

**GREEN BAY METROPOLITAN
SEWERAGE DISTRICT**

FINANCIAL STATEMENTS

December 31, 2004 and 2003

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

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Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

To the Commissioners
Green Bay Metropolitan Sewerage District
Green Bay, Wisconsin

We have audited the accompanying financial statements of Green Bay Metropolitan Sewerage District, as of December 31, 2004 and 2003, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Governmental 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Bay Metropolitan Sewerage District as of December 31, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the Green Bay Metropolitan Sewerage District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis on pages 2 through 9 is not a required part of the 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.

Virchow, Krause + Company, LLP

Madison, Wisconsin
February 15, 2005

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 years ending December 31, 2004, 2003 and 2002. We encourage readers to consider the information presented here in conjunction with GBMSD's financial statements and notes to the basic financial statements to enhance their understanding of GBMSD's financial performance.

FINANCIAL HIGHLIGHTS

- In 2004, the assets of GBMSD exceed its liabilities at the close of the most recent fiscal year by \$157,148,072 (net assets). Of this amount \$27,487,389 (unrestricted net assets) may be used to meet GBMSD's ongoing obligations. In 2004, total assets decreased \$0.8 million, while total liabilities decreased \$0.3 million, resulting in total net assets decreasing \$0.5 million or 0.3% over the course of the year's operations.
- GBMSD's operating expenses increased in both 2004 and 2003 by \$0.1 million and \$0.5 million, respectively. Increases in 2004 were due to higher costs of employee benefits and power costs. In 2003, increased expenses were due to higher insurance costs and contracted services.
- User fee revenues from municipal waste increased by \$0.4 million or 3.6% in 2004 due to the rainfall being above the normal amounts. Other revenues from septage and pretreatment customers increased by \$0.2 million or 40.4% in 2004 due to the 2004 permit fee increase and an increase in treated waste.
- Investment income decreased by \$0.2 million or 11.6% in 2004, and \$0.3 million or 14.7% in 2003. This decrease is reflective of the lower interest rates in both 2004 and 2003 in addition to a declining cash balance.

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.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

REQUIRED FINANCIAL STATEMENTS (cont.)

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.

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 and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF GBMSD

The most common financial question posed to GBMSD is "How did we do financially during 2004 and 2003". The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about GBMSD's activities in a way that will help answer this question. These two statements report the net assets of GBMSD and the changes in them. One can think of GBMSD's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in GBMSD's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET ASSETS

To begin our analysis, a summary of GBMSD's Statement of Net Assets is presented in Table A-1.

Table A-1
Condensed Statements of Net Assets
(000's)

	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
Current and Other Assets	\$ 78,054	\$ 79,901	\$ 77,948
Capital Assets	120,313	119,227	123,094
Total Assets	<u>198,367</u>	<u>199,128</u>	<u>201,042</u>
Long-term Debt Outstanding	34,798	36,000	39,000
Current and Other Liabilities	6,421	5,485	6,397
Total Liabilities	<u>41,219</u>	<u>41,485</u>	<u>45,397</u>
Invested in Capital Assets, Net of Related Debt	82,335	82,908	84,581
- Restricted	47,326	48,636	38,218
- Unrestricted	<u>27,487</u>	<u>26,099</u>	<u>32,846</u>
Total Net Assets	<u>\$ 157,148</u>	<u>\$ 157,643</u>	<u>\$ 155,645</u>

**GREEN BAY METROPOLITAN
SEWERAGE DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

NET ASSETS (cont.)

As can be seen from Table A-1 above, net assets decreased \$0.5 million to \$157.1 million in 2004 from \$157.6 million in 2003. Significant changes in net assets included a \$1 million increase in outstanding long-term debt, a \$1 million increase in capital assets, and a \$2 million decrease in current and other assets.

Net assets increased nearly \$2 million to \$157.6 million in 2003 from \$155.6 million in 2002. Significant changes in net assets included a \$3 million decrease in outstanding long-term debt, and a nearly \$1 million decrease in other liabilities, specifically payment of the pension liability.

**Table A-2
Condensed Statements of Revenues,
Expenses, and Changes in Net Assets
(000's)**

	FY 2004	FY 2003	FY 2002
Operating revenues	\$ 16,428	\$ 15,759	\$ 14,842
Nonoperating revenues	853	1,251	2,417
Total Revenues	17,281	17,010	17,259
Depreciation expense	4,525	4,629	4,663
Other operating expense	12,679	12,471	11,936
Nonoperating expense	1,306	1,501	1,797
Total Expenses	18,510	18,601	18,396
Loss Before Capital Contributions	(1,229)	(1,591)	(1,137)
Capital contributions	734	3,589	249
Changes in Net Assets	(495)	1,998	(888)
Beginning net assets	157,643	155,645	156,533
Ending Net Assets	\$ 157,148	\$ 157,643	\$ 155,645

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. As can be seen in Table A-2 above, the change in net assets of \$0.5 million resulted in the decrease in net assets in 2004. The loss before contributions of \$1.6 million net with capital contributions of \$3.6 million were the two factors of the increase in net assets in 2003.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

NET ASSETS (cont.)

