<u>\$ 20,171,573</u>	<u>\$ 10,183,660</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

In accordance with its investment policy, GBMSD manages its exposure to declines in fair values by limiting the maximum maturity dates as follows:

- No more than 80% will have a maturity date greater than two years from purchase.
- No more than 50% will have a maturity date greater than three years from purchase.
- No more than 30% will have a maturity date greater than four years from purchase.
- No more than 20% will have a maturity date greater than five years from purchase.
- No more than 10% will have a maturity date greater than six years from purchase.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2010 and 2009, GBMSD's investments in corporate bonds were rated as follows:

Fair Value		Rating	
2010	2009	Agency	Rating
\$ 5,487,540	\$ 5,387,480	Moody's	AA3
2,028,160	2,023,800	Moody's	AA2
-	2,046,000	Moody's	AA1
4,364,380	2,024,760	Moody's	A1
2,061,660	-	Moody's	A2
<u>\$ 13,941,740</u>	<u>\$ 11,482,040</u>		

The U. S. Agency securities identified above are rated AAA. The LGIP is unrated with regard to the credit quality rating. The remaining investments of GBMSD are U.S. Governmental or Agency securities that are explicitly guaranteed, and therefore credit rating is not applicable.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

Concentration of credit risk refers to the risk of loss attributed to the investment in a single issuer. With the exception of US agency notes, US treasury notes, certificates of deposit, and authorized pools, GBMSD's investment policy allows no more than 50% of its total investment portfolio to be invested in a single security type or with a single financial institution.

As of December 31, 2010, GBMSD held investments in the following securities, which represents over 5% in a single issuer:

<u>Issuer</u>	<u>% of Investments</u>
FHLB	9%
FNMA	24%
FHLMC	14%
CME Group Inc.	6%
Merck & Co.	6%
Pfizer Inc.	6%

As of December 31, 2009, GBMSD held investments in the following securities, which represents over 5% in a single issuer:

<u>Issuer</u>	<u>% of Investments</u>
FHLB	16%
FHLMC	17%

**Custodial Credit Risk**

For deposits, custodial credit risk is the risk that in the event of the failure of a depository financial institution, GBMSD will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

All of GBMSD's U.S. Government and Agency obligations are uninsured and unregistered investments for which the investments are held by the counterparty's trust department or agent in GBMSD's name. The LGIP is not subject to the custodial credit risk.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, GBMSD will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

GBMSD's investment policy requires that all security transactions are conducted on a delivery-versus-payment basis and that all securities are held by a third party custodian in GBMSD's name evidenced by safekeeping receipts. GBMSD does not have any investments exposed to custodial credit risk at either December 31, 2010 or 2009.

**NOTE 3 - RESTRICTED ASSETS**

Certain proceeds of GBMSD's revenue and notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net assets because their use is limited by applicable bond covenants. Other funds have been established according to regulatory and contractual requirements.

Cash, cash equivalents, and investments

- Plant and Equipment Replacement Account - As a condition of receiving state and federal funds for wastewater treatment facility construction, GBMSD has established an account for replacement of mechanical equipment during the life of the facility.
- Interceptor Replacement Account - The interceptor cost recovery payments are kept in a separate restricted account in order to pay any debt incurred in connection with the construction of an interceptor facility.
- Debt Retirement Account - In order to allow GBMSD to abate levying a tax for debt service, GBMSD maintains cash and investments in a sinking fund in an amount no less than what is required to meet the balance of the current year debt service requirements plus the subsequent year's debt service requirements.
- Construction Account - Used to report debt proceeds restricted for use in construction.

