

**CITY OF APPLETON**

Appleton, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2006

**FINANCE DEPARTMENT**

Lisa A. Maertz, CPA, CPFO, Director of Finance  
Anthony D. Saucerman, CPA, Deputy Director of Finance  
Stephanie Woodworth, CPA, Accounting Supervisor  
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John F. Hoft-March, CMA, Budget Manager

# CITY OF APPLETON

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# INTRODUCTORY SECTION

**DEPARTMENT OF FINANCE  
100 North Appleton Street  
Appleton, WI 54911  
(920) 832-5502**

May 31, 2007

The Honorable Mayor Hanna  
Chairman Baranowski and Members of the Common Council  
City of Appleton:

The Comprehensive Annual Financial Report of the City of Appleton for the fiscal year ended December 31, 2006, is hereby submitted.

**Management Representations**

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

**Report Organization**

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, reporting award, the City's organizational chart and a directory of officials. The Financial Section includes the auditors report, management discussion and analysis, the government-wide and fund financial statements along with the notes and supplementary information. The Statistical Section includes selected financial and demographic information, generally presented on a multiyear basis. The Single Audit Section is described in the following paragraph.

The City is required to undergo an annual single audit in accordance with Generally Accepted Auditing Standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Information related to this single audit, including the schedule of federal and state financial assistance, findings and recommendations and auditors' reports on the internal control structures and compliance with applicable laws and regulations, are presented under this cover.

## **The Reporting Entity**

The City provides a full range of services, including police and fire protection, sanitation services, construction and maintenance of highways, streets and infrastructure, health services, planning and development, library, recreational activities and cultural events. The Water Utility, Wastewater Utility, Valley Transit System, Parking Utility, Stormwater Utility and Reid Municipal Golf Course are reported as enterprise funds of the primary government. The Appleton Housing Authority, Business Improvement District and the Appleton Redevelopment Authority component units, are reported in the government-wide financial statements to emphasize that they are legally separate from the primary government. However, the school districts (Appleton, Menasha, Kimberly, Freedom), sanitary districts (Grand Chute Sanitary District #1, Town of Menasha Utility District, Waverly Sanitary District, Darboy Sanitary District) and Fox Valley Technical College do not meet the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report. These entities are independent jurisdictions with elected governing bodies and minimal financial interdependency with the City.

## **Background Information**

In 1634, Jean Nicolet, commissioned by Champlain to explore this region, paddled his way up the Fox River from Green Bay. Various tribes of Indians roamed the lands of present day Appleton which was ceded by the Menominee Indians to the United States in the Treaty of 1831. During the first few years of its history, there were three villages where the City of Appleton now stands: Lawesburgh on the east side, Grand Chute on the west end and Appleton in the middle. The three villages were incorporated under the name of Appleton in 1857. Very early, the Fox River improvements -- the building of dams and canals making it possible to use the water power for industry -- gave impetus to the growth of our City. The residents of our community are proud of Appleton's past and present; they manifest a great confidence in its future and a dedication to its ongoing betterment.

Geographically, the City is located in northeast Wisconsin in Outagamie, Winnebago, and Calumet Counties. It lies 30 miles south of Green Bay and 90 miles north of Milwaukee on Lake Winnebago. The City has a mayor/aldermanic form of government and sixteen alderpersons. Alderpersons are elected for two-year alternating terms, while our mayor is elected for a four-year term.

Because of its strategic location and population, the City of Appleton is a Metropolitan Statistical Area "central city" of the Appleton-Oshkosh-Neenah urban area as defined by the Federal Office of Management and Budget. Thus, the City is an "entitlement city" under the federal block grant program. Appleton is the county seat for Outagamie County and the largest city in both Outagamie and Calumet Counties.

City service units and facilities include: police services (133 full-time), fire protection (102 full time), public works (153 employees), administrative offices (69 employees), health services (17.5 employees), parks and recreation (36.2 employees), library services (45.5 employees), transportation (54.8 employees) and utilities (41 employees). Of the City's 652 employees, 469 are represented from the following bargaining units:

- International Association of Firefighters, representing City firefighters;

- Appleton Professional Policemen's Association, representing City non-supervisory police professionals;
- Appleton Professional Policemen's Association Supervisory Unit, representing supervisory police professionals;
- American Federation of Municipal Employees, representing Wastewater Division, Water Department Plant Employees and Central Building Maintenance;
- Teamster's Union Local 563, representing street, sanitation, maintenance, electrical, CEA, inspection, engineering aides, water distribution, health sanitarians, Valley Transit, community service officers, animal control officers, parking ramp personnel, meter checkers and clerical personnel in City Hall, police, fire, wastewater, park & recreation and water departments.

The City has historically enjoyed a low unemployment rate although the downturn in the economy still has the unemployment rates higher at this time, along with the majority of the rest of the United States (6.0% for 2006). The City does maintain an above average gross income per return (\$46,167 for 2005). Additional background data is included in the Statistical Section of this report.

### **Economic Condition and Outlook/Major Initiatives**

The City of Appleton is one of the top growth areas in Wisconsin. Appleton is a significant regional center for the insurance industry and has an extensive presence of paper manufacturing and related industry facilities. The presence of four major insurance industry home offices or regional headquarters has stimulated related services as well as an upscale housing market. The City's population has exceeded 70,000.

In 2006, total valuation of residential building construction was \$35,781,908. There were 103 single-family homes constructed with an average construction cost of \$283,584. In addition, there were 6 two-family residences and 16 (64 units) multiple unit dwellings. Additions or alterations to existing residences added \$5,013,154 in value. While the number of single-family units being built in Appleton in 2006 was half of that built four years ago, the dollar value of the new homes has risen dramatically, increasing by 42% during the same time period.

Appleton's commercial industrial permits totaled 179 in 2006 with a valuation of \$50,912,242. The largest commercial building permits included: One Enterprise Centre, Cambria Suites Hotel, Primary Care Associates, McCarty Law Office, Petco, Trolley Square, Dental Associates and Nexgen. Activity was just below our ten-year average of \$55.9 million.

The Northeast Business Park saw a building boom in 2006. Over 176,000 square feet of new office space has been completed or is currently under construction and plans are in the works for an additional 50,000 square feet. Nearly 68,000 square feet of manufacturing space was completed.

The City of Appleton continues to maintain its proportionate share of the region's growth. Appleton's total dollar value of construction in 2006 was \$91,707,304. This was lower than the \$124,967,818 in 2005, but up significantly from 2004 when it had \$68,499,393 in construction.

With more than 100 acres of fully improved industrial sites in the Southpoint Commerce Park, the opening of Phase III of Apple Hill Farms (Purdy) and Clearwater Creek for residential housing, and as redevelopment continues downtown and on the riverfront, Appleton is well positioned to continue to grow and remain a leader in the Fox Cities.

### **Financial Information**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Single Audit**

As a recipient of federal, state and county financial assistance, the City also is responsible for establishing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This system of internal controls is subject to periodic evaluation by management.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

### **Budgetary Controls**

The City of Appleton maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual budget approved by the Common Council. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and internal service funds are included in the annual budget. In addition, project length financial plans are adopted for most capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the total fund expenditure level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are reappropriated as part of the following year's budget through formal resolution.

As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management.

## **Enterprise Operations**

The City's enterprise operations are comprised of six separate and distinct activities: Water Utility, Wastewater Utility, Valley Transit, Parking Utility, Stormwater Utility and Reid Municipal Golf Course.

**Retirement Program:** The City participates in the Wisconsin Retirement System, paying both employer and employee shares of contributions for most employees. Contribution benefit formulas and eligibility are all determined by the system, and explained in footnote V.A. of this report.

**Debt Administration:** As of December 31, 2006, the City had thirty-four debt issues outstanding. These issues included \$46,338,587 of general obligation bonds and notes and \$97,422,923 of revenue bonds. The City has maintained its "Aa1" rating from Moody's Investors Service on general obligation debt its "Aa3" on its sewerage, water and stormwater revenue bonds. Under Wisconsin statutes, general obligation debt is subject to a legal limitation based on 5% of total equalized value of real and personal property. As of December 31, 2006, the City's net general obligation debt of \$41,351,177 was well below the legal limit of \$217,509,320 (19.01%) and debt per capita equaled \$574.29. The City adheres to an aggressive repayment policy and uses capital financing to augment a "pay as you go" philosophy.

**Cash Management:** Cash temporarily idle during the year was invested in demand deposits, U.S. government and agency securities, corporate bonds, the State of Wisconsin Local Government Investment Pool, repurchase agreements, and Government Money Markets. The average yield on all cash investments was 4.85%. The City and its proprietary funds earned investment revenue of \$5,096,499 on all investments for the year ended December 31, 2006.

The City's investment policy objective is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Deposits are insured by federal depository insurance up to \$100,000. Investments in the State of Wisconsin Local Government Investment Pool, although unsecured, are insured and considered very safe since the pool's primary investment is government securities

**Risk Management:** The City became a member of the Cities and Villages Mutual Insurance Company on January 1, 1990. To join the insurance mutual, the City issued a \$2,300,000 taxable general obligation promissory note payable to the company. Our mutual insurance company is comprised of numerous Wisconsin cities and villages pooling their risk in the exposure areas of general liability, auto liability, workers compensation, police professionals and public officials' liability. The pool is capitalized in excess of \$25,000,000 and has experienced nineteen years of better than actuarially expected loss experience. The City anticipates substantial annual cost savings, increased self-insured levels (as accumulated funds grow) and advances in safety programs to further reduce our risk.

### **Independent Audit**

City policy is in accordance with state and federal requirements to provide for an annual audit by independent certified public accountants. The accounting firm of Virchow, Krause and Company, LLP was selected by the City. In addition to meeting the requirements set forth by the American Institute of Certified Public Accountants, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The independent auditors' report is included in the Financial Section of this report. The independent auditors' reports related specifically to the single audit are also included in the Single Audit Section. As part of the examination, the independent auditor is also issuing an internal control letter covering their review of the City's system of internal control over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts, and grants. The management and compliance letter will not modify or affect, in any way, this report.

### **Reporting Achievements**

This report has been prepared following the guidelines recommended by the Government Finance Officers' Association of the United States and Canada. The Government Finance Officers' Association awards a "Certificate of Achievement for Excellence in Financial Reporting" to those governments whose annual financial reports are judged to conform substantially with high standards of public financial reporting, including Generally Accepted Accounting Principles promulgated by the Governmental Accounting Standards Board (GASB).

The City of Appleton was awarded the "Certificate of Achievement for Excellence in Financial Reporting" for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. A "Certificate of Achievement for Excellence in Financial Reporting" is valid for a period of one year only. Due to budget constraints, the City of Appleton has discontinued application for evaluation of our report; however, we believe this has had no effect on the quality or adherence to the program standards.

### **Acknowledgements**

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the City's Finance Department, our auditors, Virchow, Krause and Company, LLP, and various other City personnel. We would like to express our sincere appreciation to all who assisted and contributed to its preparation. We would also like to thank Mayor Hanna and the Common Council for their interest and continuing support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,



Lisa A. Maertz, CPA CPFO  
Director of Finance

# CITY OF APPLETON

## Directory of Officials

### MAYOR

Timothy M. Hanna

### PRESIDENT OF THE COUNCIL

Curt J. Konetzke

### COUNCIL MEMBERS

District 1:	Walter H. Kalata	District 10:	Michael R. Smith
District 2:	Graeme P. Rattray	District 11:	Earl J. Brooker
District 3:	Curt J. Konetzke	District 12:	Cathy M. Spears
District 4:	Jeffrey A. Lutz	District 13:	James E. Clemons
District 5:	Edward S. Baranowski	District 14:	Judith F. Lange
District 6:	Thomas P. Brown	District 15:	Jeffrey M. Jirschele
District 7:	John R. Mueller	District 16:	George W. Holzknrecht
District 8:	Richard A. Thompson		
District 9:	Peter J. Stueck		

### DEPARTMENT/DIVISION HEADS

Director of Human Resources	Sandra A. Neisen
City Attorney	James P. Walsh
Fire Chief	Neil A. Cameron
Director of Library	Terry P. Dawson
Director of Community Develop.	Peter A. Hensler
Director of Parks & Recreation	William N. Lecker
City Clerk	Cynthia I. Hesse
Valley Transit General Manager	Charles L. Kamp
Director of Utilities	Michael W. Buettner
Director of Information Services	Scott J. Liske
Police Chief (Interim)	James M. Lewis
Director of Public Works	Paula A. Vandehey
City Assessor	DeAnn L. Brosman
Health Officer	Kurt D. Eggebrecht
Director of Finance	Lisa A. Maertz

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Appleton  
Wisconsin

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



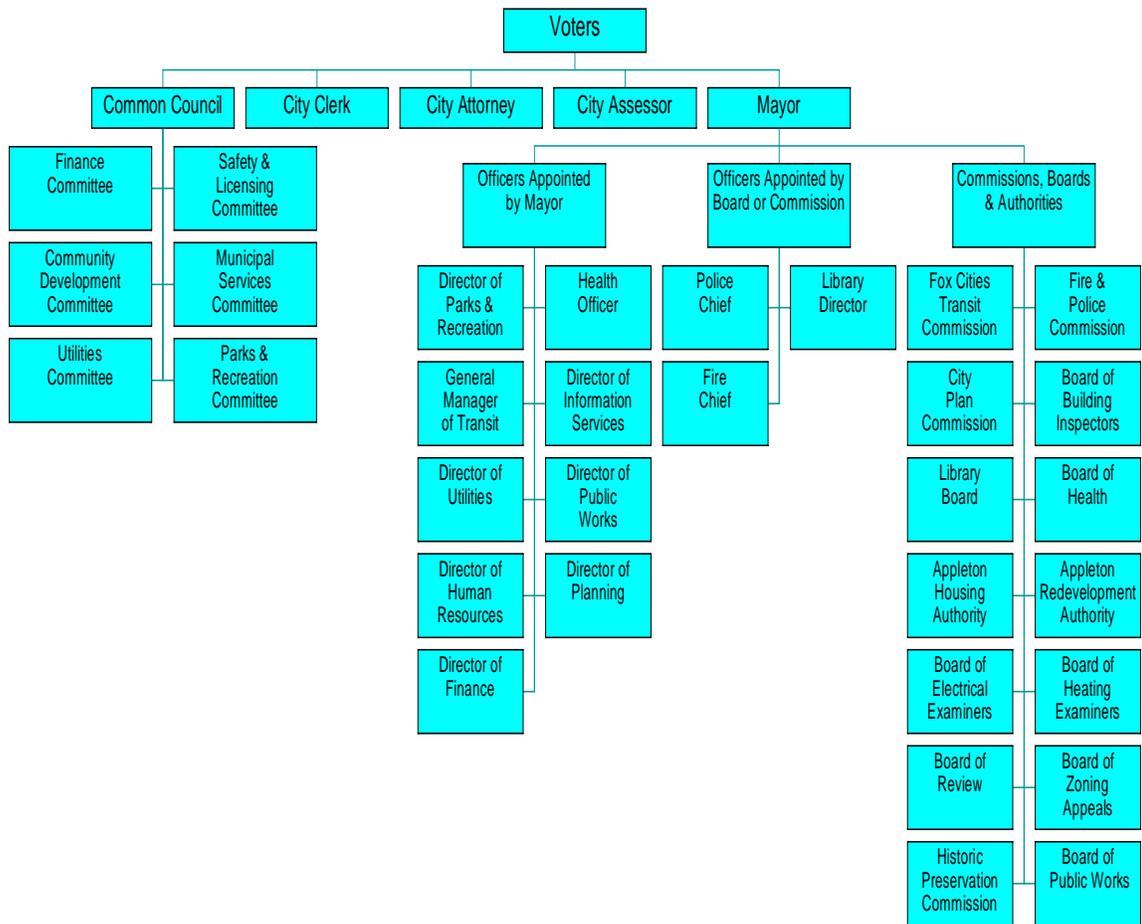
A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

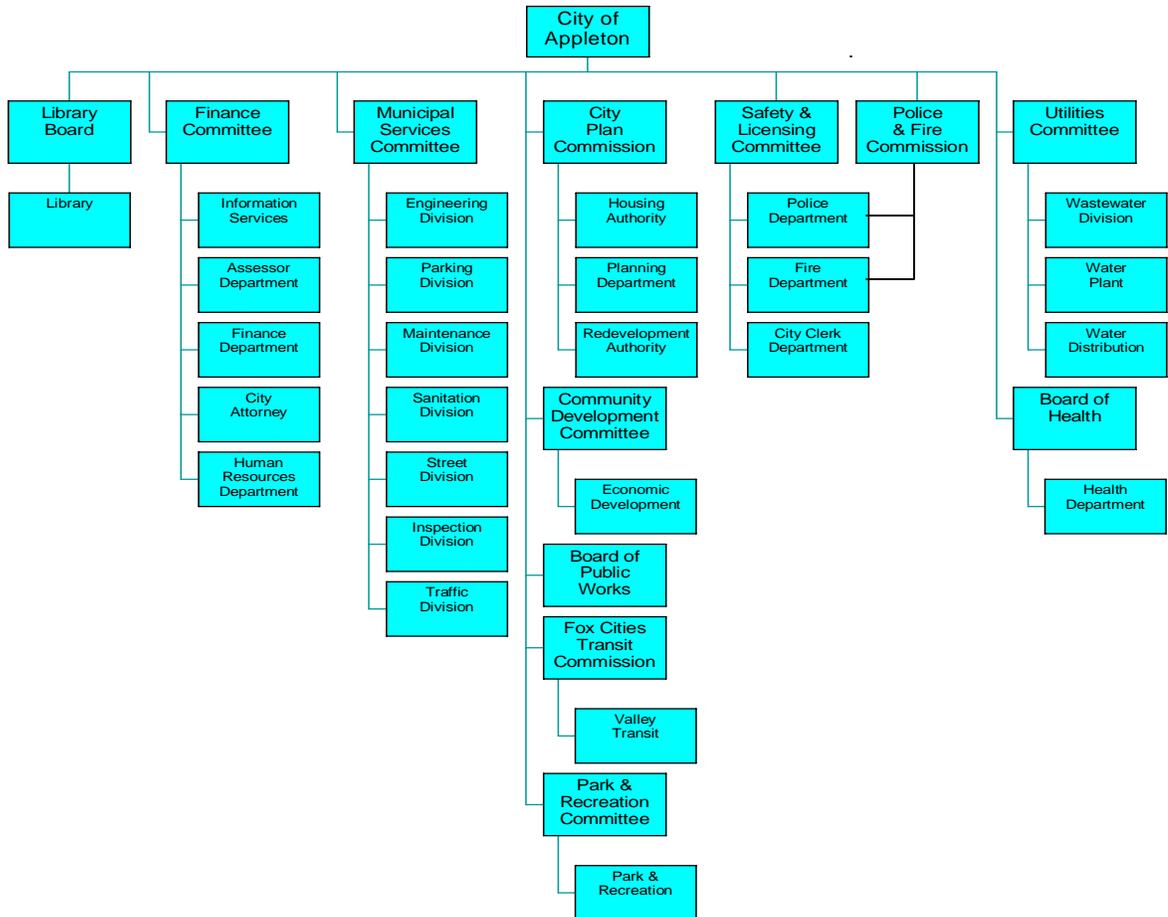
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# City of Appleton Structure by Voters



# City of Appleton Organizational Structure by Committee



# FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Common Council  
City of Appleton  
Appleton, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Appleton, Wisconsin, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Appleton's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Appleton, which represent 80 percent, 99 percent, and 96 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Appleton, Wisconsin, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Mayor and Members of the Common Council  
City of Appleton

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

The management's discussion and analysis and budgetary comparison information on pages xvii through xxxi and 78 through 81 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Appleton's basic financial statements. The detailed and combining schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The detailed and combining schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal and state awards is presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and the "State Single Audit Guidelines," and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The "Letter of Transmittal" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Appleton, Wisconsin. The information has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

Madison, Wisconsin  
May 31, 2007

# CITY OF APPLETON

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Year Ended December 31, 2006

As management of the City of Appleton, Wisconsin we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

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### **FINANCIAL HIGHLIGHTS**

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- The assets of the City of Appleton exceeded its liabilities at the close of the most recent fiscal year by \$463,412,047. Of this amount, \$21,403,857 may be used to meet the government's obligations to citizens and creditors as the rest of the amount includes funds subject to external restrictions on how they may be used and all major infrastructure capital assets.
  - The City's total net assets increased by \$16,525,632. Despite a sluggish economy, the City of Appleton continues to grow. 712 building permits were issued in 2006 valued at \$91,707,304 compared to 756 permits valued at \$124,847,818 in 2005. Our equalized value grew 4.36% from 2005 to 2006 with residential homes accounting for over half of that growth. This growth requires related infrastructure necessary to expand.
  - As of the close of the current fiscal year, the City of Appleton's governmental funds reported combined ending fund balances of \$35,181,965, a decrease of \$744,547 in comparison to the prior year. A change in accounting estimate for the uncollectible receivable for Tax Incremental District One (\$1,826,828), offset by additional investment earnings greater than budgeted amounts, accounts for a majority of this change.
  - At the end of the current fiscal year, the undesignated and unreserved balance in the general fund is \$603,171. These funds will be held pending the uncertainty of the State budget. The General Fund is in compliance with all of the City's reserve policies at December 31, 2006.
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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***GOVERNMENT-WIDE STATEMENTS***

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

# CITY OF APPLETON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2006

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### **OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

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#### ***GOVERNMENT-WIDE STATEMENTS (cont.)***

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The *Statement of Activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; public works; education and recreation; and community development. The business-type activities of the City of Appleton include transit and the water, stormwater, and sewer utilities.