GBMSD's operating revenues increased by \$0.7 million to \$16.4 million in 2004 due to an increase in flows and loads from most of GBMSD's municipal customers. The non-operating revenues also decreased by \$0.3 million to \$0.9 million in 2004 from \$1.3 million in 2003. This decrease is primarily due to the adjustment of investments to fair value.

GBMSD's operating revenues increased by \$0.9 million to \$15.7 million in 2003 due to an increase in user fee rates and increased loads from most of GBMSD's municipal customers. Also, the nonoperating revenues decreased by \$1.1 million to \$1.3 million in 2003 from \$2.4 million in 2002. This decrease is primarily due to the general decrease in interest rates during 2003.

BUDGETARY HIGHLIGHTS

GBMSD adopts an annual operating budget and a five-year capital plan following public budget workshops and a public hearing. The operating budget includes proposed expenses and the means of financing them. GBMSD's operating budget remains in effect the entire year and is not revised. A fiscal 2004 and 2003 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.

A 2004 budget comparison and analysis is presented in Table A-3.

**Table A-3
Budget vs. Actual
FY 2004
(000's)**

	Budget	Actual	Variance
Revenues			
From operations	\$ 15,973	\$ 16,428	\$ 455
Non-operating	1,888	924	(964)
Total	17,861	17,352	(509)
Operating Expenses			
Employee costs	6,984	6,698	286
Power	1,537	1,467	70
Contracted sewage treatment	1,467	1,417	50
Natural gas & fuel oil	685	533	152
Chemicals	412	274	138
Maintenance	900	642	258
Contracted services	1,083	743	340
Depreciation	4,626	4,525	101
Other	1,085	905	180
Non-operating	1,159	1,377	(218)
Total Expenses	19,938	18,581	1,357
Loss Before Capital Contributions	\$ (2,077)	\$ (1,229)	\$ 848

**GREEN BAY METROPOLITAN
SEWERAGE DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

BUDGETARY HIGHLIGHTS (cont.)

The budgeted loss was covered by transfers from rate stabilization reserve funds. The non-operating revenue variance is actual investment income under budget, reflective of adjustments of investments to fair value. Employee costs are under budget due to two positions which were left vacant during part of 2004 as well as budgeted overtime not being utilized. The contracted services category includes budget variance due to consultant work not occurring as planned. The non-operating cost variance is due to recognizing losses on disposal of plant equipment.

A 2003 budget comparison and analysis is presented in Table A-4.

**Table A-4
Budget vs. Actual
FY 2003
(000's)**

	Budget	Actual	Variance
Revenues			
From operations	\$ 15,963	\$ 15,759	\$ (204)
Non-operating	2,070	1,308	(762)
Total	18,033	17,067	(966)
Operating Expenses			
Employee costs	6,764	6,208	556
Power	1,517	1,332	185
Contracted sewage treatment	1,467	1,426	41
Natural gas & fuel oil	693	527	166
Chemicals	497	342	155
Maintenance	819	593	226
Contracted services	1,065	1,145	(80)
Depreciation	4,663	4,629	34
Other	1,354	898	456
Non-operating	1,245	1,558	(313)
Total Expenses	20,084	18,658	1,426
Loss Before Capital Contributions	\$ (2,051)	\$ (1,591)	\$ 460

The budgeted loss was covered by a transfer from reserve funds. The non-operating revenue variance is actual investment income under budget. Employee costs are under budget due to several intern positions left vacant during 2003. Natural gas costs are over budget due to higher rates in 2003 and higher than normal usage throughout the year due to plant process changes. The non-operating cost variance is due to recognizing a loss on disposal of plant equipment.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

CAPITAL ASSETS

At the end of 2004, GBMSD had \$201.1 million invested in capital assets including the wastewater treatment plant and interceptors as shown in Table A-5. The increase in interceptors is due to the addition of the Wequiock Creek interceptor in the City of Green Bay and the Town of Scott. The increase in construction in progress is reflective of the ongoing work in the solids handling process improvement project. Construction began in the summer of 2004 with substantial completion scheduled for the fall of 2005. The decrease in structures, machinery & equipment, and furniture & fixtures is reflective of recognizing plant asset disposals of obsolete equipment.

At the end of 2003, GBMSD had \$196.6 million invested in capital assets including the wastewater treatment plant and interceptors. The increase in construction in progress is reflective of the ongoing work in designing modifications to the solids handling process. The decrease in the other categories is reflective of recognizing plant asset disposals of obsolete equipment.

**Table A-5
Capital Assets
(000's)**

	FY 2004	FY 2003	FY 2002
Land & land improvements	\$ 4,033	\$ 4,033	\$ 4,033
Structures	67,096	67,065	67,293
Machinery & equipment	75,663	76,190	76,528
Furniture and fixtures	1,058	1,289	1,443
Vehicles, boats & trailer	350	316	339
Interceptors	47,343	44,914	44,939
Amortization assets	721	721	743
Construction in progress	4,815	2,114	1,246
Sub-total	201,079	196,642	196,564
 Less: Accumulated depreciation	 80,766	 77,415	 73,469
Net Property and Equipment	 \$ 120,313	 \$ 119,227	 \$ 123,095

In 2004, GBMSD's five-year Capital Plan included the completion of interceptor construction of approximately \$4 million, and plant electrical upgrades of approximately \$4 million in 2005. Construction continues on improvements to GBMSD's solids handling process.