Receivables

- Grants receivable represents grant draws for reimbursement of construction costs incurred in the current period.
- Accrued interest receivable on the restricted investments is also reported as a restricted asset.
- Accounts receivable for debt represents amounts due from parties to the Tripartite Agreement for debt service.
- Accounts receivable for industrial contributions represents amounts due from an industrial customer for the construction of a force main.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 3 - RESTRICTED ASSETS (CONTINUED)**

The following accounts are reported as restricted assets:

	2010			
	Equipment and Interceptor Replacement	Debt Retirement	Construction	Total
Cash, cash equivalents and investments	\$ 40,576,104	\$ 5,847,420	\$ 428,856	\$ 46,852,380
Receivables				
Accrued interest receivable	232,210	39,422	-	271,632
Accounts receivable	-	376,739	-	376,739
Interceptor cost recovery	15,910,391	-	-	15,910,391
Industrial contributions receivable	-	1,714,682	-	1,714,682
Grant receivable	-	-	-	-
<b>Total restricted assets</b>	<b>\$ 56,718,705</b>	<b>\$ 7,978,263</b>	<b>\$ 428,856</b>	<b>\$ 65,125,824</b>

	2009			
	Equipment and Interceptor Replacement	Debt Retirement	Construction	Total
Cash, cash equivalents and investments	\$ 45,497,839	\$ 4,072,094	\$ 17,790,088	\$ 67,360,021
Receivables				
Accrued interest receivable	393,248	-	-	393,248
Interceptor cost recovery	16,383,765	-	-	16,383,765
Industrial contributions receivable	-	965,541	-	965,541
Grant receivable	-	-	4,900,527	4,900,527
<b>Total restricted assets</b>	<b>\$ 62,274,852</b>	<b>\$ 5,037,635</b>	<b>\$ 22,690,615</b>	<b>\$ 90,003,102</b>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for GBMSD for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions/ Reclassifications	Retirements/ Reclassifications	Ending Balance
<b>Wastewater Treatment Facilities</b>				
Capital assets not being depreciated				
Land	\$ 706,857	\$ -	\$ -	\$ 706,857
Construction in process	30,784,717	22,987,778	11,034,745	42,737,750
Total capital assets not being depreciated	<u>31,491,574</u>	<u>22,987,778</u>	<u>11,034,745</u>	<u>43,444,607</u>
Capital assets being depreciated				
Land improvements	3,120,196	-	-	3,120,196
Interceptors	1,152,615	-	-	1,152,615
Structures and equipment	70,054,352	46,274	-	70,100,626
Machinery and equipment	72,460,498	2,204,665	208,405	74,456,758
Furniture and fixtures	924,590	105,638	38,268	991,960
Autos and trucks	553,401	62,405	-	615,806
Amortizable assets	760,807	-	-	760,807
Total capital assets being depreciated	<u>149,026,459</u>	<u>2,418,982</u>	<u>246,673</u>	<u>151,198,768</u>
Accumulated depreciation				
Land improvements	1,984,189	100,265	-	2,084,454
Interceptors	513,225	14,083	-	527,308
Structures and equipment	34,723,514	1,731,737	-	36,455,251
Machinery and equipment	42,171,383	2,323,943	156,236	44,339,090
Furniture and fixtures	795,492	21,808	38,268	779,032
Autos and trucks	326,127	33,673	-	359,800
Amortizable assets	718,677	2,390	-	721,067
Total accumulated depreciation	<u>81,232,607</u>	<u>4,227,899</u>	<u>194,504</u>	<u>85,266,002</u>
Total capital assets being depreciated, net	<u>67,793,852</u>	<u>(1,808,917)</u>	<u>52,169</u>	<u>65,932,766</u>
Total wastewater treatment facilities capital assets	<u>99,285,426</u>	<u>21,178,861</u>	<u>11,086,914</u>	<u>109,377,373</u>
<b>Interceptor Sewers</b>				
Capital assets not being depreciated				
Land	\$ 27,741	\$ -	\$ -	\$ 27,741
Construction in process	4,013,616	4,972,831	1,801,976	7,184,471
Total capital assets not being depreciated	<u>4,041,357</u>	<u>4,972,831</u>	<u>1,801,976</u>	<u>7,212,212</u>
Capital assets being depreciated				
Land improvements	16,361	-	-	16,361
Interceptors	56,450,529	11,050,178	-	67,500,707
Structures	2,786,593	205,932	1,072	2,991,453
Machinery and equipment	889,588	27,223	51,876	864,935
Total capital assets being depreciated	<u>60,143,071</u>	<u>11,283,333</u>	<u>52,948</u>	<u>71,373,456</u>
Accumulated depreciation				
Land improvements	16,361	-	-	16,361
Interceptors	12,828,459	68,772	-	12,897,231
Structures	1,105,079	50,003	1,072	1,154,010
Machinery and equipment	475,511	777,288	42,430	1,210,369
Total accumulated depreciation	<u>14,425,410</u>	<u>896,063</u>	<u>43,502</u>	<u>15,277,971</u>
Total capital assets being depreciated, net	<u>45,717,661</u>	<u>10,387,270</u>	<u>9,446</u>	<u>56,095,485</u>
Total interceptor sewers capital assets	<u>49,759,018</u>	<u>15,360,101</u>	<u>1,811,422</u>	<u>63,307,697</u>
Net capital assets	<u>\$ 149,044,444</u>	<u>\$ 36,538,962</u>	<u>\$ 12,898,336</u>	<u>\$ 172,685,070</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