The government-wide financial statements include not only the City of Appleton itself (known as the primary government), but also three component units that are separate legal entities for which the City of Appleton is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1 to 3 of this report.

#### ***FUND FINANCIAL STATEMENTS***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

# CITY OF APPLETON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2006

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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#### *FUND FINANCIAL STATEMENTS* (cont.)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, TIF District No. 3, and Debt Service, all of which are considered to be major funds. The City also chose to disclose TIF District No. 1 with the other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 4 to 6 of this report.

*Proprietary Funds* – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Water, Stormwater and Parking Utilities in addition to Valley Transit and Reid Golf Course. The City uses its internal service funds to account for its central equipment agency and insurance programs. The services provided by these funds predominately benefit the government rather than the business-type functions. They have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Valley Transit and the Sewer, Water and Stormwater Utilities since they are considered to be major funds of the City. Data from the other proprietary enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All internal service funds are also combined into a single, aggregated column in the proprietary fund financial statements. Individual fund information is provided in the Supplementary Section of this report.

The basic proprietary fund financial statements can be found on pages 7 to 16 of this report.

# CITY OF APPLETON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2006

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### **OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

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#### ***FUND FINANCIAL STATEMENTS (cont.)***

*Fiduciary Funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 17 of this report.

*Notes to the Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 77 of this report.

*Other Information* – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a detailed budgetary comparison schedule for the General Fund and TIF Incremental District Nos. 1 and 3 to demonstrate compliance with the budget. These schedules and the related notes can be found on pages 78 to 81 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds, proprietary funds, and other information related to the individual funds are presented immediately following the required supplementary information. Combining and individual statements and schedules can be found on pages 82 to 104 of this report.

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### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

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An analysis of the City's financial position begins with a review of the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets. These two statements report the City's net assets and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Appleton, assets exceeded liabilities by \$463,412,047 as of December 31, 2006.

The largest portion of the City's net assets (approximately 92%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## CITY OF APPLETON

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
For Year Ended December 31, 2006

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

#### CITY OF APPLETON'S NET ASSETS

	<u>Governmental Activities 2006</u>	<u>Business- Type Activities 2006</u>	<u>Totals</u>
Current and Other Assets	\$ 98,943,878	\$ 39,110,959	\$ 138,054,837
Capital Assets	<u>264,901,664</u>	<u>263,771,378</u>	<u>528,673,042</u>
Total Assets	<u>363,845,542</u>	<u>302,882,337</u>	<u>666,727,879</u>
Long-term Liabilities	52,587,850	100,680,047	153,267,897
Other Liabilities	<u>47,211,869</u>	<u>2,836,066</u>	<u>50,047,935</u>
Total Liabilities	<u>99,799,719</u>	<u>103,516,113</u>	<u>203,315,832</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	251,427,513	178,165,977	425,890,500
Restricted	6,868,633	9,249,057	16,117,690
Unrestricted (deficit)	<u>5,749,677</u>	<u>11,951,190</u>	<u>21,403,857</u>
Total Net Assets	<u>\$ 264,045,823</u>	<u>\$ 199,366,224</u>	<u>\$ 463,412,047</u>
	<u>Governmental Activities 2005</u>	<u>Business- Type Activities 2005</u>	<u>Totals</u>
Current and Other Assets	\$ 97,257,101	\$ 38,686,808	\$ 135,943,909
Capital Assets	<u>258,653,674</u>	<u>258,363,093</u>	<u>517,016,767</u>
Total Assets	<u>355,910,775</u>	<u>297,049,901</u>	<u>652,960,676</u>
Long-term Liabilities	56,759,504	100,117,728	156,877,232
Other Liabilities	<u>45,392,681</u>	<u>2,359,184</u>	<u>47,751,865</u>
Total Liabilities	<u>102,152,185</u>	<u>102,476,912</u>	<u>204,629,097</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	245,757,895	171,026,349	415,362,249
Restricted	6,796,749	10,852,698	17,649,447
Unrestricted (deficit)	<u>1,203,946</u>	<u>12,693,942</u>	<u>15,319,883</u>
Total Net Assets	<u>\$ 253,758,590</u>	<u>\$ 194,572,989</u>	<u>\$ 448,331,579</u>

An additional portion of the City's net assets (approximately 3.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$21,403,857 may be used to meet the government's ongoing obligation to citizens and creditors.

**CITY OF APPLETON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
For Year Ended December 31, 2006

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)**

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for the year ended December 31, 2006. Governmental activities increased the City of Appleton's net assets by \$11,732,397. Of this amount, \$3,342,354 was contributed from others. Business-type activities increased the City's net assets by \$4,793,235. Capital contributions in the business-type activities were \$4,196,923.

**CITY OF APPLETON  
CONDENSED STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS**

	Governmental Activities 2006	Business- Type Activities 2006	Totals
Revenues:			
Program Revenues:			
Charges for services	\$ 4,629,519	\$ 33,755,814	\$ 38,385,333
Operating grants and contributions	2,986,715	4,599,362	7,586,077
Capital grants and contributions	6,332,043	4,094,711	10,426,754
General Revenues:			
Property taxes	36,843,733	-	36,843,733
Other taxes	790,509	-	790,509
Intergovernmental	16,833,670	-	16,833,670
Investment income	5,470,655	1,452,672	6,923,327
Gain (loss) on sale of assets	532,942	-	532,942
Miscellaneous	-	68,918	68,918
Total Revenues	<u>\$ 74,419,786</u>	<u>\$ 43,971,477</u>	<u>\$ 118,391,263</u>
Expenses:			
General government	\$ 6,791,974	\$ -	\$ 6,791,974
Public safety	24,478,781	-	24,478,781
Public works	16,394,553	-	16,394,553
Education and recreation	8,827,228	-	8,827,228
Community development	2,300,154	-	2,300,154
Interest and fiscal charges	4,731,390	-	4,731,390
Water Utility	-	13,734,286	13,734,286
Wastewater Utility	-	10,527,573	10,527,573
Valley Transit	-	6,884,932	6,884,932
Stormwater Utility	-	4,711,912	4,711,912
Other non-major proprietary funds	-	2,482,848	2,482,848
Total Expenses	<u>\$ 63,524,080</u>	<u>\$ 38,341,551</u>	<u>\$ 101,865,631</u>
Increases in net assets before transfers	\$ 10,895,706	\$ 5,629,926	\$ 16,525,632
Transfers	<u>836,691</u>	<u>(836,691)</u>	<u>-</u>
Increase (decrease) in net assets	11,732,397	4,793,235	16,525,632
Net Assets – January 1, 2006 (as restated)	<u>252,313,426</u>	<u>194,572,989</u>	<u>446,886,415</u>
Net Assets – December 31, 2006	<u>\$ 264,045,823</u>	<u>\$ 199,366,224</u>	<u>\$ 463,412,047</u>

## CITY OF APPLETON

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
For Year Ended December 31, 2006

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

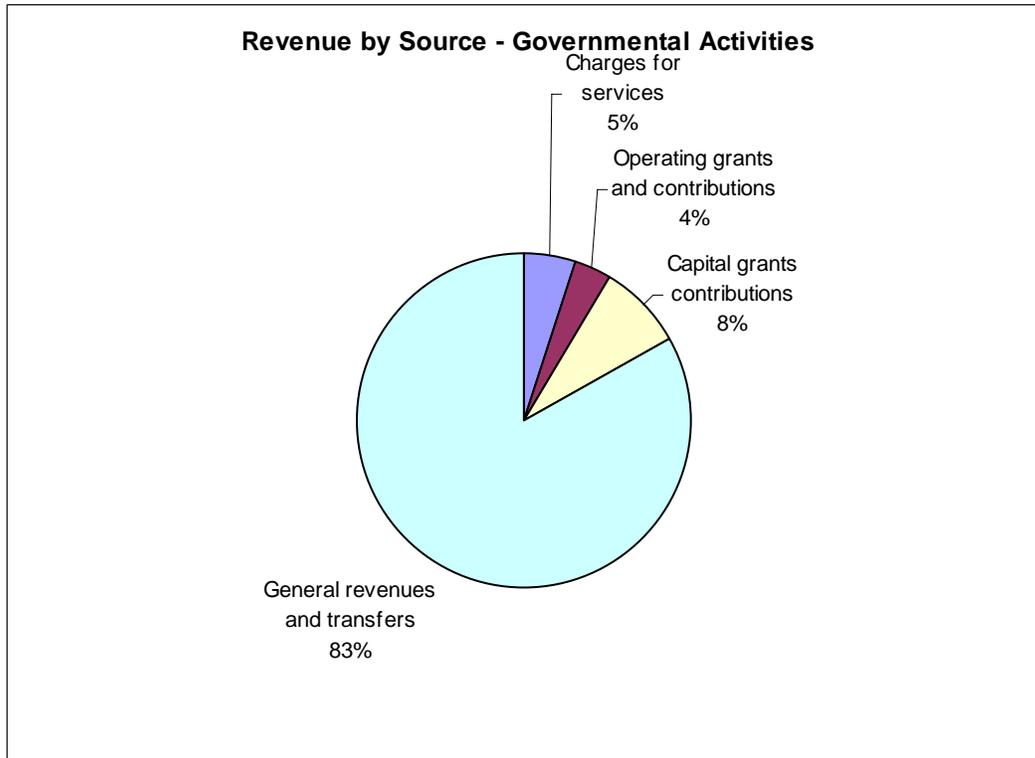
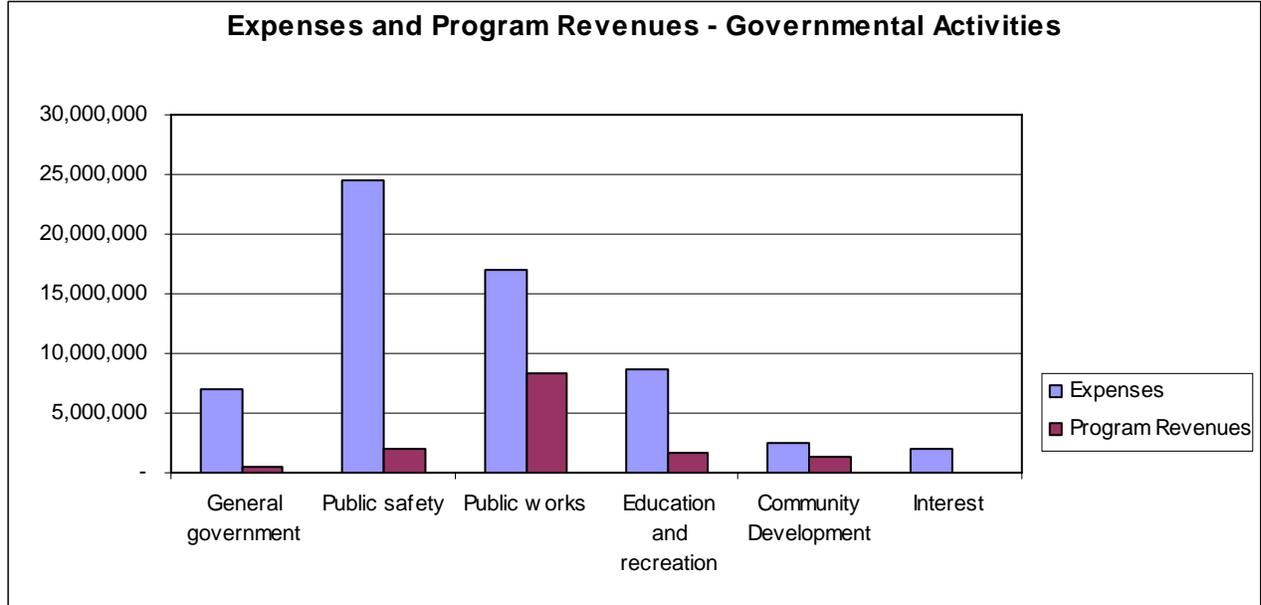
#### CITY OF APPLETON CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (cont.)

	Governmental Activities 2005	Business- Type Activities 2005	Totals
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 4,195,931	\$ 29,704,640	\$ 33,900,571
Operating grants and contributions	2,984,118	4,401,611	7,385,729
Capital grants and contributions	6,861,161	4,995,504	11,856,665
<b>General Revenues:</b>			
Property taxes	34,909,951	-	34,909,951
Other taxes	1,060,335	-	1,060,335
Intergovernmental	16,015,538	-	16,015,538
Investment income	1,682,999	791,730	2,474,729
Gain (loss) on sale of assets	2,255,997	-	2,255,997
Miscellaneous	790,190	11,816	802,006
Total Revenues	\$ 70,756,220	\$ 39,905,301	\$ 110,661,521
<b>Expenses:</b>			
General government	\$ 6,945,784	\$ -	\$ 6,945,784
Public safety	24,424,002	-	24,424,002
Public works	16,935,291	-	16,935,291
Education and recreation	8,706,013	-	8,706,013
Community development	2,532,059	-	2,532,059
Interest and fiscal charges	2,070,103	-	2,070,103
Water Utility	-	12,075,437	12,075,437
Wastewater Utility	-	10,714,320	10,714,320
Valley Transit	-	6,576,352	6,576,352
Stormwater Utility	-	4,347,493	4,347,493
Other non-major proprietary funds	-	2,454,170	2,454,170
Total Expenses	\$ 61,613,252	\$ 36,167,772	\$ 97,781,024
Increases in net assets before transfers	\$ 9,142,968	\$ 3,737,529	\$ 12,880,497
Transfers	11,918,030	(11,918,030)	-
Increase (decrease) in net assets	21,060,998	(8,180,501)	12,880,497
Net Assets – January 1, 2005 (as restated)	232,697,592	202,753,490	435,451,082
Net Assets – December 31, 2005	\$ 253,758,590	\$ 194,572,989	\$ 448,331,579

# CITY OF APPLETON

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
For Year Ended December 31, 2006

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

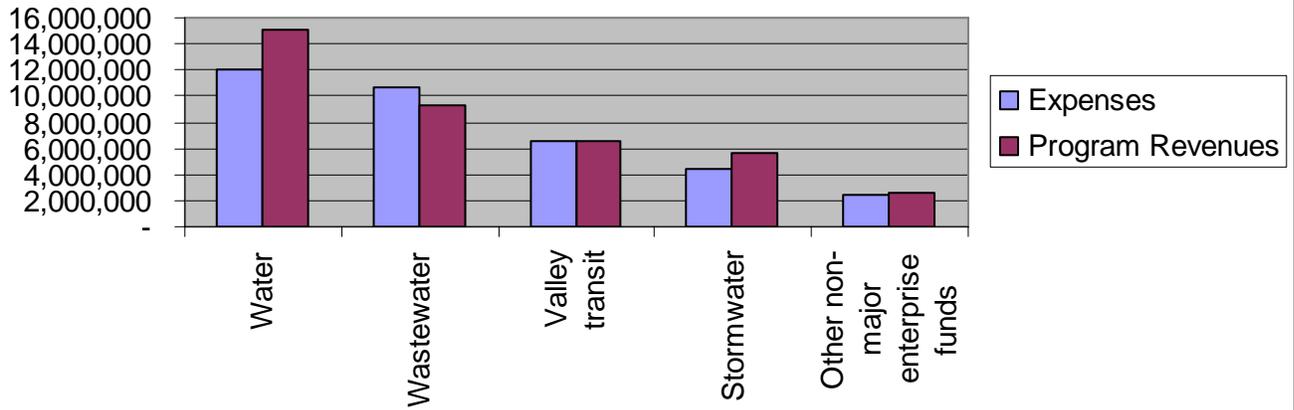


# CITY OF APPLETON

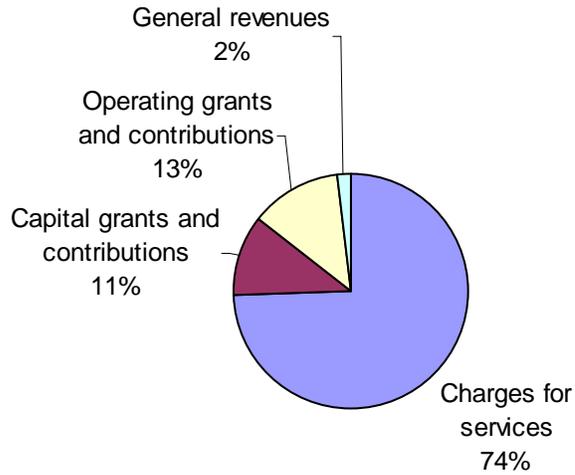
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
For Year Ended December 31, 2006

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



# CITY OF APPLETON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2006

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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#### **GOVERNMENTAL FUNDS**

The focus of the City of Appleton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At the end of current fiscal year, the City of Appleton's governmental funds reported combined ending fund balances of \$35,181,965. The fund balance that is reserved to indicate that it is not available for new spending because it has already been committed equals \$17,292,353. It includes: 1) \$4,758,203 to pay for encumbrances, 2) \$323,361 for prepaid items, 3) \$598,994 for inventories, 4) \$10,609,275 for loans receivable, 5) \$986,156 for debt retirement and 6) \$16,364 for trust purposes.

\$17,889,612 constitutes the unreserved fund balance at year end. \$33,821,614 is designated for specific purposes (working capital and debt service for example), leaving a deficit of \$15,932,002 to be recovered primarily from tax increment in our TIF districts.

**General Fund:** The general fund is the main operating fund of the City. The general fund has a detailed reserve policy that insures financial stability to the City of Appleton. The policy stipulates that the total unreserved fund balances (excluding designations for debt service) will be 25% of the following year's budgeted appropriations. It also calls for a designated balance for debt service of 25% of ensuing year's debt service requirements. Any excess funds over that amount will have at least 75% used for the reduction of long-term liabilities. Utilization of the remaining funds is subject to recommendation from the Finance Committee to be used for additional reduction of long-term liabilities or general fund expenditures with final council approval. This policy has allowed the City to keep its debt outstanding well below the legal debt limit. We are currently at 19.01% of the limit or a debt per capita of \$574.29. In 2006, the City earned \$1,481,647 more in investment income than budgeted for and didn't incur additional construction price expenditure levels the City had initially planned for in relation to Hurricane Katrina ramifications. The budget for 2006 planned for a net decrease in fund balance of \$449,054 while the actual results increased fund balance \$1,821,787.