In 2003, GBMSD's five year capital plan included interceptor construction of approximately \$7 million in 2004.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

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, 2004 and 2003 amounted to \$38.0 million and \$39.1 million, respectively. This balance represents 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 2.50 – 3.795%. On December 8, 2004, GBMSD issued 20-year, \$5.3 million general obligation sewerage system promissory notes at an interest rate of 2.365%. As of December 31, 2004 \$2,000,873 of funds were drawn down on the note. 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 2005 and 2004 budgets, user fees and charges. One of those factors is the local economy, and the impact our rates have on the major industries. Procter & Gamble and Georgia-Pacific, two of the leading employers in our service area, are vital to the stable local economy. By maintaining competitive rates, GBMSD believes it can help keep these customers competitive in their respective markets.

**GREEN BAY METROPOLITAN
SEWERAGE DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont.)

**Table A-6
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>
1999	0.45902	0.18185	0.18266	0.67783	0.54689
2000	0.46284	0.16979	0.16443	0.63490	0.49350
2001	0.44912	0.16950	0.17849	0.64071	0.46354
2002	0.45932	0.17399	0.16500	0.63704	0.47482
2003	0.46991	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

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>
1999	0.28747	0.13584	0.15091	0.61631	0.40724
2000	0.26962	0.12501	0.13273	0.57443	0.35592
2001	0.28459	0.13644	0.15709	0.59760	0.36828
2002	0.28113	0.14251	0.14606	0.59659	0.38246
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

GBMSD CONTACT INFORMATION

This financial report is designed to provide our 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 Rita Arwine, Director of Administrative Services, Green Bay Metropolitan Sewerage District, P.O. Box 19015, Green Bay, WI 54307-9015, or by phone at 920-432-4893, or by email at rarwine@gbmsd.org.

Statements of Net Assets Follow

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

STATEMENTS OF NET ASSETS December 31, 2004 and 2003

	ASSETS	
	2004	2003
CURRENT ASSETS		
Cash and investments	\$ 9,068,590	\$ 6,398,545
Receivables		
Sewage treatment service	2,040,907	2,258,724
Interceptor cost recovery - current portion	1,242,191	1,276,061
Accrued interest	69,779	81,753
Other	73,033	54,081
Inventories	835,095	876,970
Prepaid items	163,391	83,305
Total Current Assets	13,492,986	11,029,439
NON-CURRENT ASSETS		
RESTRICTED ASSETS		
Cash and investments	48,265,032	51,196,463
Accrued interest	298,270	433,369
Total Restricted Assets	48,563,302	51,629,832
OTHER ASSETS		
Unamortized debt issuance costs	22,620	24,505
Interceptor cost recovery receivable	15,974,878	17,217,069
Total Other Assets	15,997,498	17,241,574
CAPITAL ASSETS		
Wastewater treatment facilities	146,465,667	147,205,551
Interceptor sewers	49,798,296	47,322,454
Total Capital Assets	196,263,963	194,528,005
Accumulated depreciation and amortization	(80,766,474)	(77,415,144)
Construction in progress	4,815,585	2,114,333
Net Capital Assets	120,313,074	119,227,194
Total Non-Current Assets	184,873,874	188,098,600
Total Assets	198,366,860	199,128,039

LIABILITIES		
	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES		
Vouchers payable	\$ 648,064	\$ 871,157
Current portion of compensated absences	265,322	253,825
Insurance claims liability	-	30,010
Salaries payable	189,671	149,396
Other accrued liabilities	<u>30,990</u>	<u>28,131</u>
Total Current Liabilities	<u>1,134,047</u>	<u>1,332,519</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Vouchers payable	1,041,920	19,762
Current maturities of general obligation long-term debt	3,203,076	3,111,008
Interest accrued	<u>195,463</u>	<u>207,131</u>
Total Liabilities Payable From Restricted Assets	<u>4,440,459</u>	<u>3,337,901</u>
LONG-TERM LIABILITIES		
General obligation long-term debt, less current maturities	34,797,854	36,000,057
Compensated absences	<u>846,428</u>	<u>814,873</u>
Total Long-Term Liabilities	<u>35,644,282</u>	<u>36,814,930</u>
Total Liabilities	<u>41,218,788</u>	<u>41,485,350</u>
NET ASSETS		
NET ASSETS		
Invested in capital assets, net of related debt	82,334,764	82,907,765
Restricted for equipment and interceptor replacement	39,048,889	40,014,266
Restricted for debt retirement	8,277,030	8,621,542
Unrestricted	<u>27,487,389</u>	<u>26,099,116</u>
TOTAL NET ASSETS	<u>\$ 157,148,072</u>	<u>\$ 157,642,689</u>

See accompanying notes to financial statements.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Years Ended December 31, 2004 and 2003

