

## TOWN OF GRAND CHUTE, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Grand Chute, Wisconsin ("the Town"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 the Town are described below:

#### 1. Reporting Entity

The Town of Grand Chute is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The component units discussed below are included in the Town's reporting entity because of the significance of their operational and/or financial relationship with the Town.

#### 2. Individual Component Unit Disclosures

##### BLENDING COMPONENT UNITS

The following component units are blended or included in the basic financial statements of the Town of Grand Chute.

The Town of Grand Chute Sanitary District No. 1, the Town of Grand Chute Sanitary District No. 2, Town of Grand Chute Sanitary District No. 3, and the East Side Utility are governed by the five-member Town Board of Grand Chute. Although they are legally separate from the Town, the Districts are reported as if they are part of the primary government because the Town Board is serving as their governing body. The Districts provide water, wastewater, and storm water services to portions of the Town.

#### 3. Joint Venture

The Town is a participant with the Town of Menasha, Town of Greenville and Town of Neenah in a joint venture to operate a wastewater disposal plant. The Grand Chute-Menasha West Sewerage Commission was created for that purpose. The commission is governed by a seven-member board appointed by the aforementioned municipalities. Complete financial statements for the Commission can be obtained from the Commission's office at 1965 W. Butte Des Morts Beach Road, Appleton, Wisconsin.

#### 4. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise and internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town reports the following major governmental funds:

**GENERAL FUND**

This is the Town's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**SPECIAL ASSESSMENT SPECIAL REVENUE FUND**

The special assessment fund is used to account for current and deferred property assessments that are used for the repayment of long-term debt.

**DEBT SERVICE FUND**

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**CAPITAL PROJECTS FUND**

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Town reports the following major enterprise funds:

**SANITARY DISTRICT NO. 1 ENTERPRISE FUND**

The Sanitary District No. 1 fund is a blended component unit that accounts for the financial resources to be used to operate a water utility.

**SANITARY DISTRICT NO. 2 ENTERPRISE FUND**

The Sanitary District No. 2 fund is a blended component unit that accounts for the financial resources to be used to operate a wastewater utility.

**SANITARY DISTRICT NO. 3 ENTERPRISE FUND**

The Sanitary District No. 3 fund is a blended component unit that accounts for the financial resources to be used to operate a storm water system.

**EAST SIDE UTILITY FUND**

The East Side Utility fund is a blended component unit that accounts for the financial resources to be used to operate a sewer utility.

Additionally, the Town reports the following fund types:

The Town accounts for assets held for developer's deposits and property taxes collected on behalf of other governments in *agency funds*.

## TOWN OF GRAND CHUTE, WISCONSIN

### Notes to Basic Financial Statements

December 31, 2010

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following certain subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and sewer function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

6. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. 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.

Inventories of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

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

Prepaid items of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental Activities	Business-type Activities
	Years	
Land improvements	25 - 30	25 - 30
Buildings	25 - 50	25 - 50
Machinery and equipment	3 - 10	3 - 10
Infrastructure	15 - 50	25 - 100

g. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

h. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

i. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## TOWN OF GRAND CHUTE, WISCONSIN

### Notes to Basic Financial Statements

December 31, 2010

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are subject to restrictions that are imposed 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.
- Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

k. Use of Estimates

The 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### NOTE B - STEWARDSHIP AND COMPLIANCE

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. During November, Town management submits to the Town Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Town Board action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds.

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)**

4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.
5. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

The Town did not have any material violations of legal or contractual provisions for the fiscal year ended December 31, 2010.

**NOTE C - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

The Town maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Town's cash and investments totaled \$46,576,195 on December 31, 2010 as summarized below:

Petty cash funds	\$ 2,125
Deposits with financial institutions	21,313,272
Investments	25,260,798
	<u>\$ 46,576,195</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 32,388,121
Restricted cash and investments	2,462,930
Fiduciary funds	
Agency funds	11,725,144
	<u>\$ 46,576,195</u>

Deposits and investments of the Town are subject to various risks. Presented below is a discussion of the specific risks and the Town's policy related to the risk.

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Town does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 per official custodian. In addition, the Town's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2010, \$19,974,644 of the Town's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized (or collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Town's name).