**Tax Incremental Districts Nos. 1 and 3:** These two districts are both closed for project expenditures but continue to exist in order to recover project costs from tax increments over their remaining statutory life. At this time, it is estimated that Tax Incremental District 1 will close prior to paying all interest to the general fund. Therefore, in 2005, we recorded an allowance of \$4,574,026 and did not record any additional interest expense. In 2006, the City determined it could collect one more year of increment according to the State Statutes and adjusted the allowance to \$2,572,142 recognizing additional interest expense of \$1,826,828. Tax Incremental District 3 is estimated to close prior to paying any payments on principal or interest to the Parking Utility (meaning the Parking Utility paid for a portion of the ramps rather than tax increment). Both of these projections are subject to change if more development occurs in the district than projected. Also, the increment in this district continues to not be able to cover debt service obligations. Funding is made available from an advance from the Parking Utility of \$900,000 in 2006.

## CITY OF APPLETON

### MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2006

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#### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)**

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##### ***GOVERNMENTAL FUNDS (cont.)***

Debt Service: The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Funds transferred in to pay debt service not used in 2006 will be used in 2007.

##### ***PROPRIETARY FUNDS***

The City of Appleton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Water Utility: The Water Utility operating income was \$3,962,583 in 2006, or a 3.52% rate of return on the net investment rate base. This compares to operating income of \$5,545,378 in 2005, or a 5.48% rate of return. The 2006 rate of return is below the 8% authorized by the Public Service Commission on December 22, 2006. The Water Plant continues to experience operational problems as it is not operating at its designed capacity. The City has been working with its construction manager, design engineer and the membrane supplier to address the Plant's capacity short fall. While the net assets increased \$655,033, cash flow continues to be a challenge with the utility being highly leveraged after the construction of the new water treatment facility.

Wastewater Utility: The Wastewater Utility realized an operating loss of \$269,666 in 2006 compared to an operating loss of \$2,070,016 in 2005. The Utility completed an upgrade of plant Programmable Logic Controller (PLC) and SCADA system, an assessment of biosolids treatment alternatives and some larger sewer collection reconstruction and a new interceptor project. Rates were increased October 1, 2005 (average increase of 14.3% for residential customers) to counteract the loss of a significant quantity/quality customer. Net assets increased by \$1,115,062.

Valley Transit: Operating revenues increased \$152,944 from 2005 to 2006 primarily the result of increased bus advertising sales and fixed route and Valley Transit II fare increases. Operating expenses increased \$347,881 driven by a 20% increase in materials and supplies, 11% increase in paratransit contracts and rising diesel fuel costs. The decrease in net assets of \$141,040 is largely due to the increased liability for compensated absences.

Stormwater Utility: The Stormwater Utility operating income was approximately \$2,179,551 in 2006 compared to an operating income of \$592,720 in 2005. The Department of Natural Resources regulates water run-off. Regulations will require the City to meet certain quantity and quality aspects thereby reducing the amount of suspended solids that discharge into our water systems (20% by 2008 and 40% by 2013). Significant capital projects and operational/maintenance expenses have increased resulting in a rate increase of 53.4% that went into effect March 1, 2006. Net assets increased \$3,918,182.

# CITY OF APPLETON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2006

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### GENERAL FUND BUDGETARY HIGHLIGHTS

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The final amended General Fund budget had total appropriations (including transfers) of \$2,108,552 more than the original budget. The total original appropriations, including those for transfers out, were \$50,873,006, while the final appropriations were \$52,981,558. The majority of the difference was related to the carryover of \$1,281,556 of project costs from 2005 to 2006 for projects not completed or in process at the end of 2005. A transfer of \$650,000 to the Debt Service Fund was approved for the defeasance of debt. The remaining increase of approximately \$176,996 was for various items legislated by the City Council throughout the year. These increases in appropriations were a result of various grants awarded, donations and reimbursement for services provided.

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### CAPITAL ASSETS

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At the end of 2006, the City had invested a total of \$528,673,042 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, infrastructure and construction work in progress.

Major capital asset events during the current fiscal year included the following:

TIF District 6: Infrastructure (streets, water, sewer and stormwater) in our Southpoint Commerce Industrial Park was a significant project for 2006 accounting for approximately \$1.6 million of additions.

Wastewater: Significant additions included \$2.5 million in improvements to the wastewater collection system in addition to \$450,690 for Programmable Logic Controllers upgrades necessary for monitoring essential plant operations.

Water: Transmission and distribution capital outlay accounted for \$3.7 million and will continue to be a focus for the utility that has an aging distribution system. Purification challenges at the Plant contributed to another \$378,820 of capital asset additions.

Stormwater: Improvements necessary to continue our efforts in the management of stormwater in the City accounted for \$3.5 million in additions to mains and facilities in order to comply with regulations. There are also many projects in process amounting to an additional \$3.7 million.

General: The City continued its efforts to maintain existing infrastructure. Approximately \$9.1 million was spent on various street and related infrastructure projects. Renovations to Fire Station No. 1 were completed in 2006 in the amount of \$1,283,403. Additionally, approximately \$410,000 was used on quality of life projects for park improvements and trails.

## CITY OF APPLETON

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
For Year Ended December 31, 2006

### CAPITAL ASSETS (cont.)

#### CAPITAL ASSETS AT YEAR-END NET OF ACCUMULATED DEPRECIATION

	<u>Governmental Activities 2006</u>	<u>Business- Type Activities 2006</u>	<u>Totals</u>
Land	\$ 14,508,604	\$ 19,392,711	\$ 33,901,315
Right-of-ways	66,488,480	-	66,488,480
Land improvements	37,410,642	-	37,410,642
Improvements	3,974,684	-	3,974,684
Buildings	22,019,374	236,095,823	258,115,197
Equipment, furniture and fixtures	11,459,392	2,903,087	14,362,479
Streets	72,487,410	-	72,487,410
Sidewalks	16,162,945	-	16,162,945
Traffic signals	2,706,231	-	2,706,231
Bridges	16,698,916	-	16,698,916
Construction in progress	984,986	5,379,757	6,364,743
Totals	<u>\$ 264,901,664</u>	<u>\$ 263,771,378</u>	<u>\$ 528,673,042</u>

	<u>Governmental Activities 2005</u>	<u>Business- Type Activities 2005</u>	<u>Totals</u>
Land	\$ 16,171,570	\$ 17,503,503	\$ 33,675,073
Right-of-ways	64,912,817	-	64,912,817
Land improvements	37,179,446	-	37,179,446
Improvements	3,525,786	-	3,525,786
Buildings	21,648,125	230,017,438	251,665,563
Equipment, furniture and fixtures	10,774,879	6,674,328	17,449,207
Streets	68,903,578	-	68,903,578
Sidewalks	16,142,704	-	16,142,704
Traffic signals	2,517,717	-	2,517,717
Bridges	15,436,914	-	15,436,914
Construction in progress	1,440,138	4,167,824	5,607,962
Totals	<u>\$ 258,653,674</u>	<u>\$ 258,363,093</u>	<u>\$ 517,016,767</u>

## CITY OF APPLETON

### MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2006

#### **LONG-TERM DEBT**

During 2006, the City issued \$5,252,049 and retired \$10,325,736 of general obligation bonds and notes resulting in an outstanding balance of \$46,338,587 at December 31, 2005. This results in a per capita general obligation debt of \$574.29. Of the bonded debt, \$12,735,000 is to be repaid with general property taxes with the remaining amount supported by revenue from tax incremental districts and industrial park funds.

Under Wisconsin State Statutes Chapter 67, the City of Appleton's aggregate indebtedness may not exceed 5% of the equalized value of taxable property located in the City. The net amount of debt that is applicable to the statutory limit is \$41,351,177 (\$46,338,587 less reserves on hand) which is considerably below the maximum of \$217,509,320.

#### **CITY OF APPLETON'S OUTSTANDING DEBT GENERAL OBLIGATION AND REVENUE BONDS**

	<u>Governmental Activity 2006</u>	<u>Business-Type Activity 2006</u>	<u>Totals</u>
General obligation bonds and notes payable	\$ 44,435,078	\$ 1,903,509	\$ 46,338,587
Revenue bonds	-	97,422,923	97,422,923
<b>Total Outstanding General Obligation and Revenue Bonds</b>	<b><u>\$ 44,435,078</u></b>	<b><u>\$ 99,326,432</u></b>	<b><u>\$ 143,761,510</u></b>
	<u>Governmental Activity 2005</u>	<u>Business-Type Activity 2005</u>	<u>Totals</u>
General obligation bonds and notes payable	\$ 48,805,437	\$ 2,606,847	\$ 51,412,284
Revenue bonds	-	96,268,711	96,268,711
<b>Total Outstanding General Obligation and Revenue Bonds</b>	<b><u>\$ 48,805,437</u></b>	<b><u>\$ 98,875,558</u></b>	<b><u>\$ 147,680,995</u></b>

Additional information on the City of Appleton's long-term debt can be found in footnote IV F. of this report.

# CITY OF APPLETON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2006

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### **CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS**

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Appleton's substantial \$4.35 billion tax base (\$60,416 per capita) has experienced steady growth during recent years with equalized values growing at an average of 6.7% over the last five years. Paper manufacturing, insurance, health care, higher education and public sector institutions dominate the local employment base. The paper industry has been experiencing strong pricing pressures and volatility nationally during recent years with several processors and manufacturers relocating out of the City; although the largest local paper manufacturing company, Appleton, remains relatively stable. The impact of the national slowdown has been felt locally as unemployment is at 6.0%. Building permits issued have leveled off. However, the dollar value of the new homes being constructed has risen dramatically, increasing by 42% over the last four years.

The City's debt position remains favorable with rapid repayment of existing debt and use of non-tax levy sources for debt service. The principal amortization schedule is aggressive with 98.3% of the debt repaid in ten years.

In February 2007, the City issued \$58,510,000 Water System Revenue Refunding Bonds Series 2007A and issued an additional \$2,620,000 Taxable Water System Revenue Refunding Bonds Series 2007B to refinance all previous Water System Revenue Bonds outstanding as of December 31, 2006.

In March 2007, the City issued \$12,140,000 Water System Revenue Bonds Series 2007C to finance water utility capital projects.

With recent record-breaking sales of commercial/industrial land, the opening of Phase III of Apple Hill Farms and Clearwater Creek for residential housing, and as redevelopment continues downtown and begins on the riverfront, Appleton is well positioned to remain a leader in the Fox Cities.

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### **REQUESTS FOR INFORMATION**

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The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Appleton, Attn: Lisa A. Maertz, CPA, CPFO at 1.920.832.5502 or [Lisa.Maertz@appleton.org](mailto:Lisa.Maertz@appleton.org).

General information relating to the City of Appleton, Wisconsin, can be found at the City's website, [www.appleton.org](http://www.appleton.org).

**CITY OF APPLETON**

STATEMENT OF NET ASSETS  
December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business- Type Activities	Totals	
<b>ASSETS</b>				
Cash and investments	\$ 45,303,551	\$ 7,197,901	\$ 52,501,452	\$ 1,485,912
Receivables				
Taxes	40,782,488	-	40,782,488	-
Deferred loans	6,153,389	-	6,153,389	-
Accounts	498,190	6,145,238	6,643,428	-
Special assessments	1,356,755	615,477	1,972,232	-
Delinquent special assessments	12,046	-	12,046	-
Developer loans	583,058	-	583,058	2,055,716
Accrued interest	583,243	-	583,243	-
Other	1,136,770	181,307	1,318,077	264,576
Due from other governments	441,137	80,362	521,499	-
Internal balances -interfunds	(1,503,996)	1,503,996	-	-
Internal balances -advances	480,000	(480,000)	-	-
Inventories	645,516	563,722	1,209,238	39,471
Prepaid items	323,361	8,891	332,252	51,573
Restricted Assets				
Temporarily restricted:				
Cash and investments	-	22,338,732	22,338,732	170,435
Accrued interest	-	286,838	286,838	-
Investment in WMIC	2,020,950	-	2,020,950	-
Receivable from mutual insurance company	48,355	-	48,355	-
Property held for future use	-	95,011	95,011	-
Other assets	79,065	573,484	652,549	-
Capital Assets				
Land	118,407,726	19,392,711	137,800,437	868,907
Construction in progress	984,986	5,379,757	6,364,743	-
Depreciable capital assets, net of depreciation	145,508,952	238,998,910	384,507,862	12,753,279
Total Assets	<u>363,845,542</u>	<u>302,882,337</u>	<u>666,727,879</u>	<u>17,689,869</u>
<b>LIABILITIES</b>				
Accounts payable	1,808,948	1,521,635	3,330,583	151,893
Other accrued liabilities	1,984,032	574,374	2,558,406	130,531
Claims payable	4,100,000	-	4,100,000	-
Due to other governments	140	707,916	708,056	-
Unearned revenue	39,318,749	32,141	39,350,890	210,731
Security deposit	-	-	-	72,118
Tenant FSS escrow	-	-	-	39,307
Noncurrent Liabilities				
Due within one year	9,868,729	3,490,346	13,359,075	-
Due in more than one year	42,719,121	97,189,701	139,908,822	108,315
Total Liabilities	<u>99,799,719</u>	<u>103,516,113</u>	<u>203,315,832</u>	<u>712,895</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	251,427,513	178,165,977	425,890,500	13,513,871
Restricted For				
Debt service	193,695	2,253,335	2,447,030	-
DNR replacement fund	-	6,637,940	6,637,940	-
Capital replacement fund	-	357,782	357,782	-
Housing programs	-	-	-	2,113,525
Grant programs	6,674,938	-	6,674,938	-
Unrestricted	<u>5,749,677</u>	<u>11,951,190</u>	<u>21,403,857</u>	<u>1,349,578</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 264,045,823</u>	<u>\$ 199,366,224</u>	<u>\$ 463,412,047</u>	<u>\$ 16,976,974</u>

See accompanying notes to financial statements.

**CITY OF APPLETON**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 6,791,974	\$ 802,224	\$ 24,516	\$ 95,610
Public safety	24,478,781	934,348	993,706	92,924
Public works	16,394,553	1,549,601	-	5,964,290
Education and recreation	8,827,228	1,058,521	556,782	7,858
Community development	2,300,154	284,825	1,411,711	171,361
Interest	4,731,390	-	-	-
Total Governmental Activities	<u>63,524,080</u>	<u>4,629,519</u>	<u>2,986,715</u>	<u>6,332,043</u>
Business-Type Activities				
Water	13,734,286	14,373,765	-	492,083
Wastewater	10,527,573	9,684,273	-	1,223,057
Valley transit	6,884,932	1,136,722	4,599,362	456,386
Stormwater	4,711,912	5,713,662	-	1,923,185
Other non-major enterprise funds	2,482,848	2,847,392	-	-
Total Business-Type Activities	<u>38,341,551</u>	<u>33,755,814</u>	<u>4,599,362</u>	<u>4,094,711</u>
Total Primary Government	<u>\$ 101,865,631</u>	<u>\$ 38,385,333</u>	<u>\$ 7,586,077</u>	<u>\$ 10,426,754</u>
<b>Component Units</b>				
Appleton Redevelopment Authority	\$ 5,688	\$ -	\$ -	\$ -
Housing Authority	4,575,064	894,766	3,415,540	524,149
Business Improvement District	193,563	189,023	-	-
Total Component Units	<u>\$ 4,774,315</u>	<u>\$ 1,083,789</u>	<u>\$ 3,415,540</u>	<u>\$ 524,149</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Gain on the sale of assets

Miscellaneous

Transfers

Total General Revenues and Transfers

**Change in net assets**

NET ASSETS - Beginning (as restated)

**NET ASSETS - ENDING**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Totals	
\$ (5,869,624)	\$ -	\$ (5,869,624)	\$ -
(22,457,803)	-	(22,457,803)	-
(8,880,662)	-	(8,880,662)	-
(7,204,067)	-	(7,204,067)	-
(432,257)	-	(432,257)	-
(4,731,390)	-	(4,731,390)	-
(49,575,803)	-	(49,575,803)	-
-	1,131,562	1,131,562	-
-	379,757	379,757	-
-	(692,462)	(692,462)	-
-	2,924,935	2,924,935	-
-	364,544	364,544	-
-	4,108,336	4,108,336	-
(49,575,803)	4,108,336	(45,467,467)	-
-	-	-	(5,688)
-	-	-	259,391
-	-	-	(4,540)
33,945,854	-	33,945,854	-
2,897,879	-	2,897,879	-
790,509	-	790,509	-
16,833,670	-	16,833,670	-
5,470,655	1,452,672	6,923,327	52,511
532,942	-	532,942	-
-	68,918	68,918	-
836,691	(836,691)	-	-
61,308,200	684,899	61,993,099	52,511
11,732,397	4,793,235	16,525,632	301,674
252,313,426	194,572,989	446,886,415	16,675,300
<u>\$ 264,045,823</u>	<u>\$ 199,366,224</u>	<u>\$ 463,412,047</u>	<u>\$ 16,976,974</u>

See accompanying notes to financial statements.

**CITY OF APPLETON**

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2006

	General	Tax Incremental District No. 1	Tax Incremental District No. 3	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 23,935,092	\$ 143,339	\$ 584,175	\$ 54,875	\$ 18,553,276	\$ 43,270,757
Receivables						
Taxes	27,344,641	1,749,933	1,206,654	2,953,457	7,527,803	40,782,488
Deferred loans	-	-	-	-	6,153,389	6,153,389
Accounts	-	-	-	-	486,751	486,751
Special assessments	826,418	-	-	-	530,337	1,356,755
Delinquent special assessments	12,046	-	-	-	-	12,046
Developer loans	561,690	-	-	-	21,368	583,058
Accrued interest	583,171	-	-	-	72	583,243
Other	290,103	-	-	846,667	-	1,136,770
Due from other governments	74,126	-	-	-	367,011	441,137
Due from other funds	1,428,203	-	-	-	6,856	1,435,059
Inventories	598,994	-	-	-	-	598,994
Prepaid items	9,792	-	-	-	313,569	323,361
Advances to other funds	17,816,874	-	-	-	-	17,816,874
<b>TOTAL ASSETS</b>	<b>\$ 73,481,150</b>	<b>\$ 1,893,272</b>	<b>\$ 1,790,829</b>	<b>\$ 3,854,999</b>	<b>\$ 33,960,432</b>	<b>\$114,980,682</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 634,093	\$ -	\$ -	\$ -	\$ 1,146,787	\$ 1,780,880
Other accrued liabilities	1,204,073	-	-	-	43,965	1,248,038
Claims payable	2,600,000	-	-	-	-	2,600,000
Due to other governments	140	-	-	-	-	140
Due to other funds	797,372	-	-	-	198,236	995,608
Deferred revenues	34,805,604	1,749,933	1,206,654	3,800,124	14,274,862	55,837,177
Advances from other funds	-	3,801,884	12,563,028	-	971,962	17,336,874
Total Liabilities	<u>40,041,282</u>	<u>5,551,817</u>	<u>13,769,682</u>	<u>3,800,124</u>	<u>16,635,812</u>	<u>79,798,717</u>
Fund Balances						
Reserved for						
Inventories	598,994	-	-	-	-	598,994
Prepaid items	9,792	-	-	-	313,569	323,361
Noncurrent receivables/advances	10,609,275	-	-	-	-	10,609,275
Debt service	-	-	-	54,875	931,281	986,156
Encumbrances	2,071,583	-	-	-	2,686,620	4,758,203
Trust purposes	-	-	-	-	16,364	16,364
Unreserved and designated, reported in						
General fund	19,547,053	-	-	-	-	19,547,053
Special revenue funds	-	-	-	-	6,022,819	6,022,819
Capital projects funds	-	-	-	-	8,251,742	8,251,742
Unreserved and undesignated (deficit), reported in						
General fund	603,171	-	-	-	-	603,171
Special revenue funds	-	(3,658,545)	(11,978,853)	-	(832,682)	(16,470,080)
Capital projects funds	-	-	-	-	(65,093)	(65,093)
Total Fund Balances	<u>33,439,868</u>	<u>(3,658,545)</u>	<u>(11,978,853)</u>	<u>54,875</u>	<u>17,324,620</u>	<u>35,181,965</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 73,481,150</b>	<b>\$ 1,893,272</b>	<b>\$ 1,790,829</b>	<b>\$ 3,854,999</b>	<b>\$ 33,960,432</b>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II.A.						255,573,759
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.						16,518,428
Internal service funds are reported in the statement of net assets as governmental funds.						9,661,476
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.						<u>(52,889,805)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>						<b><u>\$264,045,823</u></b>

See accompanying notes to financial statements.