	2004	2003
OPERATING REVENUES		
User fees-municipal waste	\$ 12,754,726	\$ 12,310,525
User fees-mill waste	2,485,426	2,337,945
Capital revenue-mills	403,077	551,606
Other revenues	785,058	559,266
Total Operating Revenues	16,428,287	15,759,342
OPERATING EXPENSES		
Employee Costs		
Salaries	4,837,004	4,514,579
Fringe benefits	1,861,276	1,693,888
Other Costs		
Power	1,467,252	1,331,913
Contracted sewage treatment	1,416,801	1,426,021
Natural gas & fuel oil	533,034	526,527
Chemicals	273,656	342,252
Maintenance - plant	506,308	512,553
Maintenance - interceptors	135,882	80,653
Contracted services	743,005	1,144,193
Insurance	219,545	217,536
Solid waste disposal	130,860	140,784
Other	554,101	539,925
Depreciation	4,525,468	4,628,711
Total Operating Expenses	17,204,192	17,099,535
OPERATING LOSS	(775,905)	(1,340,193)
NON-OPERATING REVENUES (EXPENSES)		
Investment income	1,677,295	1,897,730
Adjustment of investments to fair value	(824,424)	(647,141)
Loss on disposal of fixed assets	(217,861)	(313,450)
Interest and fiscal charges	(1,159,081)	(1,244,750)
Interest charged to construction	71,156	56,153
Total Non-Operating Revenues (Expenses)	(452,915)	(251,458)
Loss Before Contributions	(1,228,820)	(1,591,651)
CAPITAL CONTRIBUTIONS	734,203	3,589,473
CHANGE IN NET ASSETS	(494,617)	1,997,822
NET ASSETS - Beginning of Year	157,642,689	155,644,867
NET ASSETS – END OF YEAR	\$ 157,148,072	\$ 157,642,689

See accompanying notes to financial statements.

Statements of Cash Flows Follow

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

STATEMENTS OF CASH FLOWS Years Ended December 31, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 16,627,152	\$ 15,587,734
Paid to suppliers for goods and services	(6,223,962)	(7,300,450)
Paid to employees for services	(6,658,005)	(6,186,861)
Net Cash Flows From Operating Activities	3,745,185	2,100,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2,139,311	2,243,240
Long-term investments purchased	(23,507,244)	(28,712,285)
Long-term investments sold	19,000,883	27,487,326
Net Cash Flows From Investing Activities	(2,367,050)	1,018,281
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of long-term debt	2,000,873	113,216
Debt retired	(3,111,008)	(3,023,513)
Interest paid	(1,170,750)	(1,289,908)
Acquisition and construction of fixed assets	(4,735,944)	(1,018,634)
Sale of assets	50	375
Grant proceeds received	734,203	-
Capital contributions received	1,276,061	5,033,831
Net Cash Flows From Capital and Related Financing Activities	(5,006,515)	(184,633)
Net Change in Cash and Cash Equivalents	(3,628,380)	2,934,071
CASH AND CASH EQUIVALENTS - Beginning of Year	13,320,691	10,386,620
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 9,692,311	\$ 13,320,691

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

In 2004 and 2003, respectively, \$824,424 and \$647,141 were deducted from the District's cash and investments balance to reflect the adjustments to market value.

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (775,905)	\$ (1,340,193)
Noncash items in operating loss		
Depreciation	4,525,468	4,628,711
Changes in assets and liabilities		
Receivables		
Sewage treatment service	217,817	(169,325)
Other	(18,952)	(2,283)
Inventories	41,875	(51,349)
Prepaid items	(80,086)	(20,435)
Other assets	1,885	1,885
Vouchers payable	(223,093)	121,389
Insurance claims liability	(30,010)	(75,662)
Salaries payable	40,275	21,606
Other accrued liabilities	2,859	9,204
Pension liability	-	(1,069,204)
Compensated absences	43,052	46,079
	<u>43,052</u>	<u>46,079</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 3,745,185</u>	<u>\$ 2,100,423</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS		
Cash and investments	\$ 9,068,590	\$ 6,398,545
Restricted investments	<u>48,265,032</u>	<u>51,196,463</u>
Total Cash and Restricted Investments	57,333,622	57,595,008
Less: Long-term investments	<u>(47,641,311)</u>	<u>(44,274,317)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 9,692,311</u>	<u>\$ 13,320,691</u>

See accompanying notes to financial statements.

FINANCIAL STATEMENTS

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Green Bay Metropolitan Sewerage District (GBMSD) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by GBMSD are described below:

REPORTING ENTITY

The Green Bay Metropolitan Sewerage District 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 City of Green Bay, Villages of Ashwaubenon, Allouez, Bellevue, Hobart and Howard, and Towns of Ledgeview, Pittsfield and Scott, and parts of the City of De Pere and Towns of Green Bay, Humboldt and Lawrence in Brown County and 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 also provides service to the Oneida Tribe of Indians of Wisconsin located in Brown and Outagamie Counties. GBMSD, the City of Green Bay, and two paper mills located within the Green Bay city limits, (the Georgia-Pacific Company and the Procter & Gamble Paper Products Company) have entered into tripartite agreements 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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

GBMSD follows all pronouncements of the GASB, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

CASH AND INVESTMENTS

Cash and investments are combined on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are reported at fair value. For purposes of the statements of cash flows, cash and cash equivalents are all cash deposits and highly liquid investments with an original maturity of three months or less.