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

	Beginning Balance	Additions/ Reclassifications	Retirements/ Reclassifications	Ending Balance
<b>Wastewater Treatment Facilities</b>				
Capital assets not being depreciated				
Land	\$ 706,857	\$ -	\$ -	\$ 706,857
Construction in process	2,892,426	28,002,371	110,080	30,784,717
Total capital assets not being depreciated	<u>3,599,283</u>	<u>28,002,371</u>	<u>110,080</u>	<u>31,491,574</u>
Capital assets being depreciated				
Land improvements	3,120,196	-	-	3,120,196
Interceptors	1,152,615	-	-	1,152,615
Structures and equipment	70,116,476	-	62,124	70,054,352
Machinery and equipment	73,852,131	202,709	1,594,342	72,460,498
Furniture and fixtures	918,995	5,595	-	924,590
Autos and trucks	355,834	197,567	-	553,401
Amortizable assets	745,987	14,820	-	760,807
Total capital assets being depreciated	<u>150,262,234</u>	<u>420,691</u>	<u>1,656,466</u>	<u>149,026,459</u>
Accumulated depreciation				
Land improvements	1,866,870	117,319	-	1,984,189
Interceptors	498,817	14,408	-	513,225
Structures and equipment	32,892,859	1,892,779	62,124	34,723,514
Machinery and equipment	40,611,867	2,617,674	1,058,158	42,171,383
Furniture and fixtures	763,035	32,457	-	795,492
Autos and trucks	290,477	35,650	-	326,127
Amortizable assets	715,504	3,173	-	718,677
Total accumulated depreciation	<u>77,639,429</u>	<u>4,713,460</u>	<u>1,120,282</u>	<u>81,232,607</u>
Total capital assets being depreciated, net	<u>72,622,805</u>	<u>(4,292,769)</u>	<u>536,184</u>	<u>67,793,852</u>
Total wastewater treatment facilities capital assets	<u>76,222,088</u>	<u>23,709,602</u>	<u>646,264</u>	<u>99,285,426</u>
<b>Interceptor Sewers</b>				
Capital assets not being depreciated				
Land	\$ 27,741	\$ -	\$ -	\$ 27,741
Construction in process	6,116,411	954,188	3,056,983	4,013,616
Total capital assets not being depreciated	<u>6,144,152</u>	<u>954,188</u>	<u>3,056,983</u>	<u>4,041,357</u>
Capital assets being depreciated				
Land improvements	16,361	-	-	16,361
Interceptors	53,343,057	3,107,472	-	56,450,529
Structures	2,786,593	124,874	-	2,911,467
Machinery and equipment	764,714	-	-	764,714
Total capital assets being depreciated	<u>56,910,725</u>	<u>3,232,346</u>	<u>-</u>	<u>60,143,071</u>
Accumulated depreciation				
Land improvements	16,361	-	-	16,361
Interceptors	12,140,540	687,919	-	12,828,459
Structures	1,051,011	54,068	-	1,105,079
Machinery and equipment	441,557	33,954	-	475,511
Total accumulated depreciation	<u>13,649,469</u>	<u>775,941</u>	<u>-</u>	<u>14,425,410</u>
Total capital assets being depreciated, net	<u>43,261,256</u>	<u>2,456,405</u>	<u>-</u>	<u>45,717,661</u>
Total interceptor sewers capital assets	<u>49,405,408</u>	<u>3,410,593</u>	<u>3,056,983</u>	<u>49,759,018</u>
Net capital assets	<u>\$ 125,627,496</u>	<u>\$ 27,120,195</u>	<u>\$ 3,703,247</u>	<u>\$ 149,044,444</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 5 - INTERCEPTOR COST RECOVERY RECEIVABLE**