**CITY OF APPLETON**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2006

	General	Tax Incremental District No. 1	Tax Incremental District No. 3	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 25,059,141	\$ 1,680,582	\$ 1,125,572	\$ 2,897,879	\$ 6,871,067	\$ 37,634,241
Intergovernmental	16,723,824	67,182	8,996	-	2,871,711	19,671,713
Licenses and permits	938,603	-	-	-	-	938,603
Fines and forfeitures	271,530	-	-	-	-	271,530
Special assessments	1,203,720	-	-	-	1,463,955	2,667,675
Investment income	3,195,214	62,928	67,070	-	1,216,264	4,541,476
Charges for services	1,350,807	-	-	-	668,492	2,019,299
Other	1,412,141	-	-	91,325	1,890,050	3,393,516
<b>Total Revenues</b>	<b>50,154,980</b>	<b>1,810,692</b>	<b>1,201,638</b>	<b>2,989,204</b>	<b>14,981,539</b>	<b>71,138,053</b>
<b>EXPENDITURES</b>						
Current						
General government	6,286,881	1,398	1,399	-	283,397	6,573,075
Public safety	23,150,045	-	-	-	734,473	23,884,518
Public works	10,141,186	-	-	-	3,094,984	13,236,170
Education and recreation	8,269,807	-	-	-	172,993	8,442,800
Community development	752,305	-	-	-	1,755,297	2,507,602
Capital Outlay	-	-	-	-	10,762,860	10,762,860
Debt Service						
Principal	-	-	-	9,333,847	-	9,333,847
Interest and fiscal charges	-	2,001,884	607,763	1,986,843	49,855	4,646,345
<b>Total Expenditures</b>	<b>48,600,224</b>	<b>2,003,282</b>	<b>609,162</b>	<b>11,320,690</b>	<b>16,853,859</b>	<b>79,387,217</b>
Excess (deficiency) of revenues over (under) expenditures	1,554,756	(192,590)	592,476	(8,331,486)	(1,872,320)	(8,249,164)
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt issued	-	-	-	3,000	5,177,387	5,180,387
Premium on debt issued	-	-	-	886	-	886
Sale of city property	14,273	-	-	-	591,330	605,603
Transfers in	1,439,070	-	900,000	8,312,542	62,004	10,713,616
Transfers out	(1,186,312)	-	(1,418,946)	-	(6,390,617)	(8,995,875)
<b>Total Other Financing Sources (Uses)</b>	<b>267,031</b>	<b>-</b>	<b>(518,946)</b>	<b>8,316,428</b>	<b>(559,896)</b>	<b>7,504,617</b>
<b>Net Change in Fund Balances</b>	<b>1,821,787</b>	<b>(192,590)</b>	<b>73,530</b>	<b>(15,058)</b>	<b>(2,432,216)</b>	<b>(744,547)</b>
FUND BALANCES (DEFICIT) - Beginning	31,618,081	(3,465,955)	(12,052,383)	69,933	19,756,836	35,926,512
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<b>\$ 33,439,868</b>	<b>\$ (3,658,545)</b>	<b>\$(11,978,853)</b>	<b>\$ 54,875</b>	<b>\$ 17,324,620</b>	<b>\$ 35,181,965</b>

See accompanying notes to financial statements.

**CITY OF APPLETON**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2006

Net change in fund balances - total governmental funds		\$ (744,547)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities.</p>		
Total capital asset additions - paid for with City funds	13,768,410	
Total capital asset additions - contributed to the City	3,342,354	
Less: capital outlay capitalized in the internal service funds	(1,882,814)	
Less: close-out of prior year CWIP	(1,188,490)	14,039,460
Depreciation is reported in the government-wide statements		(4,950,687)
<p>Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.</p>		
		(1,530,404)
<p>Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.</p>		
Interest charged on advances	959,502	
Developer loans	(44,466)	
Rehabilitation loans	118,363	
Accounts receivable/interest income	(110,163)	
Special assessments	(315,948)	607,288
<p>Debt issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Debt issued		(5,180,387)
Principal repaid		9,333,847
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences		(318,181)
Disability benefits		11,788
Postclosure care cost		90,000
Accrued interest on debt		(22,640)
<p>Governmental funds report debt premiums and issuance costs as other financing sources or expenditures. However, in the statement of net assets, these are deferred and reported as other assets or additions to long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense. The loss on refunding is also amortized on the statement of activities as amortization expense.</p>		
Debt issuance costs paid		25,825
Amortization of premium		27,789
Amortization of loss on advance refunding		(23,031)
Amortization of issuance costs		(18,664)
<p>Internal service funds are used by management to charge the costs of self insurance and central equipment agency costs to individual funds. The increase in net assets of the internal service funds is reported with governmental activities.</p>		
		384,941
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 11,732,397</b>

See accompanying notes to financial statements.

## CITY OF APPLETON

### STATEMENT OF NET ASSETS - PROPRIETARY FUNDS December 31, 2006

<b>ASSETS</b>	Business-Type Activities - Enterprise Funds		
	Water Utility	Wastewater Utility	Valley Transit
Current Assets			
Cash and investments	\$ -	\$ 2,161,854	\$ 1,338,052
Accounts Receivable			
Customer accounts	3,290,222	1,678,880	-
Special assessments	10,054	526,832	-
Other	3,881	-	159,466
Due From Other Governments			
Federal government	-	-	73,971
State of Wisconsin	-	-	6,391
Due from other funds	285,261	359,589	-
Inventories	301,659	164,920	97,143
Prepaid items	-	-	8,891
Restricted Assets			
Cash and investments	-	1,109,484	-
Total Current Assets	3,891,077	6,001,559	1,683,914
Non-Current Assets			
Advance to other funds	-	3,552,198	-
Restricted Assets			
Cash and investments	8,055,801	10,156,906	357,782
Accrued interest	112,007	135,832	-
Investment in WMIC	-	-	-
Receivable from mutual insurance company	-	-	-
Capital Assets			
Land	1,101,082	816,166	891,831
Construction in progress	273,714	226,578	-
Building and improvements	99,118,283	111,866,341	3,460,242
Equipment, furniture and vehicles	27,285,283	33,123,720	8,466,159
Less: Accumulated depreciation	(23,040,925)	(62,879,153)	(6,169,798)
Other Assets			
Property held for future use	95,011	-	-
Unamortized debt expense	172,203	30,288	-
Total Non-Current Assets	113,172,459	97,028,876	7,006,216
Total Assets	117,063,536	103,030,435	8,690,130

<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
<u>Stormwater Utility</u>	<u>Other Enterprise Funds</u>	<u>Totals Current Year</u>	
\$ 2,615,370	\$ 1,082,625	\$ 7,197,901	\$ 2,032,794
1,176,136	-	6,145,238	-
78,591	-	615,477	-
-	17,960	181,307	11,439
-	-	73,971	-
-	-	6,391	-
145,666	-	790,516	-
-	-	563,722	46,522
-	-	8,891	-
<u>710,292</u>	<u>-</u>	<u>1,819,776</u>	<u>-</u>
<u>4,726,055</u>	<u>1,100,585</u>	<u>17,403,190</u>	<u>2,090,755</u>
4,300,000	-	7,852,198	-
1,948,467	-	20,518,956	-
38,999	-	286,838	-
-	-	-	2,020,950
-	-	-	48,355
13,596,825	2,986,807	19,392,711	-
4,871,012	8,453	5,379,757	1,366
51,825,145	23,894,109	290,164,120	-
657	577,277	69,453,096	21,002,628
(15,500,972)	(13,027,458)	(120,618,306)	(11,676,089)
-	-	95,011	-
<u>370,993</u>	<u>-</u>	<u>573,484</u>	<u>-</u>
<u>61,451,126</u>	<u>14,439,188</u>	<u>293,097,865</u>	<u>11,397,210</u>
<u>66,177,181</u>	<u>15,539,773</u>	<u>310,501,055</u>	<u>13,487,965</u>

See accompanying notes to financial statements.

**CITY OF APPLETON**

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
December 31, 2006

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Valley Transit</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 283,657	\$ 370,895	\$ 207,183
Compensated absences	244,218	158,499	204,700
Accrued interest	1,531	-	-
Other accrued liabilities	48,217	36,878	60,703
Claims payable	-	-	-
Due to other governments	-	-	707,916
Due to other funds	1,121,099	-	108,868
Unearned revenues	-	-	32,141
Current portion of long-term debt	175,000	-	-
Current portion of advance	-	-	-
Current Liabilities Payables From Restricted Assets			
Revenue bonds payable	-	1,507,935	-
Accrued interest	-	116,137	-
Total Current Liabilities	<u>1,873,722</u>	<u>2,190,344</u>	<u>1,321,511</u>
Noncurrent Liabilities			
General obligation debt payable	-	-	-
Revenue bonds and notes payable	62,215,816	11,262,545	-
Advance from other funds	7,852,198	-	-
Compensated absences	124,619	130,081	270,981
Unamortized premium of debt issuance	127,488	30,344	-
Total Noncurrent Liabilities	<u>70,320,121</u>	<u>11,422,970</u>	<u>270,981</u>
Total Liabilities	<u>72,193,843</u>	<u>13,613,314</u>	<u>1,592,492</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	50,042,148	73,902,589	6,648,434
Restricted for			
Debt service	612,007	1,128,672	-
DNR replacement fund	-	6,637,940	-
Capital replacement fund	-	-	357,782
Unrestricted (deficit)	<u>(5,784,462)</u>	<u>7,747,920</u>	<u>91,422</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 44,869,693</u>	<u>\$ 89,417,121</u>	<u>\$ 7,097,638</u>

Amounts reported for business-type activities in the statement of net assets are different because:

Internal service fund net assets allocated to the business-type activities

**NET ASSETS OF BUSINESS-TYPE ACTIVITIES**

<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
<u>Stormwater</u>	<u>Other</u>	<u>Totals</u>	<u>Activities -</u>
<u>Utility</u>	<u>Enterprise</u>	<u>Current Year</u>	<u>Internal</u>
	<u>Funds</u>		<u>Service Funds</u>
\$ 629,285	\$ 30,615	\$ 1,521,635	\$ 28,069
67,277	47,717	722,411	53,511
10,988	-	12,519	-
18,273	45,012	209,083	28,149
-	-	-	1,500,000
-	-	707,916	-
-	-	1,229,967	-
-	-	32,141	-
300,000	-	475,000	236,791
-	50,000	50,000	-
785,000	-	2,292,935	-
236,635	-	352,772	-
<u>2,047,458</u>	<u>173,344</u>	<u>7,606,379</u>	<u>1,846,520</u>
720,000	708,509	1,428,509	-
21,465,000	-	94,943,361	-
-	430,000	8,282,198	-
55,601	78,717	659,999	36,522
-	-	157,832	-
<u>22,240,601</u>	<u>1,217,226</u>	<u>105,471,899</u>	<u>36,522</u>
<u>24,288,059</u>	<u>1,390,570</u>	<u>113,078,278</u>	<u>1,883,042</u>
33,842,127	13,730,679	178,165,977	9,327,905
512,656	-	2,253,335	-
-	-	6,637,940	-
-	-	357,782	-
<u>7,534,339</u>	<u>418,524</u>	<u>10,007,743</u>	<u>2,277,018</u>
<u>\$ 41,889,122</u>	<u>\$ 14,149,203</u>	<u>\$ 197,422,777</u>	<u>\$ 11,604,923</u>
		<u>1,943,447</u>	
		<u>\$ 199,366,224</u>	

See accompanying notes to financial statements.

## CITY OF APPLETON

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS For the Year Ended December 31, 2006

	Business-Type Activities - Enterprise Funds		
	Water Utility	Wastewater Utility	Valley Transit
<b>OPERATING REVENUES</b>			
Charges for services	\$ 14,065,050	\$ 9,040,988	\$ 1,039,275
Other	<u>308,715</u>	<u>643,285</u>	<u>97,447</u>
Total Operating Revenues	<u>14,373,765</u>	<u>9,684,273</u>	<u>1,136,722</u>
<b>OPERATING EXPENSES</b>			
Operation and maintenance	7,479,725	6,165,826	6,256,599
Depreciation	<u>2,931,457</u>	<u>3,788,113</u>	<u>597,427</u>
Total Operating Expenses	<u>10,411,182</u>	<u>9,953,939</u>	<u>6,854,026</u>
Operating Income (Loss)	<u>3,962,583</u>	<u>(269,666)</u>	<u>(5,717,304)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	317,105	534,639	33,008
Interest expense	(3,181,518)	(406,443)	-
Amortization of debt expense	(24,580)	(18,989)	-
Gain on sale of capital assets	-	-	-
Amortization of prior losses on refunding of bonds	(39,592)	(53,333)	-
Amortization of premium on debt issuance	12,910	15,062	-
Subsidies from other governmental units	-	-	4,599,362
Loss on investment in WMIC	-	-	-
Other	<u>7,241</u>	<u>34,598</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(2,908,434)</u>	<u>105,534</u>	<u>4,632,370</u>
Income (Loss) Before contributions and transfers	1,054,149	(164,132)	(1,084,934)
Capital contributions	492,083	1,223,057	456,386
Transfer in	256,900	173,587	487,508
Transfers out - tax equivalent	(1,121,099)	-	-
Transfers out	<u>(27,000)</u>	<u>(117,450)</u>	<u>-</u>
Change in Net Assets	655,033	1,115,062	(141,040)
TOTAL NET ASSETS - Beginning	<u>44,214,660</u>	<u>88,302,059</u>	<u>7,238,678</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 44,869,693</u>	<u>\$ 89,417,121</u>	<u>\$ 7,097,638</u>

Internal service funds change in net assets  
allocated to the business-type activities

Change in Net Assets Business-type Activities

<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
<u>Stormwater</u>	<u>Other</u>	<u>Totals</u>	<u>Activities -</u>
<u>Utility</u>	<u>Enterprise</u>	<u>Current Year</u>	<u>Internal</u>
	<u>Funds</u>		<u>Service Funds</u>
\$ 5,651,299	\$ 2,232,200	\$ 32,028,812	\$ 2,721,658
62,363	615,192	1,727,002	258,101
<u>5,713,662</u>	<u>2,847,392</u>	<u>33,755,814</u>	<u>2,979,759</u>
2,362,608	1,439,406	23,704,164	3,362,183
1,171,503	938,004	9,426,504	1,621,850
<u>3,534,111</u>	<u>2,377,410</u>	<u>33,130,668</u>	<u>4,984,033</u>
<u>2,179,551</u>	<u>469,982</u>	<u>625,146</u>	<u>(2,004,274)</u>
497,121	70,799	1,452,672	58,806
(1,108,674)	(57,169)	(4,753,804)	(25,318)
(34,201)	-	(77,770)	-
-	-	-	186,134
-	-	(92,925)	-
-	-	27,972	-
-	-	4,599,362	-
-	-	-	(37,190)
<u>23,137</u>	<u>3,942</u>	<u>68,918</u>	<u>9,613</u>
<u>(622,617)</u>	<u>17,572</u>	<u>1,224,425</u>	<u>192,045</u>
1,556,934	487,554	1,849,571	(1,812,229)
1,923,185	-	4,094,711	1,882,814
450,563	-	1,368,558	-
-	-	(1,121,099)	-
<u>(12,500)</u>	<u>(927,200)</u>	<u>(1,084,150)</u>	<u>-</u>
3,918,182	(439,646)	5,107,591	70,585
<u>37,970,940</u>	<u>14,588,849</u>		<u>11,534,338</u>
<u>\$ 41,889,122</u>	<u>\$ 14,149,203</u>		<u>\$ 11,604,923</u>
		<u>(314,356)</u>	
		<u>\$ 4,793,235</u>	

See accompanying notes to financial statements.

**CITY OF APPLETON**

STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPES  
 For the Year Ended December 31, 2006

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Valley Transit</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers	\$ 14,307,731	\$ 9,631,322	\$ 1,077,723
Paid to suppliers for goods and services	(6,048,887)	(4,787,704)	(3,710,090)
Paid to employees for services	<u>(1,463,292)</u>	<u>(1,362,164)</u>	<u>(2,307,649)</u>
Net Cash Flows From Operating Activities	<u>6,795,552</u>	<u>3,481,454</u>	<u>(4,940,016)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Principal payments on note payable	-	-	-
Interest paid on note payable	-	-	-
Tax equivalent paid to municipality	(1,073,370)	-	-
Transfers in	-	-	487,508
Transfers out	(27,000)	(117,450)	-
Operation subsidies received from other governmental units	-	-	4,830,001
Repayment of advances to other funds	-	-	-
Advance from other funds	5,047,152	-	-
Advance to other funds	-	<u>(3,552,198)</u>	-
Net Cash Flows From Noncapital Financing Activities	<u>3,946,782</u>	<u>(3,669,648)</u>	<u>5,317,509</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(4,136,928)	(2,097,877)	(380,048)
Proceeds from sale of capital assets	-	-	-
Revenue bonds issued	-	3,265,000	-
General obligation debt issued	-	-	-
Costs of issuing revenue bonds	-	(3,954)	-
Premium for debt refinancing	-	-	-
Principal paid on long-term debt	(4,100,000)	(1,365,787)	-
Interest paid on long-term debt	(3,219,382)	(360,068)	-
Capital contributed by others	37,946	195,297	360,288
Special assessments received	<u>23,357</u>	<u>422,991</u>	-
Net Cash Flows From Capital and Related Financing Activities	<u>(11,395,007)</u>	<u>55,602</u>	<u>(19,760)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	316,206	532,077	33,008
Proceeds from sale and maturities of investments	2,801,862	3,130,259	-
Purchases of investments	<u>(3,088,241)</u>	<u>(3,653,990)</u>	-
Net Cash Flows From Investing Activities	<u>29,827</u>	<u>8,346</u>	<u>33,008</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(622,846)	(124,246)	390,741
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>767,948</u>	<u>3,466,310</u>	<u>1,305,093</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 145,102</u>	<u>\$ 3,342,064</u>	<u>\$ 1,695,834</u>

<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
<u>Stormwater</u>	<u>Other</u>	<u>Totals</u>	<u>Activities -</u>
<u>Utility</u>	<u>Enterprise</u>	<u>Current Year</u>	<u>Internal</u>
	<u>Funds</u>		<u>Service Funds</u>
\$ 5,273,041	\$ 2,844,278	\$ 33,134,095	\$ 3,091,225
(1,545,299)	(646,369)	(16,738,349)	(2,191,117)
<u>(467,049)</u>	<u>(818,046)</u>	<u>(6,418,200)</u>	<u>(1,185,219)</u>
3,260,693	1,379,863	9,977,546	(285,111)
-	-	-	(216,899)
-	-	-	(30,036)
-	-	(1,073,370)	-
-	-	487,508	-
(12,500)	(27,200)	(184,150)	-
-	-	4,830,001	-
-	-	-	-
-	(15,000)	5,032,152	-
<u>(1,494,954)</u>	<u>(900,000)</u>	<u>(5,947,152)</u>	<u>-</u>
<u>(1,507,454)</u>	<u>(942,200)</u>	<u>3,144,989</u>	<u>(246,935)</u>
(4,635,151)	(164,856)	(11,414,860)	-
-	-	-	312,314
7,855,000	-	11,120,000	-
-	71,662	71,662	-
(108,711)	-	(112,665)	-
-	-	-	-
(5,275,000)	-	(10,740,787)	-
(1,091,007)	(24,751)	(4,695,208)	-
16,180	-	609,711	-
107,337	-	553,685	-
<u>(3,131,352)</u>	<u>(117,945)</u>	<u>(14,608,462)</u>	<u>312,314</u>
490,353	70,799	1,442,443	58,806
618,105	-	6,550,226	-
<u>(1,019,068)</u>	<u>-</u>	<u>(7,761,299)</u>	<u>-</u>
<u>89,390</u>	<u>70,799</u>	<u>231,370</u>	<u>58,806</u>
(1,288,723)	390,517	(1,254,557)	(160,926)
<u>3,961,969</u>	<u>692,108</u>	<u>10,193,428</u>	<u>2,193,720</u>
<u>\$ 2,673,246</u>	<u>\$ 1,082,625</u>	<u>\$ 8,938,871</u>	<u>\$ 2,032,794</u>

See accompanying notes to financial statements.