RECEIVABLES – SEWAGE TREATMENT SERVICE

GBMSD has the right under Wisconsin statutes to place delinquent wastewater bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

INVENTORIES

Inventories are recorded at average cost which approximates market. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

PREPAID ITEMS

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

CAPITAL ASSETS

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

Capital assets of GBMSD are recorded at either historical cost or estimated historical cost. Donated assets are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation is computed using the straight-line method over estimated asset lives as follows:

Buildings	20 – 80 years
Improvements	3 – 80 years
Equipment	3 – 50 years

Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and betterments are capitalized, while expenditures for maintenance and repairs that do not add value of the asset or materially extend asset lives are charged to operations as incurred.

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.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

LONG-TERM OBLIGATIONS

Long-term debt and other obligations are reported as district liabilities. GBMSD does not engage in conduit debt transactions. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

REVENUES AND EXPENSES

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with GBMSD's 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 on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Operating Revenues

GBMSD billings are rendered and recorded monthly based on calendar month metered flows and strength of wastewater.

Taxes

GBMSD is exempt from federal and state income taxes.

Contributed Capital

GBMSD has received federal and state grants to pay a portion of the construction costs of the wastewater treatment facility. GBMSD also receives contributions from contracting municipalities to finance interceptors constructed by GBMSD.

NOTE 2 – DEPOSITS AND INVESTMENTS

BANK DEPOSITS

GBMSD's bank deposits are categorized below to give an indication of the custodial credit risk assumed by GBMSD at year end.

- Category 1 includes insured or collateralized deposits with securities held by GBMSD or by its agent in GBMSD's name.
- Category 2 includes collateralized deposits with securities held by the pledging financial institution's trust department or agent in GBMSD's name.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

BANK DEPOSITS (cont.)

- Category 3 includes uninsured and uncollateralized deposits. This includes any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in GBMSD's name.

The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

	Category			Total Bank Balance	Carrying Amount
	1	2	3		
December 31, 2004					
Deposits with financial institutions	<u>\$ 8,620,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,620,195</u>	<u>\$ 8,393,748</u>
December 31, 2003					
Deposits with financial institutions	<u>\$ 9,327,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,327,509</u>	<u>\$ 8,893,708</u>

In addition to the cash listed above, GBMSD has cash on hand in the amount of \$300.

Deposits and investments in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. Deposits and investments are also insured for \$400,000 by the State Deposit Guarantee Fund (SDGF). However, due to the relatively small size of the SDGF in relationship to the total deposits covered and other legal implications, recovery of material principal losses of the pool may not be significant to GBMSD. This coverage has been considered in computing the amounts in Category 1 above.

All amounts greater than \$500,000 are held in GBMSD's name and are collateralized by a third party. This third party exists under the common bank holding company's corporate umbrella. GASB has taken the position that affiliates of the holding company should not be viewed as an independent party.

INVESTMENTS

Investment of GBMSD funds is restricted by Wisconsin Statutes to:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- Bonds or securities of any county, city, drainage district, VTAE 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.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

INVESTMENTS (cont.)

- Bonds or securities issued or guaranteed by the federal government.
- The Wisconsin local government investment pool.
- 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 investments are categorized into the following three categories of custodial credit risk:

1. Insured, registered or securities held by GBMSD or its agent in GBMSD's name.
2. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent in GBMSD's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in GBMSD's name.

	Category			Fair Value	Carrying Amount
	1	2	3		
December 31, 2004					
Other cash equivalents	\$ -	\$ 3,297,163	\$ -	\$ 3,297,163	\$ 3,297,163
Federal agency notes	5,932,340	16,858,135	-	22,790,475	22,790,475
Corporate bonds	1,076,689	12,753,925	-	13,830,614	13,830,614
Asset backed securities	-	6,956,772	-	6,956,772	6,956,772
US treasury note	-	1,025,630	-	1,025,630	1,025,630
Other fixed inc. sec.	-	1,038,920	-	1,038,920	1,038,920
Total Investments	<u>\$ 7,009,029</u>	<u>\$ 41,930,545</u>	<u>\$ -</u>	<u>\$ 48,939,574</u>	<u>\$ 48,939,574</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

INVESTMENTS (cont.)

December 31, 2003	Category			Fair Value	Carrying Amount
	1	2	3		
Certificates of deposit	\$ -	\$ 2,525,224	\$ -	\$ 2,525,224	\$ 2,525,224
Other cash equivalents	-	1,846,010	-	1,846,010	1,846,010
Federal agency notes	6,631,405	12,154,291	-	18,785,696	18,785,696
Corporate bonds	1,631,167	13,224,850	-	14,856,017	14,856,017
Asset backed securities	-	8,467,554	-	8,467,554	8,467,554
US treasury note	-	1,073,750	-	1,073,750	1,073,750
Other fixed inc. sec.	-	1,091,300	-	1,091,300	1,091,300
Investments not subject to categorization:					
Local Government Investment Pool				55,449	55,449
 Total Investments	\$ 8,262,572	\$ 40,382,979	\$ -	\$ 48,701,000	\$ 48,701,000

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2004 and 2003, the fair value of the LGIP's assets were substantially equal to GBMSD's share as reported above.