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Town does not have an additional credit risk policy. Presented below is the actual rating as of year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	A	Not Rated
U.S. Treasury Notes	\$ 593,090	\$ 593,090	\$ -	\$ -	\$ -	\$ -
Federal agency securities	6,531,088	-	6,531,088	-	-	-
Corporate notes	6,581,584	-	4,308,524	2,016,891	256,169	-
Municipal bonds	510,448	-	-	510,448	-	-
Canadian bonds	167,977	-	-	167,977	-	-
Money market mutual funds	195,768	-	195,768	-	-	-
Wisconsin Local Government Investment Pool	10,680,843	-	-	-	-	10,680,843
<b>Totals</b>	<b>\$ 25,260,798</b>	<b>\$ 593,090</b>	<b>\$ 11,035,380</b>	<b>\$ 2,695,316</b>	<b>\$ 256,169</b>	<b>\$ 10,680,843</b>

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Town investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total
Federal National Mortgage Association	Federal Agency Securities	3,460,044	14%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	1,659,314	7%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Notes	\$ 593,090	\$ -	\$ 133,232	\$ 459,858	\$ -
Federal agency securities	6,531,088	334,000	717,545	5,479,543	-
Corporate notes	6,581,584	904,186	1,346,809	3,233,190	1,097,399
Municipal bonds	510,448	115,044	270,886	124,518	-
Canadian bonds	167,977	-	-	167,977	-
Money market mutual funds	195,768	195,768	-	-	-
Wisconsin Local Government Investment Pool	10,680,843	10,680,843	-	-	-
<b>Totals</b>	<b>\$ 25,260,798</b>	<b>\$ 12,229,841</b>	<b>\$ 2,468,472</b>	<b>\$ 9,465,086</b>	<b>\$ 1,097,399</b>

Investment in Wisconsin Local Government Investment Pool

The Town has investments in the Wisconsin local government investment pool of \$10,680,843 at year-end. 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, 2010, the fair value of the Town's share of the LGIP's assets was substantially equal to the carrying value.

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Town.

The Town bills and collects its own property taxes and also levies and collects taxes for the Appleton Area School District, School District of Hortonville, Outagamie County, Fox Valley Technical College and the State of Wisconsin. Collections and remittances of taxes for other entities are accounted for in the tax collection agency fund.

3. Restricted and Other Assets

Restricted and other assets on December 31, 2010 totaled \$2,462,930 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Sanitary District No. 1		
Other Assets		
General obligation debt		
Water tower	<u>\$ 351,361</u>	To be used for maintenance on the Sanitary District's water tower.
Restricted Assets		
Depreciation fund	486,332	To be used for additions and betterments of the District's capital assets.
Impact fees	<u>62,135</u>	Impact fees collected for future purchases
	<u>548,467</u>	
Total Sanitary District No. 1	<u>899,828</u>	
Sanitary District No. 2		
Other Assets		
Depreciation fund	438,883	To be used for additions and betterments of the District's capital assets.
Service availability charges	<u>799,413</u>	To account for SAC fees collected to be used for future sewerage plant expansion.
	<u>1,238,296</u>	
Restricted Assets		
DNR replacement fund	324,806	To be used for the replacement of certain equipment of the District in accordance with the Wisconsin Department of Natural Resources requirements.
	<u>324,806</u>	
Total Sanitary District No. 2	<u>1,563,102</u>	
Total	<u>\$ 2,462,930</u>	

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,586,389	\$ -	\$ -	\$ 2,586,389
Construction in progress	2,405,446	3,616,814	63,909	5,958,351
Total capital assets, not being depreciated	4,991,835	3,616,814	63,909	8,544,740
Capital assets, being depreciated:				
Land improvements	1,261,790	-	-	1,261,790
Buildings	12,775,942	-	-	12,775,942
Machinery and equipment	5,381,634	769,469	215,214	5,935,889
Infrastructure	54,672,912	-	-	54,672,912
Subtotals	74,092,278	769,469	215,214	74,646,533
Less accumulated depreciation for:				
Land improvements	317,592	27,292	-	344,884
Buildings	3,116,109	390,800	-	3,506,909
Machinery and equipment	2,850,492	214,443	182,932	2,882,003
Infrastructure	22,356,439	2,910,823	-	25,267,262
Subtotals	28,640,632	3,543,358	182,932	32,001,058
Total capital assets, being depreciated, net	45,451,646	(2,773,889)	32,282	42,645,475
Governmental activities capital assets, net	<u>\$ 50,443,481</u>	<u>\$ 842,925</u>	<u>\$ 96,191</u>	51,190,215
Less related long-term debt outstanding, net of available debt proceeds of \$6,808,113				<u>17,530,863</u>
Invested in capital assets, net of related debt				<u><u>\$ 33,659,352</u></u>