GBMSD has agreements with various municipal customers in which the municipalities have agreed to reimburse GBMSD for the cost of interceptors owned by GBMSD whose capacity has been allocated to the municipalities. Annual repayments on the receivables for the year ended December 31 are as follows:

<u>Year</u>	<u>Total</u>
2011	\$ 1,551,971
2012	1,401,478
2013	1,416,242
2014	1,435,097
2015	1,454,758
Thereafter	<u>8,650,845</u>
Total	<u>\$ 15,910,391</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 6 - LONG-TERM DEBT**

Long-term debt activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Long-term Debt					
Bond anticipation note	\$ 20,000,000	\$ -	\$ 20,000,000	\$ -	\$ -
General obligation bonds/notes	14,208,020	1,260,288	470,000	14,998,308	857,977
Promissory note	1,876,006	-	66,685	1,809,321	70,019
Note Payable	133,560	-	22,009	111,551	23,220
Clean Water Fund Loans	34,231,365	14,802,036	4,345,011	44,688,390	4,887,538
Total long-term debt	<u>70,448,951</u>	<u>16,062,324</u>	<u>24,903,705</u>	<u>61,607,570</u>	<u>5,838,754</u>
Compensated absences	2,202,399	-	532,823	1,669,576	353,210
Total long-term liabilities	<u>\$ 72,651,350</u>	<u>\$ 16,062,324</u>	<u>\$ 25,436,528</u>	<u>\$ 63,277,146</u>	<u>\$ 6,191,964</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Long-term Debt					
Bond anticipation note	\$ -	\$ 20,000,000	\$ -	\$ 20,000,000	\$ 20,000,000
General obligation bonds/notes	14,215,000	443,020	450,000	14,208,020	450,000
Promissory note	1,939,515	-	63,509	1,876,006	66,685
Note Payable	154,422	-	20,862	133,560	22,009
Clean Water Fund Loans	29,347,650	10,584,265	5,700,550	34,231,365	4,247,632
Total long-term debt	<u>45,656,587</u>	<u>31,027,285</u>	<u>6,234,921</u>	<u>70,448,951</u>	<u>24,786,326</u>
Compensated absences	1,889,471	926,916	613,988	2,202,399	372,077
Total long-term liabilities	<u>\$ 47,546,058</u>	<u>\$ 31,954,201</u>	<u>\$ 6,848,909</u>	<u>\$ 72,651,350</u>	<u>\$ 25,158,403</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following issues are outstanding as of December 31, 2010 and 2009:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/10	Balance 12/31/09
Bond Anticipation Note	7/30/2009	1/28/2010	1.000%	\$20,000,000	\$ -	\$20,000,000
General Obligation Bond	1/1/2002	5/1/2016	3.25 - 4.60%	7,000,000	3,295,000	3,765,000
General Obligation Bond	9/15/2008	5/1/2028	4.339%	10,000,000	10,000,000	10,000,000
Promissory Note	12/28/2007	12/28/2027	5.000%	2,000,000	1,809,321	1,876,006
General Obligation Note	5/29/2009	5/1/2014	3.500%	1,703,308	1,703,308	443,020
Note Payable	2/1/1995	3/15/2015	3.540%	339,221	111,551	133,560
Clean Water Fund loans	9/26/1991	5/1/2011	2.500%	28,545,867	1,950,740	3,853,901
Clean Water Fund loans	2/25/1993	5/1/2011	3.399%	1,476,118	104,550	205,664
Clean Water Fund loans	6/23/1993	5/1/2013	379.500%	5,007,128	1,046,533	1,370,185
Clean Water Fund loans	11/26/1996	5/1/2016	3.080%	5,185,113	1,903,324	2,188,208
Clean Water Fund loans	4/25/1999	5/1/2018	2.640%	2,737,735	1,319,255	1,465,655
Clean Water Fund loans	10/25/2000	5/1/2020	3.432%	1,924,428	1,123,036	1,215,881
Clean Water Fund loans	12/13/2000	5/1/2020	2.970%	2,147,480	1,237,421	1,342,394
Clean Water Fund loans	7/11/2001	5/1/2021	3.355%	1,430,306	596,171	640,392
Clean Water Fund loans	7/11/2001	5/1/2021	3.175%	2,051,291	936,392	1,006,618
Clean Water Fund loans	2/28/2002	5/1/2021	2.881%	647,809	431,850	464,825
Clean Water Fund loans	12/8/2004	5/1/2024	2.365%	5,043,088	4,204,264	4,455,163
Clean Water Fund loans	4/13/2005	5/1/2024	2.365%	2,561,833	2,180,418	2,310,539
Clean Water Fund loans	12/31/2007	5/1/2017	3.173%	513,964	376,253	423,598
Clean Water Fund loans	12/31/2007	5/1/2021	2.933%	2,964,669	2,426,282	2,610,956
Clean Water Fund loans	12/31/2007	5/1/2020	3.150%	2,323,581	1,867,325	2,024,151
Clean Water Fund loans	2/23/2009	5/1/2028	2.668%	10,460,782	9,479,503	8,529,752
Clean Water Fund loans	12/9/2009	5/1/2029	2.910%	4,603,511	1,315,041	50,000
Clean Water Fund loans	12/9/2009	5/1/2029	2.910%	12,821,922	10,214,053	73,483
Clean Water Fund loans	11/10/2010	5/1/2030	2.400%	176,648	176,648	-
Clean Water Fund loans	12/22/2010	5/1/2030	2.400%	1,799,331	1,799,331	-
Total long-term debt					<u>\$61,607,570</u>	<u>\$70,448,951</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The debt service requirements for all debt outstanding as of December 31, 2010 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,838,754	\$ 1,883,880	\$ 7,722,634
2012	4,372,837	1,734,725	6,107,562
2013	4,519,011	1,590,631	6,109,642
2014	4,292,754	1,448,279	5,741,033
2015	4,136,053	1,306,507	5,442,560
2016-2020	17,188,285	4,773,037	21,961,322
2021-2025	13,080,339	2,425,888	15,506,227
2026-2030	<u>8,179,537</u>	<u>480,841</u>	<u>8,660,378</u>
 Total	 <u>\$61,607,570</u>	 <u>\$15,643,788</u>	 <u>\$77,251,358</u>