Investments in the LGIP are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and Agencies Securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and SDGF insurance.

In addition, GBMSD has collateral or depository insurance agreements in the amount of \$8,714,854 and \$9,415,452 at December 31, 2004 and 2003, respectively.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 3 – RESTRICTED ASSETS

Certain proceeds of GBMSD's general obligation bonds 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. The following revenue bond accounts are reported as restricted assets:

	2004	2003
Plant and equipment replacement	\$ 10,733,913	\$ 11,720,198
Interceptor replacement	29,356,896	28,313,830
Debt retirement	8,472,493	8,828,673
Construction account	-	2,767,131
Totals	\$ 48,563,302	\$ 51,629,832

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.

RESTRICTED NET ASSETS

The following calculation supports the calculation of restricted net assets:

	2004	2003
Restricted Assets		
Cash and investments	\$ 48,265,032	\$ 51,196,463
Accrued interest	298,270	433,369
Total Restricted Assets	48,563,302	51,629,832
Less: Restricted Assets Not Funded By Revenues		
Construction account	-	(2,767,131)

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 3 – RESTRICTED ASSETS (cont.)

RESTRICTED NET ASSETS (cont.)

	2004	2003
Current Liabilities Payable from Restricted Assets		
Vouchers payable	\$ (1,041,920)	\$ (19,762)
Interest accrued	(195,463)	(207,131)
Total Current Liabilities Payable from Restricted Assets	(1,237,383)	(226,893)
Total Restricted Net Assets	\$ 47,325,919	\$ 48,635,808
Restricted Net Assets As Reported		
Restricted for equipment and interceptor replacement	\$ 39,048,889	\$ 40,014,266
Restricted for debt retirement	8,277,030	8,621,542
Total Restricted Net Assets as Reported	\$ 47,325,919	\$ 48,635,808

NOTE 4 – CHANGES IN CAPITAL ASSETS

Summaries of changes in GBMSD capital assets for 2004 and 2003 follows:

2004	Balance 01/01/04	Additions/ Reclassification	Deletions/ Reclassification	Balance 12/31/04
Wastewater Treatment Facilities				
Land, right-of-way, easements and improvements ⁽¹⁾	\$ 3,989,045	\$ -	\$ -	\$ 3,989,045
Interceptors	1,152,615	-	-	1,152,615
Structures and equipment	64,374,197	44,420	12,452	64,406,165
Machinery and equipment	75,363,796	557,153	1,131,633	74,789,316
Furniture and fixtures	1,289,269	14,692	245,915	1,058,046
Autos and trucks	316,110	35,851	2,000	349,961
Amortizable assets	720,519	-	-	720,519
Total Wastewater Treatment Facilities	147,205,551	652,116	1,392,000	146,465,667

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 4 – CHANGES IN CAPITAL ASSETS (cont.)

2004 (cont.)	<u>Balance 01/01/04</u>	<u>Additions/ Reclassification</u>	<u>Deletions/ Reclassification</u>	<u>Balance 12/31/04</u>
Interceptor Sewers				
Land improvements ⁽¹⁾	\$ 44,102	\$ -	\$ -	\$ 44,102
Structures	2,690,286	-	-	2,690,286
Machinery and equipment	826,603	47,086	-	873,689
Interceptors	<u>43,761,463</u>	<u>2,428,756</u>	-	<u>46,190,219</u>
Total Interceptor Sewers	<u>47,322,454</u>	<u>2,475,842</u>		<u>49,798,296</u>
Total District Plant	<u>194,528,005</u>	<u>3,127,958</u>	<u>1,392,000</u>	<u>196,263,963</u>
Less: Accumulated				
Depreciation and				
Amortization	<u>(77,415,144)</u>	<u>(4,525,468)</u>	<u>1,174,138</u>	<u>(80,766,474)</u>
Construction in progress				
Wastewater treatment ⁽¹⁾	2,114,333	2,275,251	300,053	4,089,531
Interceptors	<u>-</u>	<u>726,054</u>	<u>-</u>	<u>726,054</u>
Total Construction in Progress	<u>2,114,333</u>	<u>3,001,305</u>	<u>300,053</u>	<u>4,815,585</u>
Net District Plant	<u>\$ 119,227,194</u>			<u>\$ 120,313,074</u>
2003	<u>Balance 01/01/03</u>	<u>Additions/ Reclassification</u>	<u>Deletions/ Reclassification</u>	<u>Balance 12/31/03</u>
Wastewater Treatment Facilities				
Land, right-of-way, ease- ments and improvements ⁽¹⁾	\$ 3,989,045	\$ -	\$ -	\$ 3,989,045
Interceptors	1,152,615	-	-	1,152,615
Structures and equipment	64,602,534	37,391	265,728	64,374,197
Machinery and equipment	75,709,757	174,368	520,329	75,363,796
Furniture and fixtures	1,442,671	-	153,402	1,289,269
Autos and trucks	339,124	-	23,014	316,110
Amortizable assets	<u>742,706</u>	<u>11,145</u>	<u>33,332</u>	<u>720,519</u>
Total Wastewater Treatment Facilities	<u>147,978,452</u>	<u>222,904</u>	<u>995,805</u>	<u>147,205,551</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 4 – CHANGES IN CAPITAL ASSETS (cont.)