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 506,053	\$ 494,656	\$ -	\$ 1,000,709
Construction in progress	1,204,422	3,038,805	1,186,819	3,056,408
Total capital assets, not being depreciated	<u>1,710,475</u>	<u>3,533,461</u>	<u>1,186,819</u>	<u>4,057,117</u>
Capital assets, being depreciated:				
Land improvements	5,477,685	-	-	5,477,685
Buildings	177,432	-	-	177,432
Machinery and equipment	2,039,323	57,138	-	2,096,461
Infrastructure	53,846,052	1,334,263	2,800	55,177,515
Subtotals	<u>61,540,492</u>	<u>1,391,401</u>	<u>2,800</u>	<u>62,929,093</u>
Less accumulated depreciation	<u>13,396,479</u>	<u>1,276,861</u>	<u>2,800</u>	<u>14,670,540</u>
Total capital assets, being depreciated, net	<u>48,144,013</u>	<u>114,540</u>	-	<u>48,258,553</u>
Business-type activities capital assets, net	<u>\$ 49,854,488</u>	<u>\$ 3,648,001</u>	<u>\$ 1,186,819</u>	52,315,670
Less related long-term debt outstanding, net of available debt proceeds of \$1,599,714				<u>11,651,310</u>
Invested in capital assets, net of related debt				<u>\$ 40,664,360</u>

Depreciation expense was charged to functions of the Town as follows:

<b>Governmental activities</b>	
General government	\$ 295,074
Public safety	236,422
Public works	2,964,279
Culture and recreation	47,583
Total depreciation expense - governmental activities	<u>\$ 3,543,358</u>
<b>Business-type activities</b>	
Sanitary District No. 1	\$ 438,079
Sanitary District No. 2	477,075
Sanitary District No. 3	313,246
East Side Utility	19,242
Allocated Depreciation	29,219
Total depreciation expense - business-type activities	<u>\$ 1,276,861</u>

**TOWN OF GRAND CHUTE, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

5. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2010 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 1,231,329	\$ -
Sanitary District No. 1	-	1,231,329
Room Tax Revenues		
General Fund	17,021	-
Room Tax	-	17,021
<b>Totals</b>	<b>\$ 1,248,350</b>	<b>\$ 1,248,350</b>

	Transfer to:		
	General Fund	Debt Service	Totals
Transfers from:			
Special Revenue			
Room Tax	\$ 257,906	\$ -	\$ 257,906
Special Assessments	-	1,500,000	1,500,000
Enterprise Fund			
Sanitary District #3	22,866	-	22,866
<b>Totals</b>	<b>\$ 280,772</b>	<b>\$ 1,500,000</b>	<b>\$ 1,780,772</b>

The purpose of interfund transfers for the year ended December 31, 2010 is as follows:

Operating cost reimbursement to general fund	22,866
Retirement of long-term debt	1,500,000
	<b>\$ 1,780,772</b>

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

6. Deferred Revenues

Governmental activities, business-type activities, and proprietary funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue were as follows:

	Unavailable	Unearned
<b>Governmental Activities</b>		
Subsequent year tax levy receivable		
General fund	\$ -	\$ 7,240,370
Debt service fund	-	2,400,000
Special charges placed on 2010 tax roll		
General fund	-	866,316
Receipts received prior to meeting all eligibility requirements		
General fund	-	16,143
Special revenue fund		
Room tax	-	6,500
Special assessment receivable		
Special assessment fund	4,569,919	-
Subtotal	4,569,919	10,529,329
<b>Business-type Activities</b>		
Subsequent year tax levy receivable		
East Side Utility	-	19,400
Total	\$ 4,569,919	\$ 10,548,729

Special assessments are generally collectible on annual installments from one to five years while others have been deferred until the property is sold or placed into service.

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2010:

	Outstanding 1/1/10	Issued	Retired	Outstanding 12/31/10	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Notes	\$ 21,909,910	\$ 5,950,000	\$ 3,520,934	\$ 24,338,976	\$ 5,325,462
Debt premium	138,962	89,252	16,357	211,857	-
Loss on advance refunding	(36,250)	-	(6,590)	(29,660)	-
Compensated absences	575,523	72,264	-	647,787	-
Governmental activities					
Long-term obligations	<u>\$ 22,588,145</u>	<u>\$ 6,111,516</u>	<u>\$ 3,530,701</u>	<u>\$ 25,168,960</u>	<u>\$ 5,325,462</u>
<b>Business-type activities:</b>					
General Obligation Debt					
Notes	\$ 13,780,240	\$ 1,690,000	\$ 2,219,216	\$ 13,251,024	\$ 2,434,538
Debt premium	94,491	25,174	11,431	108,234	-
Loss on advance refunding	(10,446)	-	(1,899)	(8,547)	-
Compensated absences	105,102	6,216	-	111,318	-
Business-type activities					
Long-term obligations	<u>\$ 13,969,387</u>	<u>\$ 1,721,390</u>	<u>\$ 2,228,748</u>	<u>\$ 13,462,029</u>	<u>\$ 2,434,538</u>

Total interest paid during the year on long-term debt totaled \$1,212,231.

General Obligation Debt

The Town has issued general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and proprietary fund activities. General obligation debt is reported in the proprietary funds if it is expected to be repaid from proprietary fund revenues.