**NOTE 7 - NET ASSETS**

Net assets for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt:		
Capital assets, net of accumulated depreciation	\$ 172,685,070	\$ 149,044,444
Capital related long-term debt outstanding	(61,607,570)	(70,448,951)
Unamortized debt issuance costs	92,833	99,247
Unspent debt proceeds	<u>428,856</u>	<u>17,790,088</u>
	<u>111,599,189</u>	<u>96,484,828</u>
 Restricted:		
Equipment and interceptor replacement	56,718,705	62,274,852
Debt retirement	<u>7,626,946</u>	<u>4,684,744</u>
	<u>64,345,651</u>	<u>66,959,596</u>
 Unrestricted	 <u>1,920,000</u>	 <u>5,253,946</u>
 Total Net Assets	 <u>\$ 177,864,840</u>	 <u>\$ 168,698,370</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM**

All eligible GBMSD employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category were required by statute to contribute 5.2% of their salary to the plan in 2010 and 2009. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Total GBMSD payroll, covered payroll, and contributions for 2010, 2009, and 2008 are as follows:

	Year ended December 31,		
	2010	2009	2008
Total GBMSD payroll	\$7,151,347	\$6,867,106	\$6,754,482
Total covered employee payroll	6,565,214	6,712,567	6,749,145
Total required contributions	722,174	698,107	715,410
Total required contributions (%)	11.0%	10.4%	10.6%

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) 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. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

At December 31, 2010 and 2009, GBMSD had commitments under a long-term contract for sewage treatment service with two large industrial customers. The contract payments are based on the customer's usage and a proportionate share of debt service costs for the year.