2003 (cont.)	Balance 01/01/03	Additions/ Reclassification	Deletions/ Reclassification	Balance 12/31/03
Interceptor Sewers				
Land improvements ⁽¹⁾	\$ 44,102	\$ -	\$ -	\$ 44,102
Structures	2,690,286	-	-	2,690,286
Machinery and equipment	818,623	7,980	-	826,603
Interceptors	43,786,002	-	24,539	43,761,463
Total Interceptor Sewers	<u>47,339,013</u>	<u>7,980</u>	<u>24,539</u>	<u>47,322,454</u>
Total District Plant	<u>195,317,465</u>	<u>230,884</u>	<u>1,020,344</u>	<u>194,528,005</u>
Less: Accumulated				
Depreciation and				
Amortization	<u>(73,468,790)</u>	<u>(4,628,711)</u>	<u>682,357</u>	<u>(77,415,144)</u>
Construction in progress				
Wastewater treatment ⁽¹⁾	<u>1,246,268</u>	<u>868,065</u>	<u>-</u>	<u>2,114,333</u>
Total Construction in				
Progress	<u>1,246,268</u>	<u>868,065</u>	<u>-</u>	<u>2,114,333</u>
Net District Plant	<u>\$ 123,094,943</u>			<u>\$ 119,227,194</u>

⁽¹⁾ Assets not depreciated

NOTE 5 – INTERCEPTOR COST RECOVERY RECEIVABLE

INTERCEPTOR COST RECOVERY

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 are detailed below.

<u>Years</u>	<u>Total</u>
2005	\$ 1,242,191
2006	1,246,048
2007	1,250,059
2008	1,254,230
2009	1,258,566
2010 – 2014	5,854,054
2015 – 2019	4,074,044
2020 – 2024	1,033,724
2025	<u>4,153</u>
Totals	<u>\$ 17,217,069</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 6 – LONG-TERM OBLIGATIONS

Detail of the outstanding GBMSD construction related debt follows:

GENERAL OBLIGATION DEBT	Outstanding December 31,	
<i>Bonds</i>	2004	2003
\$28,545,867 issued September 26, 1991; \$1,450,484 to \$1,950,740 due annually through May 1, 2011; interest 2.50%.	\$ 12,695,659	\$ 14,336,749
\$1,476,118 issued February 25, 1993; \$70,005 to \$98,058 due annually through May 1, 2011; interest 3.399%.	663,506	746,245
\$5,007,128 issued June 23, 1993; \$214,851 to \$361,916 due annually through May 1, 2013; interest 3.795%.	2,819,361	3,078,193
\$647,809 issued February 28, 2002; \$27,808 to \$45,068 due annually through May 1, 2021; interest 2.881%.	616,353	644,160
\$5,185,113 issued November 26, 1996; \$203,456 to \$341,755 due annually through May 1, 2016; interest 3.08%.	3,489,919	3,727,397
\$2,737,735 issued April 25, 1999; \$112,817 to \$180,332 due annually through May 1, 2018; interest 2.64%.	2,143,071	2,268,281
\$1,924,428 issued October 25, 2000; \$68,832 to \$130,108 due annually through May 1, 2020; interest 3.432%.	1,635,884	1,711,711
\$2,147,480 issued December 13, 2000; \$87,911 to \$140,664 due annually through May 1, 2020; interest 2.97%.	1,823,548	1,911,615
\$1,430,306 issued July 11, 2001; \$94,881 to \$94,157 due annually through May 1, 2021; interest 3.355%.	840,874	877,152
\$2,051,291 issued July 11, 2001; \$58,217 to \$99,042 due annually through May 1, 2021; interest 3.175%.	1,326,633	1,384,850
\$7,000,000 issued January 1, 2002; \$375,000 to \$615,000 due annually through May 1, 2016; interest 3.250% to 4.600%.	5,855,000	6,230,000
\$2,191,030 issued May 22, 2002; \$88,534 to \$145,418 due annually through May 1, 2020; interest 3.150%.	1,862,725	1,951,259
<i>Notes</i>		
\$2,000,873 issued December 8, 2004; \$84,635 to \$128,906 due annually through May 1, 2024; interest 2.365%.	2,000,873	-
\$339,221 issued February 1, 1995; \$12,218 to \$27,265 due annually through March 15, 2015; interest 3.54%.	227,524	243,453
Total General Obligation Debt	\$ 38,000,930	\$ 39,111,065

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

Principal and interest maturities of the outstanding general obligation debt is detailed below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 3,203,076	\$ 1,121,664	\$ 4,324,740
2006	3,376,978	1,029,911	4,406,889
2007	3,475,544	929,211	4,404,755
2008	3,581,499	825,408	4,406,907
2009	3,684,996	717,785	4,402,781
2010 – 2014	13,298,609	2,095,883	15,394,492
2015 – 2019	5,939,615	579,673	6,519,288
2020 – 2024	<u>1,440,613</u>	<u>56,730</u>	<u>1,497,343</u>
Totals	<u>\$ 38,000,930</u>	<u>\$ 7,356,265</u>	<u>\$ 45,357,195</u>