**CITY OF APPLETON**

STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPES  
 For the Year Ended December 31, 2006

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Valley Transit</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 3,962,583	\$ (269,666)	\$ (5,717,304)
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities			
Non-operating income	7,241	-	-
Depreciation expense	2,931,457	3,788,113	597,427
Depreciation charged to other funds	217,899	-	-
Changes in Noncash Components of Working Capital			
Customer accounts receivable	(189,097)	(33,999)	-
Other accounts receivable	(13,245)	53,533	(52,955)
Due from other funds	(86,640)	(64,222)	-
Inventories	(14,660)	5,585	1,882
Prepaid items	-	-	102,429
Accounts payable	(26,615)	41,384	65,125
Accrued liabilities	5,409	(39,274)	69,424
Accrued compensated absences	1,220	-	-
Claims payable	-	-	-
Unearned revenues	-	-	(6,044)
	<u>\$ 6,795,552</u>	<u>\$ 3,481,454</u>	<u>\$ (4,940,016)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS</b>			
Cash and investments - statement of net assets - proprietary fund	\$ -	\$ 2,161,854	\$ 1,338,052
Restricted cash and investments - statement of net assets - proprietary fund			
Current	-	1,109,484	-
Non-current	8,055,801	10,156,906	357,782
Less: Non-cash equivalents	<u>(7,910,699)</u>	<u>(10,086,180)</u>	<u>-</u>
	<u>\$ 145,102</u>	<u>\$ 3,342,064</u>	<u>\$ 1,695,834</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>			
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Contributed property and equipment	\$ 711,037	\$ 565,211	\$ -
Allowance for doubtful accounts	2,192	8,263	-
New special assessments	-	636,136	-

<u>Business-Type Activities - Enterprise Funds</u>			Governmental
Stormwater Utility	Other Enterprise Funds	Totals Current Year	Activities - Internal Service Funds
\$ 2,179,551	\$ 469,982	\$ 625,146	\$ (2,004,274)
-	3,942	11,183	9,613
1,171,503	938,004	9,426,504	1,621,850
-	-	217,899	-
(411,417)	-	(634,513)	-
(13,140)	(7,056)	(32,863)	1,853
(16,064)	-	(166,926)	-
-	-	(7,193)	(6,773)
-	-	102,429	-
336,080	(37,217)	378,757	4,458
14,180	(222)	49,517	1,092
-	12,430	13,650	(12,930)
-	-	-	100,000
-	-	(6,044)	-
<u>\$ 3,260,693</u>	<u>\$ 1,379,863</u>	<u>\$ 9,977,546</u>	<u>\$ (285,111)</u>
\$ 2,615,370	\$ 1,082,625	\$ 7,197,901	\$ 2,032,794
710,292	-	1,819,776	-
1,948,467	-	20,518,956	-
<u>(2,600,883)</u>	<u>-</u>	<u>(20,597,762)</u>	<u>-</u>
<u>\$ 2,673,246</u>	<u>\$ 1,082,625</u>	<u>\$ 8,938,871</u>	<u>\$ 2,032,794</u>
\$ 2,310,964	\$ -	\$ 3,587,212	\$ 1,882,814
-	-	10,455	-
46,604	-	682,740	-

See accompanying notes to financial statements.

**CITY OF APPLETON**

STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
December 31, 2006

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	<u>Tax Collection Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 37,777,918
Property taxes receivable	<u>19,402,259</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 57,180,177</u></b>
<b>LIABILITIES</b>	
Due to other taxing authorities	\$ 57,104,874
Accounts payable	<u>75,303</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 57,180,177</u></b>

See accompanying notes to financial statements.

**CITY OF APPLETON**

STATEMENT OF NET ASSETS - COMPONENT UNITS  
December 31, 2006

	Appleton Redevelopment Authority	Housing Authority	Business Improvement District	Totals
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 114,123	\$ 1,205,808	\$ 165,981	\$ 1,485,912
Other accounts receivable	-	193,626	70,950	264,576
Inventories	20,000	19,471	-	39,471
Prepaid items	-	51,573	-	51,573
Total Current Assets	<u>134,123</u>	<u>1,470,478</u>	<u>236,931</u>	<u>1,841,532</u>
Non-Current Assets				
Restricted Assets				
Cash and investments	1,171	169,264	-	170,435
Rehabilitation loans, net	-	2,055,716	-	2,055,716
Capital Assets				
Land	-	868,907	-	868,907
Buildings and improvements	-	16,725,534	-	16,725,534
Equipment, furniture and vehicles	-	658,732	-	658,732
Less: Accumulated depreciation	-	(4,630,987)	-	(4,630,987)
Total Non-Current Assets	<u>1,171</u>	<u>15,847,166</u>	<u>-</u>	<u>15,848,337</u>
Total Assets	<u>135,294</u>	<u>17,317,644</u>	<u>236,931</u>	<u>17,689,869</u>

	Appleton Redevelopment Authority	Housing Authority	Business Improvement District	Totals
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ -	\$ 109,538	\$ 42,355	\$ 151,893
Other accrued liabilities	-	130,531	-	130,531
Security deposits	-	72,118	-	72,118
Tenant FSS escrow	-	39,307	-	39,307
Deferred revenue	-	17,864	192,867	210,731
Total Current Liabilities	<u>-</u>	<u>369,358</u>	<u>235,222</u>	<u>604,580</u>
Noncurrent Liabilities				
Mortgage payable	-	58,435	-	58,435
Commercial tenants credit	-	49,880	-	49,880
Total Noncurrent Liabilities	<u>-</u>	<u>108,315</u>	<u>-</u>	<u>108,315</u>
Total Liabilities	<u>-</u>	<u>477,673</u>	<u>235,222</u>	<u>712,895</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	13,513,871	-	13,513,871
Restricted - housing programs	-	2,113,525	-	2,113,525
Unrestricted	<u>135,294</u>	<u>1,212,575</u>	<u>1,709</u>	<u>1,349,578</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 135,294</u>	<u>\$ 16,839,971</u>	<u>\$ 1,709</u>	<u>\$ 16,976,974</u>

See accompanying notes to financial statements.

**CITY OF APPLETON**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS - COMPONENT UNITS  
Year Ended December 31, 2006

	Appleton Redevelopment Authority	Housing Authority	Business Improvement District	Totals
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 894,766	\$ 189,023	\$ 1,083,789
Operating grants and contributions	-	3,415,540	-	3,415,540
Total Operating Revenues	<u>-</u>	<u>4,310,306</u>	<u>189,023</u>	<u>4,499,329</u>
<b>OPERATING EXPENSES</b>				
Operating expenses	5,688	3,999,777	193,563	4,199,028
Depreciation	-	572,152	-	572,152
Total Operating Expenses	<u>5,688</u>	<u>4,571,929</u>	<u>193,563</u>	<u>4,771,180</u>
Operating Income (Loss)	<u>(5,688)</u>	<u>(261,623)</u>	<u>(4,540)</u>	<u>(271,851)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	5,755	40,673	6,083	52,511
Capital grants	-	524,149	-	524,149
Interest expense	-	(3,135)	-	(3,135)
Total Nonoperating Revenues (Expenses)	<u>5,755</u>	<u>561,687</u>	<u>6,083</u>	<u>573,525</u>
<b>Change in Net Assets</b>	67	300,064	1,543	301,674
TOTAL NET ASSETS - Beginning - as restated	<u>135,227</u>	<u>16,539,907</u>	<u>166</u>	<u>16,675,300</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 135,294</u>	<u>\$ 16,839,971</u>	<u>\$ 1,709</u>	<u>\$ 16,976,974</u>

See accompanying notes to financial statements.

# CITY OF APPLETON

## INDEX TO NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the City of Appleton, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

This report includes all of the funds of the City of Appleton. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

#### ***Discretely Presented Component Units***

##### *Redevelopment Authority of the City of Appleton*

The government-wide financial statements include the Redevelopment Authority of the City of Appleton ("Redevelopment Authority") as a component unit. The Redevelopment Authority is a legally separate organization. The board of the Redevelopment Authority is appointed by the mayor of Appleton and approved by city council. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the Redevelopment Authority, and also create a potential financial benefit to or burden on the City. See Note IV.K. As a component unit, the Redevelopment Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2006. Separately issued financial statements of the Redevelopment Authority of the City of Appleton may be obtained from the Redevelopment Authority's office, which is located at 100 North Appleton Street, Appleton, WI 54911.

## CITY OF APPLETON

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

##### **A. REPORTING ENTITY (cont.)**

###### ***Discretely Presented Component Units (cont.)***

###### *Housing Authority of the City of Appleton*

The government-wide financial statements include the Housing Authority of the City of Appleton ("Housing Authority") as a component unit. The Housing Authority is a legally separate organization. The board of the Housing Authority is appointed by the mayor of Appleton. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the Housing Authority, and also create a potential financial benefit to or burden on the City. See Note IV.K. As a component unit, the Housing Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2006. Separately issued financial statements of the Housing Authority of the City of Appleton may be obtained from the Housing Authority's office, which is located at 925 West Northland Avenue, Appleton, WI 54914.

###### *Business Improvement District*

The government-wide financial statements include the Business Improvement District of the City of Appleton ("District") as a component unit. The District is a legally separate organization. The board of the District is appointed by the mayor of Appleton and approved by city council. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the District, and also create a potential financial benefit to or burden on the City. See Note IV.K. As a component unit, the District's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2006. Separately issued financial statements of the Business Improvement District of the City of Appleton may be obtained from Appleton Downtown Incorporated, which is located at 116 North Appleton Street, Appleton, WI 54911.

##### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

###### ***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

##### **Government-Wide Financial Statements (cont.)**

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

##### **Fund Financial Statements**

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

## CITY OF APPLETON

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

##### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

###### ***Fund Financial Statements* (cont.)**

- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

###### *Major Governmental Funds*

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Tax Incremental District (TID) No. 1 Special Revenue Fund – accounts for receipts of district “Incremental” property taxes and other revenues and the corresponding program expenditures.

Tax Incremental District (TID) No. 3 Special Revenue Fund – accounts for receipts of district “Incremental” property taxes and other revenues and the corresponding program expenditures.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt and related costs.

The City reports the following major enterprise funds:

###### *Major Enterprise Funds*

Water Utility – accounts for operations of the water system

Wastewater Utility – accounts for operations of the wastewater system

Valley Transit – accounts for operations of the public transit authority

Stormwater Utility – accounts for operations of the stormwater management

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

##### **Fund Financial Statements (cont.)**

The City reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Tax Incremental District No. 2	Room Tax
Tax Incremental District No. 4	Emergency Shelter
Community Development	Continuum of Care
Block Grant	Tuchscherer Disability
Rental Rehabilitation Grants	Peabody Estate
Sanitation and Recycling	Balliet Locomotive
Program	Lutz Park
Health Grants	Park Purpose Open Space
Police Grants	Union Spring Park
Hazardous Materials Level A	Universal Playground
Forestry	

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

Subdivision Development	Public Safety Facilities
Projects	Public Works Equipment
Industrial Park Land	CEA Replacement
City Center Facility	Riverfront Initiatives
Park and Recreation Projects	Library Improvements
Tax Incremental District No. 5	Technology
Tax Incremental District No. 6	Residential Project

Permanent Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Frank P. Young Memorial

Enterprise Funds – may be used to report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Parking Utility  
Reid Municipal Golf Course

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

##### ***Fund Financial Statements (cont.)***

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Central Equipment Agency

Insurance

Agency funds are used to account for assets held by the City in a trustee capacity. The funds are being held for other governmental units for tax related purposes.

Tax Collection Fund

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

##### ***Government-Wide Financial Statements***

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water utility, wastewater utility, valley transit, stormwater utility, parking utility, Reid Golf Course, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and reserved fund balance in the general fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

## CITY OF APPLETON

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

##### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

###### ***Fund Financial Statements* (cont.)**

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The 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 enterprise funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

###### ***All Financial Statements***

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

##### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

###### ***1. Deposits and Investments***

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***1. Deposits and Investments (cont.)***

Investment of City funds is restricted by state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. That policy contains the following guidelines for allowable investments:

#### ***Custodial Credit Risk***

Securities will be held by an independent third-party custodian selected by the City as evidenced by safekeeping receipts in the City's name.

A custody agreement is required for all securities managed by the City's investment manager. The custody agreement must contain language that documents that all securities are held at a minimum of a category 2 level of custodial credit risk.

#### ***Credit Risk***

The City will minimize credit risk by limiting the type of securities to U.S. treasury obligations, U.S. Government agency obligations, commercial paper rated by a nationally recognized rating agency, investment-grade bonds, money market mutual funds, repurchase agreements as part of a money market mutual fund, certificates of deposit, and local government investment pools. The City will also diversify its investment portfolio so that the losses from any one type of security or from any one individual issuer will be minimized.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **1. Deposits and Investments (cont.)**

###### ***Concentration of Credit Risk***

No single investment issuer, with the exception of the U.S. Government and its agencies, shall constitute more than 5% of the value of the fund. No single corporate industry group shall constitute more than 15% of the value of the fund.

###### ***Interest Rate Risk and Investments Highly Sensitive to Market Changes***

The City will structure its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to see securities on the open market prior to maturity. The City will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limit the average maturity of the portfolio.

###### ***Foreign Currency Risk***

Investment in foreign currency is not allowed.

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. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

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, 2006, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV.A. for further information.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **2. Receivables**

###### *Property Taxes*

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of fiduciary net assets.

Property tax calendar – 2006 tax roll:

Lien date and levy date	November 2006
Tax bills mailed	December 7, 2006
Payment in full, or	January 31, 2007
First installment due	January 31, 2007
Second installment due	April 2, 2007
Third installment due	May 31, 2007
Fourth installment due	July 31, 2007
Final settlement with county	August 15, 2007
Personal property taxes in full	January 31, 2007
Tax sale – 2006 delinquent real estate taxes	October 2009

###### *Uncollectible Accounts*

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water, wastewater, and stormwater utilities customer accounts receivable because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

###### *Interfund Loans*

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***2. Receivables (cont.)***

###### *Loans*

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

It is the City's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

##### ***3. Inventories and Prepaid Items***

Governmental fund inventories, if material, are recorded at cost based on the weighted average or FIFO method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and/or operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### ***4. Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

##### ***5. Capital Assets***

###### ***Government-Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets and infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **5. Capital Assets (cont.)**

###### **Government-Wide Statements (cont.)**

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units were required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. The City has retroactively reported all major infrastructure networks of its governmental activities.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. \$57,735 of net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements, including parking ramps	15-70 Years
Equipment, furniture, and vehicles	3-25 Years
Utility systems	10-77 Years
Infrastructure	40-100 Years

###### **Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***6. Other Assets***

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

##### ***7. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2006 are determined on the basis of current salary rates and include salary related payments.

##### ***8. Long-Term Obligations/Conduit Debt***

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$15,274,592, made up of 6 issues.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **9. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

##### **10. Equity Classifications**

###### **Government–Wide Statements**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The net asset section includes an adjustment for capital assets owned by the business-type activities column but financed by debt of the governmental activities column. The amount is a reduction in “invested in capital assets, net of related debt,” and an increase in “unrestricted” net assets, shown only in the total column.

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

###### **Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **11. Basis for Existing Rates – Proprietary Funds**

###### ***Water Utility***

Current water rates were approved by the Public Service Commission of Wisconsin (PSCW) on December 22, 2006, effective for service beginning December 29, 2006. The utility intends to file for a rate increase and implement new rates in 2007.

###### ***Wastewater Utility***

Current wastewater rates were approved by the Common Council on August 9, 2005, effective for service beginning October 1, 2005.

###### ***Valley Transit***

Current fares were effective June 13, 2005 as approved by the Valley Transit Commission.

###### ***Stormwater Utility***

Current stormwater rates were approved by Common Council on February 1, 2006, effective for service beginning March 1, 2006.

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

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#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds." The detail of this difference is as follows:

Capital assets per statement of net assets	
Land	\$ 118,407,726
Construction in progress	984,986
Depreciable capital assets, net of depreciation	<u>145,508,952</u>
Sub-total	264,901,664
Less: Internal service fund capital assets	<u>(9,327,905)</u>
Net Adjustment for Capital Assets	<u>\$ 255,573,759</u>

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

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#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS (cont.)**

Another element of that reconciliation explains that “some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference in liabilities is as follows:

Bonds and notes payable	\$ 44,198,287
Unamortized debt premium	86,112
Unamortized debt issuance costs <sup>1</sup>	(79,065)
Unamortized loss on refunding	(74,850)
Compensated absences	5,296,068
Accrued interest <sup>2</sup>	707,844
Disability benefits	145,409
Postclosure care cost	<u>2,610,000</u>
Net Adjustment for Liabilities	<u>\$ 52,889,805</u>

<sup>1</sup> This amount is included in other assets on the Statement of Net Assets.

<sup>2</sup> This amount is included in other accrued liabilities on the Statement of Net Assets.

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### **NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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#### **A. BUDGETARY INFORMATION**

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

- a. Prior to the end of July, the department heads submit to the mayor proposed budgets, including expenditures and applicable revenue projections.
- b. The mayor and staff then develop the budget and service plan and submit it to the common council at the first council meeting in October. The executive budget includes proposed expenditures and the means of financing them. Copies of the document are made available for public review.
- c. Public hearings are conducted to obtain taxpayer comments.
- d. The budget is adopted formally by resolution of the common council at the first finance committee meeting in November.
- e. Activities of the general fund, special revenue funds, the debt service fund, capital projects funds, permanent fund, enterprise funds, and internal service funds are budgeted. The budget as adopted shows total expenditures/expenses by individual fund. Expenditures/expenses cannot legally exceed appropriations at this level without two-thirds common council approval. Council policies include additional budgetary controls beyond this legal level.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)**

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#### **A. BUDGETARY INFORMATION (cont.)**

- f. Under council policy, new appropriations up to \$10,000 require written approval by the mayor, countersigned by the Director of Finance, and reported to the Finance Committee as an informational item if funded by grants, user fees, or other non-tax revenues. New appropriations in excess of \$10,000 and those funded by taxes, or debt require the approval of the finance committee and two-thirds of the common council.
- g. Formal budgetary integration is employed as a management control device during the year for all funds.  