GBMSD has signed construction contracts that continue into subsequent years. The value of service provided and the corresponding liability as of December 31, 2010 has been accrued in the financial statements. Remaining contract amounts are approximately \$428,856.

GBMSD is participating in the State of Wisconsin Clean Water Fund Loan program, which is subject to program compliance audits and possible future adjustments to expenditures reported for state reimbursement. The amount, if any, of expenditures that may be disallowed cannot be determined at this time although GBMSD expects such amounts, if any, to be immaterial.

The U.S. Fish and Wildlife Service (Service) is in the process of completing a natural resource damage assessment (NRDA) to determine the level of sediment contamination in the lower Fox River and lower Green Bay and estimate the cleanup costs to be recovered from responsible parties. GBMSD has not been identified by the Service as a potentially responsible party. Negotiations are under way between the identified potentially responsible parties and the various governmental units overseeing the NRDA and no litigation has been commenced in connection with this matter. Notwithstanding, in the event litigation relating to the NRDA is commenced, it is possible that GBMSD may be made a party to such litigation. If GBMSD were deemed to be responsible for a portion of any cleanup costs, the amount of damages that could be assessed against GBMSD cannot be presently estimated.

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

**NOTE 10 - RISK MANAGEMENT**

GBMSD is exposed to various risks of loss related to theft of, damage to, or destruction of assets, torts, errors and omissions, workers' compensation, and health care of its employees. GBMSD purchases commercial insurance to insure its assets and protect against liability claims. Settled liability and property damage claims have not exceeded the commercial insurance coverage in the last five years. There were no significant reductions in coverage compared to the prior year.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 11 - BASIS OF EXISTING RATES**

Rates are revised annually based on expected flows and operating and maintenance expenses, and adopted as part of the annual budget. The rate structure is reviewed every five years.

**NOTE 12 - SUBSEQUENT EVENTS**

GBMSD expended approximately \$3.3 million for two projects in 2010 for which draws will be made on Clean Water Fund Loans in 2011.

Management evaluated subsequent events through June 16, 2011, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2010, but prior to June 16, 2011 that provided additional evidence about condition that existed at December 31, 2010, have been recognized in the financial statements for the year ended December 31, 2010. Events or transactions that provided evidence about conditions that did not exist at December 31, 2010 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2010.

**NOTE 13 - RESTATEMENT**

The 2009 financial statements have been restated to adjust deferred revenue and accounts receivable due primarily for interceptor cost recovery charges from Fox River Fiber, LLC. GBMSD is to be reimbursed for all construction costs related to the mill waste force main from Fox River Fiber, LLC upon completion of the project. Net assets at the beginning of the year for the year ended December 31, 2009 are restated as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Restatement</u>
Industrial contributions receivable	\$ 767,600	\$ 965,541	197,941
Deferred revenue	-	965,541	965,541
Net assets	169,465,970	168,698,370	(767,600)

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
SCHEDULE OF OPERATING REVENUES AND EXPENSES  
Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
User fees - municipal waste	\$ 19,176,614	\$ 17,652,387
User fees - mill waste	1,125,412	1,840,462
Capital revenue - mills	585,299	436,247
Other revenues	1,001,166	851,364
Total operating revenues	<u>21,888,491</u>	<u>20,780,460</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	6,697,377	6,867,106
Fringe benefits	3,185,564	2,860,359
Employee development	82,080	117,916
Travel and meetings	53,201	14,426
Power	2,562,269	2,628,127
Natural gas and fuel oil	1,036,468	1,081,585
Chemicals	791,486	957,611
Maintenance - plant	1,096,553	1,039,950
Maintenance - interceptors	211,658	269,086
Contracted services	910,388	1,347,446
Insurance	192,689	229,808
Solid waste disposal	414,616	504,313
Office related expenses	236,027	282,107
Supplementary expenses	306,714	310,308
Strategic initiatives - In District Sustainability	36,342	-
Subtotal	<u>17,813,432</u>	<u>18,510,148</u>
Depreciation	5,123,962	5,489,401
Total operating expenses	<u>22,937,394</u>	<u>23,999,549</u>
Operating loss	<u>\$ (1,048,903)</u>	<u>\$ (3,219,089)</u>