Long-term obligation activity for the year ended December 31 follows:

2004

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 38,867,612	\$ -	\$ (3,095,079)	\$ 35,772,533	\$ 3,186,235
General obligation notes	243,453	2,000,873	(15,929)	2,228,397	16,841
Compensated absences	<u>814,873</u>	<u>52,578</u>	<u>(21,023)</u>	<u>846,428</u>	<u>-</u>
Totals	<u>\$ 39,925,938</u>	<u>\$ 2,053,451</u>	<u>\$ (3,132,031)</u>	<u>\$ 38,847,358</u>	<u>\$ 3,203,076</u>

2003

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 41,762,776	\$ 113,216	\$ (3,008,380)	\$ 38,867,612	\$ 3,095,079
General obligation notes	258,586	-	(15,133)	243,453	15,929
Compensated absences	<u>771,100</u>	<u>50,004</u>	<u>(6,231)</u>	<u>814,873</u>	<u>-</u>
Totals	<u>\$ 42,792,462</u>	<u>\$ 163,220</u>	<u>\$ (3,029,744)</u>	<u>\$ 39,925,938</u>	<u>\$ 3,111,008</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 7 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - The component of net asset consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

The following calculation supports the net asses invested in capital assets, net of related debt:

	2004	2003
Capital assets	\$ 196,263,963	\$ 194,528,005
Accumulated depreciation	(80,766,474)	(77,415,144)
Construction work in progress	4,815,585	2,114,333
Sub-Total	120,313,074	119,227,194
Less Capital Related Debt		
Current portion of capital related long-term debt	3,203,076	3,111,008
Long-term portion of capital related long-term debt	34,797,854	36,000,057
Unamortized debt issuance costs	(22,620)	(24,505)
Sub-Total	37,978,310	39,086,560
Add Unspent Debt Proceeds		
Construction fund	-	2,767,131
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 82,334,764	\$ 82,907,765

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 8 – EMPLOYEES’ 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 5.4% and 5.2% of their salary to the plan in 2004 and 2003, respectively. 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.

	Years Ended December 31,		
	2004	2003	2002
Total District Payroll	\$ 4,837,004	\$ 4,514,579	\$ 4,360,042
Total Covered Employee Payroll	\$ 4,752,449	\$ 4,468,739	\$ 4,274,017
Total Required Contributions	\$ 465,740	\$ 460,280	\$ 423,128
Total Required Contributions (%)	9.8%	10.3%	9.9%

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.

As of December 31, 2003, GBMSD retired its pension-related debt with the Wisconsin Retirement System.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 9 – RISK MANAGEMENT

GBMSD has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of GBMSD. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

In addition to the above, as of March 1, 2004 GBMSD has purchased commercial insurance policies for its employees medical/optical and dental care benefits. GBMSD operated a self-insurance program administered by a third party administrator for its employees', retirees' and eligible dependents' medical/optical and dental care benefits prior to March 1. This program was supplemented by stop loss protection, which limited GBMSD's liability to \$50,000 per individual medical claim or an aggregate limit of \$1,042,729 during the period January 1, 2003 to February 28, 2004.

GBMSD retirees who participated in the program were required to pay their own monthly premiums. The claims liability of \$30,010 reported at December 31, 2003 is based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Changes in the fund's claims liability amount for the years ended 2004 and 2003 follows:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2004	\$ 30,010	\$ 81,870	\$ 111,880	\$ -
2003	\$ 105,672	\$ 666,955	\$ 742,617	\$ 30,010

NOTE 10 – 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 11 – CONTINGENT LIABILITIES

1. 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.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 11 – CONTINGENT LIABILITIES (cont.)

2. Portions of real estate owned by GBMSD, commonly known as the Texaco Site, have been found to be environmentally contaminated. As of December 31, 2004, GBMSD has completed its site remediation and is waiting for approval of the site from the Wisconsin Department of Natural Resources.
3. 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.
4. At year end, GBMSD has an open contract for the solids handling process improvement project. Invoices for work that has been completed but not yet paid for are reflected as accounts payable and work in process. The uncompleted balance remaining on the open contract is estimated to be \$2,445,678 at December 31, 2004.
5. At year end, GBMSD has an open contract for the East Tower Drive Interceptor project. Invoices for work that has been completed but not yet paid for are reflected as accounts payable and work in process. The uncompleted balance remaining on the open contract is estimated to be \$2,078,186 at December 31, 2004.
6. GBMSD has been awarded a United States Environmental Protection Agency grant for solids handling process improvements in an amount not to exceed \$1.75 million. Grant proceeds totaling \$734,203 have been received as of December 31, 2004. GBMSD is required by the Single Audit Act of 1984 to have a "single audit" completed for any year where over \$500,000 of funds are expended which will be reimbursed through a federal grant. A single audit requires documentation of the GBMSD's controls regarding compliance with laws and regulations related to the grant received. This process includes the filing of single audit reports with the appropriate government agencies.