A comparison of budget and actual is included in the accompanying financial statements for the major funds. The budget presentations are at the function level, whereas the legal level of control is at the total expenditures level.
- h. All budgets adopted conform to generally accepted accounting principles (GAAP). Budget amounts are as originally adopted or as amended. Individual amendments were legally authorized as described above.
- i. Budgets for all governmental funds, except grant-funded special revenue funds, lapse at year end. Reappropriations of any funds are made by council action.

#### **B. DEFICIT BALANCES**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2006, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Special Revenue Funds Tax Incremental District No. 2	\$ 827,954	Remaining development costs to be recovered over time.
Community Development Block Grant	4,728	Revenue not received within 60 days of year-end.
Capital Project Funds Tax Incremental District No. 5	65,093	Remaining development costs to be recovered over time.

TIF District deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for districts created before October 1, 1995 and 23 years for districts created through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. The grant fund deficit is anticipated to be funded with grant revenues.

#### **C. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The Tax Incremental District No. 1 had budgeted expenditures of \$381,033 and actual expenditures of \$2,003,282, resulting in excess expenditures of \$1,622,249.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### **NOTE IV – DETAILED NOTES ON ALL FUNDS**

#### **A. DEPOSITS AND INVESTMENTS**

The City's cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 10,503,629	\$ 6,396,679	Custodial credit risk
U.S. treasuries	34,825,386	34,825,386	Custodial credit risk, interest rate risk
U.S. agencies	20,121,539	20,121,539	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk, investments highly sensitive to market changes
Money market mutual funds	46,849,972	46,849,972	Credit risk, interest rate risk
LGIP	222,847	222,847	Credit risk, interest rate risk
Petty Cash	94,729	-	None
Total Cash and Investments	<u>\$112,618,102</u>	<u>\$ 108,416,423</u>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 52,501,452		
Restricted cash and investments	22,338,732		
Per statement of net assets –			
Fiduciary			
Funds	37,777,918		
Total Cash and Investments	<u>\$ 112,618,102</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

Investments in the local government investment pool 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 agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### A. DEPOSITS AND INVESTMENTS (cont.)

##### **Custodial Credit Risk**

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2006, \$6,296,679 of the City's total bank balance of \$6,396,679 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 6,296,679</u>
Total	<u>\$ 6,296,679</u>

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

The City does not have any investments exposed to custodial credit risk.

##### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2006, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Investment</u>	<u>Standard &amp; Poor's</u>	<u>Fitch Ratings</u>	<u>Moody's Investor Service</u>
Mutual Funds	JP Morgan	AAAm	N/A	Aaa

The City also had investments in the following external pool which is not rated:

LGIP

In addition, the City held investments in U.S. agency securities that were not rated.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **A. DEPOSITS AND INVESTMENTS (cont.)**

##### **Concentration of Credit Risk**

At December 31, 2006, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal National Mortgage Association	U.S. agencies	9.6

##### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2006, the City's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than one year	1 – 5	6 – 29
Money market mutual funds	\$ 46,849,972	\$ 46,849,972	\$ -	\$ -
US treasuries	34,825,386	1,257,913	20,859,323	12,708,150
US agencies	20,121,539	3,289,940	4,228,206	12,603,393
External investment pools	222,847	222,847	-	-
Totals	<u>\$ 102,019,744</u>	<u>\$ 51,620,672</u>	<u>\$ 25,087,529</u>	<u>\$ 25,311,543</u>

##### **Investments Highly Sensitive to Market Changes**

The City also held various U.S. treasuries and agencies at December 31, 2006 where interest rates fluctuate with inflation. These securities mature on January 15, 2009 and 2010. The market value of these investments was \$473,718. In addition, the City held securities of \$7,091,663 with maturities exceeding ten years.

See Note I.D.1. for further information on deposit and investment policies.

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**B. RECEIVABLES**

All accounts receivable are due within one year.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Totals
Property taxes receivable	\$ -	\$ 38,745,650	\$ 38,745,650
Interest on advances	7,769,289	-	7,769,289
Interest income	24,672	-	24,672
Developer loans	1,157,835	-	1,157,835
Rehabilitation loans	6,153,388	-	6,153,388
Accounts receivable	60,774	-	60,774
Special assessments not yet due	1,352,470	-	1,352,470
Grant drawdowns prior to meeting all eligibility requirements	-	573,099	573,099
Total Deferred/Unearned Revenue for Governmental Funds	\$ 16,518,428	\$ 39,318,749	\$ 55,837,177

**C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

***Long Term Debt Accounts***

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Construction – Used to report proceeds of revenue bond issuances that are restricted for use in construction.

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**C. RESTRICTED ASSETS (cont.)**

***Equipment Replacement Account***

The wastewater utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets in the business-type activities as of December 31, 2006:

	<u>Restricted Assets</u>	<u>Liabilities Payable from Restricted Assets</u>	<u>Restricted Net Assets</u>
Bond redemption account	\$ 819,269	\$ 65,934	\$ 753,335
Bond reserve account	12,023,234	-	N/A
Bond depreciation account	1,500,000	-	1,500,000
Construction account	1,000,507	-	N/A
DNR equipment replacement account	6,637,940	-	6,637,940
Capital equipment replacement account	357,782	-	357,782
Accrued interest	<u>286,838</u>	<u>286,838</u>	<u>-</u>
 Total Restricted Assets	 <u>\$ 22,625,570</u>	 <u>\$ 352,772</u>	 <u>\$ 9,249,057</u>

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 14,726,406 <sup>(2)</sup>	\$ -	\$ 240,741	\$ 22,939	\$ 14,508,604
Right of ways	64,912,817	1,591,940	16,277	-	66,488,480
Land improvements <sup>(1)</sup>	37,179,446	231,196	-	-	37,410,642
Construction in progress	<u>1,440,138</u>	<u>733,338</u>	<u>1,188,490</u>	<u>-</u>	<u>984,986</u>
Total Capital Assets					
Not Being Depreciated	<u>118,258,807</u>	<u>2,556,474</u>	<u>1,445,508</u>	<u>22,939</u>	<u>119,392,712</u>

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental Activities (cont.)</b>					
Capital assets being depreciated					
Improvements	\$ 5,126,180	\$ 640,149	\$ 16,822	\$ (22,939)	\$ 5,726,568
Buildings	31,066,918	1,563,764	1,339,863	-	31,290,819
Equipment, furniture and fixtures	24,304,411	2,657,402	1,942,622	-	25,019,191
Streets	109,441,556	6,855,465	494,950	-	115,802,071
Sidewalk	22,938,579	892,814	608,277	-	23,223,116
Traffic signals	3,475,081	294,502	70,951	-	3,698,632
Bridges	21,255,731	1,648,826	301,479	-	22,603,078
Total Capital Assets Being Depreciated	<u>217,608,456</u>	<u>14,552,922</u>	<u>4,774,964</u>	<u>(22,939)</u>	<u>227,363,475</u>
Less: Accumulated depreciation for					
Improvements	(1,600,394)	(159,060)	7,570	-	1,751,884
Buildings	(9,418,793)	(488,536)	635,884	-	9,271,445
Equipment, furniture and fixtures	(13,529,532)	(1,852,106)	1,821,839	-	13,559,799
Streets	(40,537,978)	(3,178,906)	402,223	-	43,314,661
Sidewalk	(6,795,875)	(584,533)	320,237	-	7,060,171
Traffic signals	(957,364)	(83,860)	48,823	-	992,401
Bridges	(5,818,817)	(225,536)	140,191	-	5,904,162
Total Accumulated Depreciation	<u>(78,658,753)</u>	<u>(6,572,537)</u>	<u>3,376,767</u>	<u>-</u>	<u>81,854,523</u>
Net Capital Assets Being Depreciated	<u>138,949,703</u>				<u>145,508,952</u>
Total Capital Assets, Net of Depreciation	<u>\$ 257,208,510</u>				<u>\$ 264,901,664</u>

(1) This represents the nondepreciable portion of the City's roads.

(2) This balance has been restated. See Note IV.J.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **D. CAPITAL ASSETS (cont.)**

Depreciation expense was charged to functions as follows:

#### **Governmental Activities**

General government	\$ 188,250
Public safety	200,081
Public works, which includes the depreciation of roads, streets, signals, and bridges	4,201,454
Education and recreation	<u>360,902</u>
Sub-Total	4,950,687
Capital assets held by internal service funds charged to the various functions based on their usage of the assets	1,621,850
<b>Total Governmental Activities Depreciation Expense</b>	<b><u>\$ 6,572,537</u></b>

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 17,503,503	\$ 2,139,208	\$ 250,000	\$ 19,392,711
Construction in progress	<u>4,167,824</u>	<u>4,205,020</u>	<u>2,993,087</u>	<u>5,379,757</u>
Total Capital Assets Not Being Depreciated	<u>21,671,327</u>	<u>6,344,228</u>	<u>3,243,087</u>	<u>24,772,468</u>
Capital assets being depreciated				
Buildings and improvements	279,715,698	10,701,160	252,738	290,164,120
Machinery and equipment	<u>70,142,389</u>	<u>998,649</u>	<u>1,687,942</u>	<u>69,453,096</u>
Total Capital Assets Being Depreciated	<u>349,858,087</u>	<u>11,699,809</u>	<u>1,940,680</u>	<u>359,617,216</u>
Less: Accumulated depreciation for				
Buildings and improvements	(49,698,260)	(4,792,656)	422,619	(54,068,297)
Machinery and equipment	<u>(63,468,061)</u>	<u>(4,848,703)</u>	<u>1,766,755</u>	<u>(66,550,009)</u>
Total Accumulated Depreciation	<u>(113,166,321)</u>	<u>(9,641,359)</u>	<u>2,189,374</u>	<u>(120,618,306)</u>
Net Capital Assets Being Depreciated	<u>236,691,766</u>			<u>238,998,910</u>
Capital Assets, Net of Depreciation	<u>\$ 258,363,093</u>			<u>\$ 263,771,378</u>

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**D. CAPITAL ASSETS (cont.)**

Depreciation expense was charged to functions as follows:

**Business-Type Activities**

Water	\$ 3,149,356
Wastewater	3,788,113
Valley Transit	597,427
Stormwater	1,171,503
Parking	872,908
Reid Municipal Golf Course	<u>65,096</u>
Total Business-Type Activities	
Depreciation Expense	<u>\$ 9,644,403</u>

The depreciation difference to the income statement of \$217,899 relates to depreciation charged to other funds.

**E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS**

**Interfund Receivables/Payables**

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue – Community Development Block Grant	\$ 68,899
General	Special Revenue – Emergency Shelter	16,019
General	Special Revenue – Continuum of Care	36,995
General	Capital Projects – City Center Facility	76,323
General	Enterprise – Water Utility	1,121,099
General	Enterprise – Valley Transit	108,868
Special Revenue – Sanitation and Recycling Programs	General	6,856
Enterprise – Water Utility	General	285,261
Enterprise – Wastewater Utility	General	359,589
Enterprise – Stormwater Utility	General	<u>145,666</u>
Sub-Total – Fund Financial Statements		2,149,252
Add: Internal service allocation		(1,943,447)
Less: Elimination to government-wide		<u>(1,709,801)</u>
Total – Government-wide Financial Statements		<u>\$ (1,503,996)</u>
Governmental Activity	Business-type Activity	\$ 1,229,967
Business-type Activity	Governmental Activity	<u>(2,733,963)</u>
Total		<u>\$ (1,503,996)</u>

All amounts are due within one year.

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS (cont.)***

***Interfunds Receivables/Payables (cont.)***

The principal purpose of these interfunds is for delinquent bills put on the tax roll and payment in lieu of taxes. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

***Advances***

In 1999, the City approved charging interest on the advances to the Tax Incremental Districts at 5%, compounded annually. Accumulated interest is shown as deferred revenue in the general fund and charged to expenditures annually in the payable fund. Interest is also being charged to the Reid Municipal Golf Course. No interest is being charged on the advance from the stormwater and wastewater utilities to the water utility. A repayment schedule has been established for the Reid Municipal Golf Course. The other advances will be repaid as monies are available.

During 2005, the City prepared projections estimating the TIF districts ability to repay the interfund advances (principal and interest) from the general fund and the parking utility. As of result of this analysis, the following allowances have been established:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Allowance</u>
General	Special Revenue - Tax Incremental District No. 1	\$ -	\$ 2,572,142	\$ 2,572,142
Parking Utility	Special Revenue - Tax Incremental District No. 3	<u>10,682,496</u>	<u>2,727,923</u>	<u>13,410,419</u>
Totals		<u>\$ 10,682,496</u>	<u>\$ 5,300,065</u>	<u>\$ 15,982,561</u>

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS (cont.)**

**Advances (cont.)**

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Amount Not Due Within One Year</u>
General	Special Revenue – Tax Incremental District No. 1	\$ -	\$ 3,801,884	\$ 3,801,884*	\$ -
General	Special Revenue – Tax Incremental District No. 2	230,922	649,562	880,484*	765,484
General	Special Revenue – Tax Incremental District No. 3	9,255,862	3,307,166	12,563,028*	12,363,028
General	Capital Projects – Tax Incremental District No.5	80,801	10,677	91,478*	91,478
General	Enterprise – Reid Municipal Golf Course	480,000	-	480,000	430,000
Enterprise – Wastewater Utility	Enterprise – Water Utility	3,552,198	-	3,552,198*	3,552,198
Enterprise – Stormwater Utility	Enterprise – Water Utility	<u>4,300,000</u>	<u>-</u>	<u>4,300,000*</u>	<u>4,300,000</u>
Sub-Total – Fund Financial Statements		<u>\$ 17,899,783</u>	<u>\$ 7,769,289</u>	25,669,072	<u>\$ 21,502,188</u>
Less: Fund eliminations*				<u>(25,189,072)</u>	
Total				<u>\$ 480,000</u>	
<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Total</u>	
Governmental Activity		Business-type Activity		\$ 480,000	
Business-type Activity		Governmental Activity		<u>-</u>	
Total – Interfund Advances				<u>\$ 480,000</u>	

The principal purpose of these advances is due to expenditures/expenses exceeding revenues.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS (cont.)***

***Advances (cont.)***

The following represents the repayment schedule between the general fund and the Reid Municipal Golf Course.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 50,000	\$ 24,000	\$ 74,000
2008	60,000	21,500	81,500
2009	65,000	18,500	83,500
2010	70,000	15,250	85,250
2011	75,000	11,750	86,750
2012	80,000	8,000	88,000
2013	55,000	4,000	59,000
2013	<u>25,000</u>	<u>1,250</u>	<u>26,250</u>
Totals	<u>\$ 480,000</u>	<u>\$ 104,250</u>	<u>\$ 584,250</u>

***Transfers***

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
<b>General</b>	Special Revenue – Room Tax	\$ 19,000	2006 administrative fees
	Enterprise – Water Utility	13,800	2006 administrative fees
	Enterprise – Water Utility	1,121,099	Payment in lieu of taxes
	Enterprise – Wastewater Utility	117,450	2006 administrative fees
	Enterprise – Parking Utility	9,300	2006 administrative fees
	Enterprise – Stormwater Utility	12,500	2006 administrative fees
	Enterprise – Reid Municipal Golf Course	17,900	2006 administrative fees
	Capital Project – CEA Replacement	128,021	Policy transfer

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS (cont.)**

**Transfers (cont.)**

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
<b>Debt Service</b>	Special Revenue – Tax Incremental District No. 2	\$ 91,341	Debt payments
	Capital Project – Industrial Park Land	186,335	Debt payments
	Special Revenue – Tax Incremental District No. 3	1,418,946	Debt payments
	Special Revenue – Tax Incremental District No. 4	4,170,297	Debt payments
	Capital Project – Tax Incremental District No. 5	96,228	Debt payments
	Capital Project – Tax Incremental District No. 6	1,699,395	Debt payments
	General	650,000	Debt payments
<b>Special Revenue Funds</b>			
Tax Incremental District No. 3	Enterprise – Parking Utility	900,000	Set up allowance for advance from parking utility
<b>Capital Project Funds</b>			
Public Safety Facilities	General	26,430	Contingency
CEA Replacement	General	22,374	Contingency
CEA Replacement	Enterprise – Water utility	13,200	CEA refund
<b>Enterprise</b>			
Valley Transit	General	<u>487,508</u>	Local share of funding
Sub-Total – Fund Financial Statements		11,201,124	
Add: Utility capital assets financed by Governmental Activities		881,050	
Less: Fund Eliminations		<u>(11,245,483)</u>	
Total – Government-Wide Statement of Activities		<u>\$ 836,691</u>	
Governmental Activity	Business-Type Activity	\$ 2,205,249	
Business-type Activity	Governmental Activity	<u>(1,368,558)</u>	
Total		<u>\$ 836,691</u>	

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS (cont.)**

##### **Transfers (cont.)**

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### **F. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General Obligation Debt					
General	\$ 48,351,747	\$ 5,180,387	\$ 9,333,847	\$ 44,198,287	\$ 6,881,471
Internal service	453,690	-	216,899	236,791	236,791
Add/(Subtract) Deferred Amounts For					
Premiums	113,901	-	27,789	86,112	-
Loss on refunding	(97,881)	-	(23,031)	(74,850)	-
Total Bonds and Notes Payable	<u>48,821,457</u>	<u>5,180,387</u>	<u>9,555,504</u>	<u>44,446,340</u>	<u>7,118,262</u>
Other Liabilities					
Vested compensated absences					
General	4,977,887	2,699,966	2,381,785	5,296,068	2,587,521
Internal service	102,963	38,870	51,800	90,033	53,511
Landfill liability	2,700,000	-	90,000	2,610,000	90,000
Disability benefits	157,197	-	11,788	145,409	19,435
Total Other Liabilities	<u>7,938,047</u>	<u>2,738,836</u>	<u>2,535,373</u>	<u>8,141,510</u>	<u>2,750,467</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 56,759,504</u>	<u>\$ 7,919,223</u>	<u>\$ 12,090,877</u>	<u>\$ 52,587,850</u>	<u>\$ 9,868,729</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 2,606,847	\$ 71,662	\$ 775,000	\$ 1,903,509	\$ 475,000
Revenue bonds	96,268,711	11,120,000	9,965,787	97,422,923	2,292,935
Add/(Subtract) Deferred Amounts For					
Refundings – Gains/(Losses)	(279,553)	-	(92,925)	(186,628)	-
Premiums	185,804	-	27,972	157,832	-
Sub-totals	<u>98,781,809</u>	<u>11,191,662</u>	<u>10,675,834</u>	<u>99,297,637</u>	<u>2,767,935</u>
Other Liabilities					
Vested compensated absences	1,335,919	760,122	713,631	1,382,410	722,411
Total Business-Type Activities Long-Term Liabilities	<u>\$ 100,117,728</u>	<u>\$ 11,951,784</u>	<u>\$ 11,389,465</u>	<u>\$ 100,680,047</u>	<u>\$ 3,490,346</u>

<sup>1</sup> The water revenue bond debt service payments are primarily due on January 1st and July 1st. The utility makes the January 1st payment on December 31st of the prior year. Therefore, no current principal amount is shown on the statement of net assets at December 31, 2006.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **F. LONG-TERM OBLIGATIONS (cont.)**

##### **General Obligation Debt**

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2006, was \$217,509,320. Total general obligation debt outstanding at year end was \$46,338,587.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-06</u>
Governmental Activities					
General Obligation Bonds					
General Obligation Refunding Bond, Series 1991	10/1/93	4/1/07	7.60 – 8.70%	\$ 2,020,950	\$ 236,791
General Obligation Refunding Bonds, Series 1998A	7/1/88	4/1/13	4.00 – 4.75%	9,570,000	3,100,000
General Obligation Notes, Series 1998B	7/1/98	4/1/08	3.80 – 4.50%	7,945,000	215,000
General Obligation Notes, Series 1999A	7/15/99	4/1/09	4.00 – 4.90%	1,275,000	445,000
General Obligation Notes, Series 1999B	7/15/99	4/1/09	6.50 – 6.60%	2,555,000	1,225,000
General Obligation Notes, Series 2000A	8/3/00	4/10/10	4.35 – 5.00%	10,465,000	2,835,000
General Obligation Notes, Series 2001A	8/1/01	10/1/11	4.00 – 4.44%	4,070,000	2,970,000
General Obligation Notes, Series 2001B	8/1/01	10/1/11	6.00%	3,270,000	2,970,000
2001 State Trust Fund Loan	8/24/01	3/15/11	5.00%	2,812,341	2,028,639