General obligation debt service requirements are direct obligations and pledge the full faith and credit of the Town. General obligation debt outstanding on December 31, 2010 totaled \$37,590,000 and was comprised of the following issues:

Notes	
\$7,890,000 issued 12/1/01; \$1,960,000 due in 2011; interest 4.0%	\$ 1,960,000
\$6,115,000 issued 12/1/02; \$470,000 to \$515,000 due annually through 2012; interest 3.5% to 4.0%	1,020,000
\$7,350,000 issued 12/1/03; \$530,000 due annually through 2013; interest 3.0% to 3.35%	1,590,000
\$9,555,000 issued 8/1/04; \$985,000 to \$1,135,000 due annually through 2014; interest 3.40% to 3.55%	4,315,000
\$9,750,000 issued 7/1/05; \$1,135,000 to \$1,250,000 due annually through 2015; interest 3.5%	5,965,000
\$4,215,000 issued 12/21/06; \$395,000 to \$415,000 due annually through 2016; interest 3.875%	2,455,000
\$9,685,000 issued 08/26/08; \$960,000 to \$995,000 due annually through 2018; interest 3.50% to 4.0%	7,810,000
\$5,320,000 issued 10/1/09; \$520,000 to \$555,000 due annually through 2019; interest 2.0% to 3.5%	4,835,000
\$7,640,000 issued 11/1/10; \$745,000 to \$785,000 due annually through 2020; interest 1.5% to 3.0%	<u>7,640,000</u>
<b>Total Outstanding General Obligation Debt</b>	<b><u>\$ 37,590,000</u></b>

**TOWN OF GRAND CHUTE, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$37,590,000 on December 31, 2010 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 5,325,462	\$ 618,674	\$ 2,434,538	\$ 396,704	\$ 7,760,000	\$ 1,015,378
2012	3,618,502	448,907	2,306,498	317,518	5,925,000	766,425
2013	3,389,976	352,934	2,110,024	247,694	5,500,000	600,628
2014	3,065,036	258,863	1,969,964	180,617	5,035,000	439,480
2015	2,530,000	173,525	1,410,000	116,375	3,940,000	289,900
2016-2020	6,410,000	270,243	3,020,000	161,076	9,430,000	431,319
	<u>\$24,338,976</u>	<u>\$ 2,123,146</u>	<u>\$13,251,024</u>	<u>\$ 1,419,984</u>	<u>\$37,590,000</u>	<u>\$ 3,543,130</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2010 was \$84,739,540 as follows:

Equalized valuation of the County	\$ 2,443,601,900
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	122,180,095
Total outstanding general obligation debt applicable to debt limitation	\$ 37,590,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>149,445</u>
Net outstanding general obligation debt applicable to debt limitation	<u>37,440,555</u>
Legal Margin for New Debt	<u>\$ 84,739,540</u>

8. Conduit Debt Obligations

In prior years, the Town has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Town, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements.

**NOTE D - OTHER INFORMATION**

1. Retirement Commitments

All eligible Town employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All permanent employees expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

## TOWN OF GRAND CHUTE, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

### NOTE D - OTHER INFORMATION (Continued)

The payroll for Town employees covered by the WRS for the year ended December 31, 2010 was \$5,152,683; the employer's total payroll was \$5,429,056. The total required contribution for the year ended December 31, 2010 was \$743,816, which consisted of \$446,880, or 8.67% of covered payroll from the employer and \$296,936, or 5.76% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2010 was financed by the Town. Total contributions for the years ending December 31, 2009 and 2008 were \$685,648 and \$563,272 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application 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 or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS 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.

#### 2. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Town completes an annual review of its insurance coverage to ensure adequate coverage.

#### 3. Contingencies

- a. Joint Venture - The Town's valuation and taxing power secures a portion of the outstanding long-term debt of the Grand Chute Menasha West Sewerage commission, a joint venture created by the Town and three other municipalities. As of December 31, 2010, the Town was potentially liable for approximately 60% of the Commission's outstanding long-term debt. The Town would be liable in the unlikely event that the Commission defaulted on the debt.
- b. The Town contracts with Grand Chute Menasha - West Sewage Commission to treat sewage. The U.S. Fish & Wildlife Service and the Wisconsin Department of Natural Resources are in the process of preparing Natural Resource Damage Assessments to determine the level of damages to the Lower Fox River and Green Bay natural resources resulting from PCB contamination, and the Wisconsin Department of Natural Resources is in the process of preparing a plan for the cleanup of PCB contaminated sediments in the Lower Fox River. Although none of the state or federal agencies has designated the Commission as a responsible party with respect to the natural resource damages or PCB cleanup costs, the seven Fox River Valley paper mills that have been designated as responsible parties have the ability to seek contribution toward such damages and costs from the POTWs (Publicly Owned Treatment Works) on the Lower Fox River, including the Commission. The currently available information indicates that the Commission bears virtually no responsibility for the discharge of PCB's into the Lower Fox River. Therefore, the Commission has a de minimis exposure in the above matters.