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-06</u>
Governmental Activities					
General Obligation Bonds (cont.)					
General Obligation Funds					
General Obligation Notes, Series 2002A	7/1/02	4/1/12	3.00 – 4.10%	\$ 8,535,000	\$ 4,740,000
General Obligation Notes, Series 2002B	7/1/02	4/1/12	5.00%	1,995,000	1,950,000
2002 State Trust Fund Loan	2/6/03	3/15/18	5.00%	2,000,000	1,744,153
General Obligation Notes, Series 2003A	9/3/03	4/1/13	1.25 – 3.70%	1,610,000	1,155,000
2003 State Trust Fund Loan	7/23/03	3/15/20	5.00%	2,800,000	2,750,495
General Obligation Refunding Bonds, Series 2005 A	3/15/05	4/1/13	3.00 – 4.00%	5,165,000	5,135,000
General Obligation Notes, Series 2005B	10/12/05	4/1/15	3.00 – 4.00%	6,210,000	6,210,000
General Obligation Notes, Series 2006A	8/9/06	10/1/16	4.125 – 4.200%	4,725,000	<u>4,725,000</u>
Total Governmental Activities – General Obligation Debt					<u>\$ 44,435,078</u>
	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-06</u>
Business-Type Activities					
General Obligation Debt					
General Obligation Notes, Series 1998B	7/1/98	4/1/08	3.80 – 4.50%	1,515,000	\$ 825,000
General Refunding Obligation Bonds, Series 2005A	3/15/05	4/1/07	3.50%	370,000	370,000
2005 State Trust Fund Loan	12/30/05	3/15/25	5.00%	708,509	<u>708,509</u>
Total Business-Type Activities General Obligation Debt					<u>\$ 1,903,509</u>

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
	2007	\$ 7,118,262	\$ 1,866,864	\$ 475,000
2008	5,744,026	1,539,271	720,000	53,097
2009	6,090,955	1,280,317	-	35,425
2010	5,293,003	1,037,971	-	35,425
2011	5,684,293	798,354	-	35,425
2012 – 2016	13,295,700	1,397,793	118,750	172,945
2017 – 2021	1,208,839	120,225	310,880	119,286
2022 – 2025	-	-	278,879	31,801
Totals	<u>\$ 44,435,078</u>	<u>\$ 8,040,795</u>	<u>\$ 1,903,509</u>	<u>\$ 563,027</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the repayment schedule. Amounts available to service the general obligation debt and other long-term obligations include the following:

General Fund – general obligation debt	\$ 4,001,254
General Fund – compensated absences	4,202,035
Debt Service Fund – general obligation debt	54,875
Special Revenue Fund – Tuchscherer disability	78,383
Capital Projects Fund – general obligation debt	<u>931,281</u>
Total	<u>\$ 9,267,828</u>

**Revenue Debt**

Revenue bonds are payable only from revenues derived from the operation of the water, wastewater, and stormwater utilities.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### Revenue Debt (cont.)

Revenue debt payable at December 31, 2006 consists of the following:

##### *Business-Type Activities Revenue Debt*

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-06
<u>Water Utility</u>					
Water System Revenue Bonds, Series 1998	12/1/98	1/1/14	3.80 – 4.85%	\$ 5,250,000	\$ 2,690,000
Water System Revenue Bonds, Series 2000	10/15/00	1/1/20	5.00 – 5.70%	3,445,000	2,600,000
Water System Revenue Refunding Bonds, Series 2001	10/1/01	1/1/22	3.00 – 5.375%	60,400,000	45,600,000
Water System Revenue Bonds, Series 2002	12/20/02	1/1/18	2.00 – 4.70%	5,560,000	4,380,000
Water System Revenue Bonds, Series 2004	10/15/04	1/1/24	3.00 – 4.25%	3,775,000	3,490,000
Water System Revenue Bonds, Series 2005	10/15/05	1/1/25	3.50 – 5.00%	3,670,000	<u>3,535,000</u>
			Total Water Utility		<u>62,295,000</u>
<u>Wastewater Utility</u>					
Sewerage System Mortgage Revenue Bonds, Series 1993B	3/24/93	5/1/12	3.369%	12,989,595	5,437,923
Sewerage System Mortgage Revenue Refunding Bonds, Series 2005	10/15/05	5/1/10	3.50%	4,735,000	4,175,000
Sewerage System Revenue Bonds, Series 2006	8/9/06	5/1/26	4.25 – 5.00%	3,265,000	<u>3,265,000</u>
			Total Wastewater Utility		<u>12,877,923</u>
<u>Stormwater Utility</u>					
Stormwater System Revenue Bonds, Series 1999	8/1/99	4/1/19	3.75 – 5.26%	3,080,000	450,000
Stormwater System Revenue Bonds, Series 2000	9/1/00	4/1/20	4.35 – 5.65%	3,255,000	565,000
Stormwater System Revenue Bonds, Series 2001	9/1/01	4/1/21	4.00 – 5.00%	4,810,000	4,285,000
Stormwater System Revenue Bonds, Series 2002	8/23/02	4/1/22	3.00 – 5.00%	2,340,000	2,155,000
Stormwater System Revenue Bonds, Series 2003	10/9/03	4/1/23	2.00 – 4.55%	3,835,000	3,540,000
Stormwater System Revenue Bonds, Series 2004	10/15/04	4/1/24	2.50 – 4.65%	3,535,000	3,400,000
Stormwater System Revenue Refunding Bonds, Series 2006	5/1/06	4/1/26	4.00 – 4.50%	7,855,000	<u>7,855,000</u>
			Total Stormwater Utility		<u>22,250,000</u>
Total Business-Type Activities Revenue Debt					<u>\$ 97,422,923</u>

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### *F. LONG-TERM OBLIGATIONS* (cont.)

##### *Revenue Debt* (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-Type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,292,935	\$ 2,932,870
2008	7,140,996	4,232,921
2009	7,430,003	3,949,563
2010	6,849,987	3,667,676
2011	5,835,982	3,412,587
2012 – 2016	27,973,020	13,206,001
2017 – 2021	30,060,000	6,124,243
2022 – 2026	<u>9,840,000</u>	<u>642,594</u>
Totals	<u>\$ 97,422,923</u>	<u>\$ 38,168,455</u>

##### *Advance Refunding*

On April 1, 2006, the City issued \$7,855,000 in revenue refunding bonds with an average interest rate of 4.29% to advance refund: \$2,000,000 of the 1999 revenue bonds with rates of 4.85% – 5.26% and \$2,090,000 of the 2000 revenue bonds with rates of 5.05% – 5.65%. The net proceeds of \$7,821,623 (after payment of \$50,172 in underwriting fees, insurance, and issuance costs) plus an additional \$16,795 of sinking funds monies were used to prepay the outstanding debt service requirements on the old 1999 and 2000 revenue bonds and notes and to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1999 and 2000 revenue bonds. As a result, the 1999 and 2000 revenue bonds are considered to be defeased and the liability for these bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$7,527,583 from 2010 - 2020. The cash flow requirements on the 2006 refunding bonds are \$7,280,346 from 2006 – 2020. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$167,104.

##### *Prior-Year Defeasance of Debt*

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2006, \$1,940,000 of bonds outstanding are considered defeased. The bonds are callable on April 1, 2007.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **F. LONG-TERM OBLIGATIONS** (cont.)

##### ***Other Debt Information***

The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the City's utility system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issues. The City's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

#### **G. LEASE DISCLOSURES**

##### ***Lessor – Capital Leases***

In 1998, the City entered into a lease/development agreement with Appleton Ice Incorporated. As part of the agreement, the City leased approximately 2.5 acres of land to Appleton Ice Incorporated to be used for the Appleton Family Ice Arena. The gross amount of these assets under capital leases is \$1,210,000, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2006, are as follows:

	<u>Governmental Activities</u>
2007	\$ 93,942
2008	94,650
2009	93,617
2010	94,100
2011	92,842
2012 – 2016	471,376
2017 – 2018	<u>184,017</u>
Sub-Total	1,124,544
Less: Amount representing interest	<u>(259,544)</u>
Present Value of Minimum Lease Payments	<u>\$ 865,000</u>

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **H. CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the City to place a final cover on its Mackville Landfill, which no longer receives solid waste, and to perform certain maintenance and monitoring functions at the site for 40 years after closure. Construction of the cover was completed at December 31, 2002. The City does have postclosure care responsibility at the Mackville Landfill. As of December 31, 2006, a \$2,610,000 liability was estimated based on what it would cost to perform all postclosure care in 2006 and thereafter. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The City incurred approximately \$78,508 of closure costs in 2006.

#### **I. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES**

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2006 includes the following:

##### **Governmental Activities**

Invested in capital assets, net of related debt	
Land and land improvements	\$ 118,407,726
Construction in progress	984,986
Other capital assets, net of accumulated depreciation	145,508,952
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	(13,541,954)
Add: Unamortized debt issuance costs	79,065
Add: Unamortized loss on refunding	74,850
Less: Unamortized debt premium	<u>(86,112)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>251,427,513</u>
Restricted	
Debt service fund	193,695
Grant programs	<u>6,674,938</u>
Total Restricted	<u>6,868,633</u>
Unrestricted	<u>5,749,677</u>
Total Governmental Activities Net Assets	<u>\$ 264,045,823</u>

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### I. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (cont.)

##### Governmental Activities (cont.)

Governmental fund balances reported on the fund financial statements at December 31, 2006 include the following:

<b>Reserved</b>	
Major Funds	
General Fund	
Inventories	\$ 598,994
Prepaid items	9,792
Advance to other fund (principal portion)	10,047,585
Developer loans	561,690
Encumbrances	<u>2,071,583</u>
Total	<u>\$ 13,289,644</u>
Debt Service Fund	
Reserved for debt service	<u>\$ 54,875</u>
Non-Major Funds	
Special Revenue Funds	
Hazardous Material Level A – Grant Expenditures	<u>\$ 375,749</u>
Capital Projects Funds	
Industrial Park Land – Debt Service	\$ 931,281
Industrial Park Land – Land Purchase	79,873
Park and Recreation Projects – Encumbrances	139,000
Tax Incremental District No. 6 – Encumbrances	292,553
Public Safety Facilities – Encumbrances	789,312
Public Works Equipment – Encumbrances	847,504
CEA Replacement – Encumbrances	35,065
CEA Replacement – Prepaid items	313,569
Technology – Encumbrances	7,344
Residential Project – Encumbrances	<u>120,220</u>
Total	<u>\$ 3,555,721</u>
Permanent fund designated for:	
Frank P. Young memorial	<u>\$ 16,364</u>

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### ***I. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (cont.)***

##### ***Governmental Activities (cont.)***

###### **Unreserved (deficit)**

###### Major Funds

General fund	\$ 603,171
Tax Incremental District No. 1 special revenue fund	(3,658,545)
Tax Incremental District No. 3 special revenue fund	<u>(11,978,853)</u>
Total	<u><u>\$(15,034,227)</u></u>

###### Non-Major Funds

###### Special Revenue Funds

Tax Incremental District No. 2	\$ (827,954)
Community Development Block Grant	<u>(4,728)</u>
Total	<u><u>\$( 832,682)</u></u>

###### Capital Projects Fund

Tax Incremental District No. 5	<u><u>\$ (65,093)</u></u>
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###### **Unreserved (designated)**

###### Major Funds

###### General fund designated for:

Water utility tax equivalent	\$ 1,121,099
Working capital	8,929,324
Compensated absences	4,202,035
Unfunded pension liability	425,696
Debt service	2,191,759
Health insurance	867,645
Defeasance	<u>1,809,495</u>

Total \$ 19,547,053

###### Nonmajor Funds

###### Special Revenue Funds

Tax Incremental District No. 4	\$ 3,696,249
Rental Rehabilitation Grants	150,529
Sanitation and Recycling Program	885,091
Forestry	2,970
Room Tax	15,996
Tuchscherer Disability	78,383
Peabody Estate	93,478
Balliet Locomotive	9,074
Lutz Park	738,902
Park Purpose Open Space	327,001
Union Spring Park	3,392
Universal Playground Trust	<u>21,754</u>

Total \$ 6,022,819

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### *I. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (cont.)*

##### **Governmental Activities (cont.)**

Capital Projects Fund	
Subdivision Development Projects	\$ 1,989,182
Industrial Park Land	1,054,314
City Center Facility	19,287
Parks and Recreation Projects	163,307
Tax Incremental District No. 6	1,704,303
Public Safety Facilities	38,468
Public Works Equipment	78,892
CEA Replacement	3,003,244
Riverfront Initiatives	54,678
Library Improvements	22
Technology	110,479
Residential Project	<u>35,566</u>
Total	<u>\$ 8,251,742</u>

##### **Business-Type Activities**

Invested in capital assets, net of related debt	
Land	\$ 19,392,714
Construction in progress	5,379,756
Other capital assets, net of accumulated depreciation	238,998,910
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(85,605,403)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>178,165,977</u>
Restricted	
Debt service	2,253,335
DNR replacement fund	6,637,940
Capital replacement fund	<u>357,782</u>
Total Restricted	<u>9,249,057</u>
Unrestricted	<u>11,951,190</u>
Total Business-Type Activities Net Assets	<u>\$ 199,366,224</u>

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **J. RESTATEMENT OF NET ASSETS**

Net assets have been restated due to a prior year recording of certain land in both the land and right of ways categories.

Governmental Activities Net Assets – December 31, 2005 (as reported)	\$ 253,758,590
Less: Decrease in capital assets	<u>(1,445,164)</u>
Net Assets – January 1, 2006 (as restated)	<u>\$ 252,313,426</u>

Net assets have been restated in the Appleton Redevelopment Authority component unit to recognize the sale of land that occurred in a prior year.

Appleton Redevelopment Authority – Component Unit – Net Assets – December 31, 2005 (as reported)	\$ 303,948
Less: Land sold in a prior year	<u>(168,721)</u>
Net Assets – January 1, 2006 (as restated)	<u>\$ 135,227</u>

#### **K. COMPONENT UNITS**

This report contains the Redevelopment Authority of the City of Appleton ("Redevelopment Authority"), the Housing Authority of the City of Appleton ("Housing Authority"), and the Business Improvement District of the City of Appleton ("Business Improvement District") which are included as component units. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

#### **Redevelopment Authority**

##### **a. Basis of Accounting/Masurement Focus**

The Redevelopment Authority prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and flow of economic resources measurement focus. The Redevelopment Authority has elected not to adopt the provisions of GASB No. 20, paragraph 7, which states that all FASB statements and interpretations issued after November 30, 1989, can be applied.

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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**K. COMPONENT UNITS (cont.)**

**Redevelopment Authority (cont.)**

b. Cash and Investments

The Redevelopment Authority maintains common cash accounts at the same financial institutions utilized by the City. Federal Depository Insurance and the State of Wisconsin Guarantee Fund insurance apply to the City of Appleton as an individual municipality and, accordingly, the amount of insured funds is not determinable for the Redevelopment Authority. The carrying amount was \$114,123. The Redevelopment Authority also has restricted cash of \$1,171.

c. Inventory

This represents land held for resale.

**Housing Authority**

a. Basis of Accounting/Measurement Focus

The Housing Authority prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and flow of economic resources measurement focus. The Housing Authority has elected not to adopt the provisions of GASB No. 20, paragraph 7, which states that all FASB statements and interpretations issued after November 30, 1989, can be applied.

b. Cash and Investments

The Authority maintains various cash and investment accounts. Each program's portion of these accounts is included on the statement of net assets as "Cash," "Investments" and "Restricted Deposits."

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 government entities; statutorily authorized commercial paper and corporate securities; and Wisconsin local government investment pool.

The carrying amount of the Authority's cash and investments totaled \$1,375,072 on December 31, 2006 as summarized below:

Petty cash funds	\$ 150
Deposits with financial institutions	<u>1,374,922</u>
Total	<u>\$ 1,375,072</u>

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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**K. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

b. Cash and Investments (cont.)

Additional information on the above deposits and investments follows:

Deposits – At year end, the carrying amount of the Authority’s deposits was \$1,374,922 and the bank balance was \$1,391,728. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. The Authority had its deposits with financial institutions invested in money market accounts and certificate of deposits.

The Authority’s bank balance of \$1,391,728 on December 31, 2006 is categorized below.

<u>Deposit Accounts</u>	<u>Bank Balance</u>
Insured	\$ 306,649
Collateralized:	
Collateral held by the pledging institutions trust department or agent not in the Authority’s name	<u>1,085,079</u>
Total Deposits	<u>\$ 1,391,728</u>

The deposit policy of the Authority requires that if deposits exceed federal insurance levels, the institution shall set aside collateral in an amount equal to the total of the deposits exceeding the insurance limits. The collateral must be of a type authorized by the Authority’s investment policy and the collateral is limited to the types required by HUD.

GASB No. 40 defines Custodial Credit Risk as the risk that in the event of a bank failure, the deposits of the depositor may not be returned to it. Under GASB No. 40, investments backed by collateral not held in the name of the depositor must be disclosed as exposed to custodial credit risk. GASB noted in its Basis For Conclusions that recent losses have been experienced where the investments (collateral) were not issued or held in the depositor’s name and did not involve a third party custodian or trust department. To prevent this type of custodial credit risk, HUD additionally requires that the collateral must be held by a third party custodian and provide the depositor with a continuing perfected security interest for the full term of the deposit in the collateral. The Authority’s practice and policy comply with these HUD requirements.

c. Restricted Assets

Restricted assets at December 31, 2006 consist of the following:

Cash and cash equivalents	<u>\$ 169,264</u>
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**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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***K. COMPONENT UNITS*** (cont.)

***Housing Authority*** (cont.)

d. Receivables

Tenant accounts receivable are recorded net of an allowance for uncollectible accounts. Allowances for bad debts of \$4,600 have been set up.

The Authority has a number of rehabilitation and down payment loans to homebuyers extended under the Homebuyer Program. The loans are originally made with grant proceeds. Some loans are forgiven over a five-year period and others are to be paid in full upon transfer of the property secured by the loans. When the loans are repaid, the funds become property of the Authority and are restricted for future loan projects and administrative expenses to operate this program.

The total of deferred loans outstanding at December 31, 2006 is as follows:

Deferred loans receivable	\$ 2,293,945
Unamortized grants	(180,840)
Allowance for uncollectible loans	<u>(57,389)</u>
Net Deferred Loans Receivable	<u>\$ 2,055,716</u>

The entire balance is considered long-term as repayment of an outstanding loan occurs at an undeterminable future time.

e. Inventory

Inventory is priced at the lower of cost (first-in, first-out) or market.

f. Capital Assets

Land, buildings, and equipment are recorded at cost or, if contributed properly, at the fair value at the time of contribution. Assets with a cost in excess of \$1,000 are capitalized and depreciated using primarily the straight-line method over their estimated useful lives of individual assets: 15-40 years for buildings and improvements and 5-10 years for equipment.

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**K. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

f. Capital Assets (cont.)

The capital asset activity for the year ended December 31, 2006 was as follows:

	Balance <u>1/1/06</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/06</u>
Capital assets, not being depreciated				
Land	\$ 868,907	\$ -	\$ -	\$ 868,907
Construction in progress	<u>18,468</u>	-	<u>18,468</u>	-
Total Capital Assets, Not Being Depreciated	<u>887,375</u>	-	<u>18,468</u>	<u>868,907</u>
Capital assets, being depreciated				
Buildings and improvements	16,025,241	347,541	-	16,372,782
Land improvements	352,752	-	-	352,752
Equipment – dwelling	316,923	14,484	-	331,407
Equipment – administration	<u>362,964</u>	<u>16,406</u>	<u>52,045</u>	<u>327,325</u>
Total Capital Assets, Being Depreciated	<u>17,057,880</u>	<u>378,431</u>	<u>52,045</u>	<u>17,384,266</u>
Less: Accumulated depreciation for				
Buildings and improvements	(3,573,470)	(492,208)	-	(4,065,678)
Land improvements	(89,985)	(10,758)	-	(100,743)
Equipment – dwelling	(251,539)	(16,012)	-	(267,551)
Equipment – administration	<u>(195,886)</u>	<u>(53,174)</u>	<u>52,045</u>	<u>(197,015)</u>
Total Accumulated Depreciation	<u>(4,110,880)</u>	<u>(572,152)</u>	<u>52,045</u>	<u>(4,630,987)</u>
Total Capital Assets Being Depreciated, Net	<u>12,947,000</u>			<u>12,753,279</u>
Total Capital Assets, Net	<u>\$ 13,834,375</u>			<u>\$ 13,622,186</u>

g. Employee Retirement System

All eligible Housing Authority employees participate in the Wisconsin Retirement System ("System"), a cost-sharing defined benefit multiple-employer public employee retirement system (PERS). The payroll for employees covered by the System for the year ended December 31, 2006 was \$491,602; the Housing Authority's total payroll was \$507,873. The total required contribution for the year ended December 31, 2006 was \$51,126 which consisted of \$22,122 or 4.5 percent of payroll from the employer and \$29,004 or 5.9 percent of payroll from employees. Total contributions for the years ending December 31, 2005 and 2004 were \$46,899 and \$45,232, respectively, equal to the required contributions for each year.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **K. COMPONENT UNITS (cont.)**

##### **Housing Authority (cont.)**

###### h. Risk Management

The Housing Authority purchases commercial insurance with various deductibles and coverages to cover property, business auto, and general liabilities. For all insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

###### i. Conduit Debt Obligations

From time to time, the Authority, in cooperation with other governmental entities, has issued Revenue Bonds to provide financial assistance for the acquisition and construction of housing 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. Neither the Authority, City, 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 financial statements. Presently, there is one Revenue Bond issue outstanding with a balance at December 31, 2006 of \$2,325,000. The Authority's representative portion is \$594,687. The Authority's portion of the proceeds from this Revenue Bond issue was used to construct the Authority's Public Housing project known as Oneida Heights. Payments on the bond issue come from HUD under an annual contributions contract.

###### j. Accumulated Compensated Absences

The Authority allows permanent employees to accumulate the following compensated absences:

- a. Annual vacation leave is accrued at 40-160 hours per year, with a maximum approved carryover to the subsequent year of 40 hours.
- b. Sick pay is granted at a rate of one day per month up to a maximum accrual of 120 days. Up to 90 days of unused sick pay is paid out at retirement. No sick pay is paid out at other employee terminations.

The amount of accumulated benefits at December 31, 2006 was \$59,837 and is recorded as part of accrued expenses in the statement of net assets. The entire balance is considered a current liability.

###### k. Long-Term Liabilities

During 2005, the Authority purchased a home (Summit Street) to use as a rental property for disabled individuals. A portion of the purchase price came from proceeds of a first mortgage loan of \$60,000. The loan calls for monthly payments of \$335, bears interest at the rate of 5.25% for three years with a balloon payment at the end of three years. The loan will either be paid off or refinanced at that time. The balance of the loan at December 31, 2006 was \$58,435. Principal payments for the next two years (unless refinanced) are 2007 - \$933 and 2008 - \$57,503.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **K. COMPONENT UNITS (cont.)**

##### **Housing Authority (cont.)**

#### k. Long-Term Liabilities (cont.)

Certain commercial tenants leasing space in the Section 8 Substantial Rehab property have expended funds for leasehold improvements. The Authority agreed to pay for a portion of the leasehold improvements through rent credits over various periods of time, not to exceed five years. The carrying amount of the leasehold improvements in the capital assets as of December 31, 2006 was \$89,500 and accumulated depreciation for those assets was \$11,083. The total amount of future rent credits at December 31, 2006 was \$49,880 and is shown as Commercial Tenants Credit in the long-term liabilities. The amount of rent credits to be provided to the tenants by year for the next four years is 2007 - \$14,860; 2008 - \$13,260; 2009 - \$13,260; and 2010 - \$8,500.

The Authority utilized funds from the City of Appleton's Housing Rehabilitation Program to assist its rehabilitating five residential units of the Section 8 Substantial Rehab program property to bring them to rentable status. The amount of the funds from the City was \$44,685 and is being treated as a grant in these financial statements. The City issued a mortgage note for this amount; however, the note does not bear interest and is not repayable unless and until the property is sold or the property is vacated by the Authority. Agreements with HUD contain various restrictions that would make disposition of the property difficult and inadvisable.

#### l. Leases

Portions of the property owned by the Authority are rented to five commercial tenants under leases for periods of one year and two tenants for periods of five years, each with renewal clauses. The one year leases are cancelable at the end of each year. The minimum future rental income under the two five year leases is \$141,200. Minimum future rentals under these two leases for each of the next four years are 2007 - \$34,400; 2008 - \$35,000; 2009 - \$35,600; and 2010 - \$36,200.

#### m. Economic Dependency

The Housing Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. A majority of the Authority's funding comes from HUD and other Federal and State agencies and some of their funding could change with little notice.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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#### **K. COMPONENT UNITS (cont.)**

##### ***Business Improvement District***

###### a. Basis of Accounting/Measurement Focus

The Business Improvement District prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and the flow of economic resources measurement focus. The Business Improvement District has elected not to adopt the provisions of GASB No. 20, paragraph 7, which states that all FASB statements and interpretations issued after November 30, 1989, can be applied.

###### b. Cash and Investments

The Business Improvement District maintains common cash accounts the same financial institutions utilized by the City. Federal Depository Insurance and the State of Wisconsin Guarantee Fund insurance apply to the City of Appleton as an individual municipality and, accordingly, the amount of insured funds is not determinable for the Business Improvement District. The carrying amount was \$165,981.

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### **NOTE V – OTHER INFORMATION**

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

All eligible City 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 are required by statute to contribute 5.9% of their salary (2.9% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. 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.

The payroll for City employees covered by the system for the year ended December 31, 2006 was \$34,435,995; the employer's total payroll was \$35,948,500. The total required contribution for the year ended December 31, 2006 was \$4,424,538 or 12.85 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2005 and 2004 were \$4,209,656 and \$4,132,537, respectively, equal to the required contributions for each year.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### **A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

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. 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.

The pension related debt for the City as of December 31, 2006, was \$-0-.

In addition to the above mentioned retirement system, the State of Wisconsin administers an agent multiple-employer plan which covers 11 retired employees of the City Police and Fire Departments. These individuals were covered by a private pension plan prior to the City joining the system. No new employees are added to the plan. The City's policy is to fund retirement contributions to meet current benefit payments of these retired employees (i.e. "pay as you go"). Contributions are not actuarially determined. The total cost for 2006 was approximately \$75,358. The total estimated unfunded pension benefit obligation of this plan is approximately \$425,696 as of December 31, 2006, all of which relates to retirees and beneficiaries currently receiving benefits. This amount is not material to the financial statement; therefore, it has not been reported in the government-wide financial statements. The City has designated fund balance of \$425,696 for the unfunded pension liability in the general fund. The rate of investment return is presently assumed to be 6.00%. The estimated remaining period of amortization is 12 years.

#### **B. RISK MANAGEMENT (COMMERCIAL/SELF INSURANCE)**

The City is exposed to various risks of loss including torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation; health care and injuries to employees; and natural disasters. The cost of providing these risk management services is allocated by charging a "premium" to each fund based on historical estimates of the amounts needed to pay prior and current year claims and administration costs. The charge considers recent trends in actual claims experience of the City as a whole and makes provision for losses relating to catastrophes. "Premiums" are allocated by fund based on estimated current-year payroll, property values and other appropriate factors.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE V – OTHER INFORMATION (cont.)

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#### **B. RISK MANAGEMENT** (cont.)

##### ***Insurance Fund***

All funds of the City participate in the Risk Management Fund. For 2006, the Risk Management Fund provided coverage for up to \$300,000 for each worker's compensation claim (\$350,000 for police and fire), \$175,000 for each general, automobile, police professional or public officials liability claim up to \$700,000 in a year, and \$100-10,000 for each property damage claim. The City purchases commercial insurance for claims in excess of coverage provided by the fund and other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year. A total reserve for claims losses at December 31, 2006 of \$1,500,000 has been recorded and is expected to be paid within one year. The reserve liability includes expenses and losses expected to arise from claims outstanding as of December 31, 2006 and amounts expected to arise from claims which have been incurred but have not been reported to the City as of December 31, 2006. The reserve is based on a 2005 actuarial study and actual claims activity in 2006. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. The study took into account settled claims, the frequency of claims, industry averages and other economic and social factors. Because actual claims liabilities depend on such complex factors as inflation and damage awards, the process used to compute claims liability does not necessarily result in an exact amount. At December 31, 2006, the City has designated net assets of \$2,072,488 in the Insurance Fund for self-insured activities not covered by the reserves established. This amount is included in unrestricted net assets.

Changes in the claims payable follow:

	<u>Balance January 1</u>	<u>Incurred Claims</u>	<u>Claims Paid</u>	<u>Balance December 31</u>
2005	\$ 1,300,000	\$ 781,585	\$ 681,585	\$ 1,400,000
2006	1,400,000	520,238	420,238	1,500,000

##### ***Health Care***

The City provides health and dental care benefits to employees through a self-funded plan with specific insurance coverage. The plans are administered by United Health Care and Delta Dental. Insurance premiums, based on historical cost, are paid into the general fund from all other City funds and are available to pay claims, administrative costs, and stop loss claims.

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE V – OTHER INFORMATION (cont.)**

**B. RISK MANAGEMENT (cont.)**

**Health Care (cont.)**

The City has aggregate stop loss for total claim expenses over \$8,253,780 to be covered by commercial insurance.

Under this program, the City pays up to a maximum of \$125,000 annually for each covered employee's and each covered dependent's health care costs. The City has purchased excess loss insurance for claims in excess of this amount. Expected claims are calculated at the end of each plan year by the third party administrator based on the number of single and family contracts covered and the expected claims. Administrative costs for 2006 totaled approximately \$531,380.

The estimated liability for self-funded losses is based on reported claims for the year and those received subsequent to year end. The estimated liability for self insured losses for this program, which is expected to be paid within one year, consisted of the following at December 31, 2006:

Reported and Known Claims	\$ 691,851
Incurred but not Reported Claims	<u>1,908,149</u>
 Total	 <u><u>\$ 2,600,000</u></u>

Changes in the claims payable follow:

	<u>Balance</u> <u>January 1</u>	<u>Incurred</u> <u>Claims</u>	<u>Claims</u> <u>Paid</u>	<u>Balance</u> <u>December 31</u>
2005	\$ 2,600,000	\$ 8,132,836	\$ 8,132,836	\$ 2,600,000
2006	2,600,000	7,166,421	7,166,421	2,600,000

**Public Entity Risk Pool**

**Transit Mutual Insurance Corporation of Wisconsin (TMICOW)**

*Description*

The Transit Mutual Insurance Corporation of Wisconsin is a risk pool of Wisconsin municipalities which have joined together for the managing and funding of the first party property losses, vehicle physical damage, and third party auto liability claims of its member municipalities' mass transit funds.

In 2006, the TMICOW is protected by a \$2,000,000 self-insurance policy. In addition to the TMICOW protection, the City of Appleton, combined together with other members of Wisconsin Municipal Transit Insurance Commission, are covered by a \$5,000,000 excess insurance policy issued by General Reinsurance Corporation effective January 1, 2006 through January 1, 2007.

Management consists of a board of directors comprised of one representative for each member. The City does not exercise any control over the activities of the agency beyond its representation on the board of directors.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE V – OTHER INFORMATION (cont.)

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#### **B. RISK MANAGEMENT (cont.)**

##### **Public Entity Risk Pool (cont.)**

##### **Transit Mutual Insurance Corporation of Wisconsin (TMICOW) (cont.)**

##### *Description (cont.)*

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The City's share of this company is 4.34%. A list of the other members and their share of participation is available in the TMICOW report which is available from TMICOW, P.O. Box 1772, Appleton, WI 54912-1772.

##### **Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)**

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The WMIC provided for the capitalization of the CVMIC through the issuance of \$28,645,000 of WMIC revenue bonds, dated November 11, 1987 and refinanced on December 15, 1997 in the amount of \$22,800,000. The bonds are due in varying installments starting in 1998 and ending in 2007. Interest rates vary from 5.74% to 6.47%. The underlying security for the revenue bonds are general obligation bonds of each of the cities and villages participating in the enterprise. Each city and village assumed a proportionate share of the revenue bond obligation and delivered its general obligation bond in that proportionate amount to the WMIC. The principal and interest payments made by each municipality to the WMIC on its general obligation bond provides the revenue stream to make the principal and interest payments on the WMIC revenue bonds.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. They also have \$3,000,000 of reinsurance and \$5,000,000 of excess coverage. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The City's share of such losses is approximately 5%.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

# CITY OF APPLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### **B. RISK MANAGEMENT (cont.)**

##### **Public Entity Risk Pool (cont.)**

##### **Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC) (cont.)**

Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

The City shows the general obligation bond that it owes to WMIC in the insurance internal service fund (governmental activities column of government-wide statement of net assets) in the amount of \$236,791. The City has a receivable from WMIC of \$48,355 which represents assets available to retire the City's share of the debt. The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$2,020,950 in the insurance internal service fund.

#### **C. COMMITMENTS AND CONTINGENCIES**

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

Fox River Cleanup is a source of potential liability to the City. It appears likely that some remedial action will be required. It is not possible to estimate the financial impact to the City at this time.

Three former City employees are entitled to monthly disability benefits from the City for the rest of their lives. Disability payments total \$1,620 per month. The City's policy is to fund disability expenditures as benefit payments become due. The liability for future payments is presently reflected as a liability on the Statement of Net Assets.

During 2006, the City borrowed \$4,725,000 for the purpose of making various capital improvements. These monies, as well as other revenue sources, are reflected in various capital projects funds. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The balance of contract amounts plus purchase orders is approx. \$1,756,266 at year end and is included in reserve for encumbrances.

During 2006, the City approved the construction of a police building at a price of \$11,812,500. In 2007, the City approved an additional \$1,014,000 for parking at the police building.

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE V – OTHER INFORMATION (cont.)**

**D. BOND COVENANT DISCLOSURES**

The following information is provided in compliance with the resolution creating the revenue bond notes:

**Insurance**

The City is covered under the following insurance policies at December 31, 2006:

Name of Insurer/Type	Original Amount	Coverage (Risks Covered)	Expiration Date
MBIA Insurance Corporation	\$ 4,881,427	Full and complete payment	4/1/2019
Financial Security Assurance	5,345,625	Full and complete payment	4/1/2020
Financial Guaranty Insurance Company	7,653,530	Full and complete payment	4/1/2020
Financial Security Assurance	3,611,263	Full and complete payment	4/1/2022
MBIA Insurance Corporation	5,653,683	Full and complete payment	4/1/2023
MBIA Insurance Corporation	5,242,091	Full and complete payment	4/1/2024
MBIA Insurance Corporation	11,394,419	Full and complete payment	4/1/2026
Financial Security Assurance	5,107,157	Full and complete payment	5/1/2026
MBIA Insurance Corporation	85,576,992	Full and complete payment	1/1/2025
MBIA Insurance Corporation	18,724,152	Full and complete payment	1/1/2026

**Number of Customers – Water**

*Unmetered*

Commercial 37

*Metered*

Residential 24,405

Commercial 1,745

Industrial 84

Public Authority 88

Wholesale 2

Total 26,361

**Number of Customers – Sewer**

*Metered*

Residential 24,309

Commercial 1,710

Industrial 78

Public Authority 77

Total 26,174

**CITY OF APPLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

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**NOTE V – OTHER INFORMATION (cont.)**

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**D. BOND COVENANT DISCLOSURES (cont.)**

***Number of Equivalent Run Off Units – Stormwater***

<i>Metered</i>	
Residential	9,837
Commercial	19,962
Industrial	21,160
Public Authority	<u>4,368</u>
Total	<u><u>55,327</u></u>

**E. SUBSEQUENT EVENTS**

In February 2007, the City issued \$58,510,000 Water System Revenue Refunding Bonds Series 2007A and issued an additional \$2,620,000 Taxable Water Systems Revenue Refunding Bonds Series 2007B to refinance all previous Water System Revenue Bonds outstanding as of December 31, 2006.

In March 2007, the City issued \$12,140,000 Water System Revenue Bonds Series 2007C to finance water utility capital projects.

**REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF APPLETON

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 25,073,820	\$ 25,073,820	\$ 25,059,141	\$ (14,679)
Intergovernmental	16,658,039	16,711,851	16,723,824	11,973
Licenses and permits	829,842	899,842	938,603	38,761
Fines and forfeitures	300,000	300,000	271,530	(28,470)
Special assessments	1,280,000	1,280,000	1,203,720	(76,280)
Investment income	2,810,397	2,810,397	3,195,214	384,817
Charges for services	1,320,880	1,350,754	1,350,807	53
Other	792,439	915,749	1,412,141	496,392
Total Revenues	<u>49,065,417</u>	<u>49,342,413</u>	<u>50,154,980</u>	<u>812,567</u>
<b>EXPENDITURES</b>				
Current				
General government	7,366,935	8,224,846	6,286,881	1,937,965
Public safety	23,182,923	23,352,541	23,150,045	202,496
Public works	10,767,740	11,011,449	10,141,186	870,263
Education and recreation	8,218,857	8,339,667	8,269,807	69,860
Community development	735,069	752,769	752,305	464
Total Expenditures	<u>50,271,524</u>	<u>51,681,272</u>	<u>48,600,224</u>	<u>3,081,048</u>
Excess (deficiency) of revenues over expenditures	<u>(1,206,107)</u>	<u>(2,338,859)</u>	<u>1,554,756</u>	<u>3,893,615</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of city property	26,000	26,000	14,273	(11,727)
Transfers in	1,332,535	1,332,535	1,439,070	106,535
Transfers out	(601,482)	(1,300,286)	(1,186,312)	113,974
Total Other Financing Sources (Uses)	<u>757,053</u>	<u>58,249</u>	<u>267,031</u>	<u>208,782</u>
Net Change in Fund Balance	(449,054)	(2,280,610)	1,821,787	4,102,397
FUND BALANCE - Beginning	<u>31,618,081</u>	<u>31,618,081</u>	<u>31,618,081</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 31,169,027</u>	<u>\$ 29,337,471</u>	<u>\$ 33,439,868</u>	<u>\$ 4,102,397</u>

See accompanying notes to required supplementary information.

## CITY OF APPLETON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL -  
TAX INCREMENT DISTRICT NO. 1  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,679,797	\$ 1,679,797	\$ 1,680,582	\$ 785
Intergovernmental	60,000	60,000	67,182	7,182
Investment income	40,000	40,000	62,928	22,928
Total Revenues	<u>1,779,797</u>	<u>1,779,797</u>	<u>1,810,692</u>	<u>30,895</u>
<b>EXPENDITURES</b>				
Current				
General government	1,400	1,400	1,398	2
Debt Service				
Interest	<u>379,633</u>	<u>379,633</u>	<u>2,001,884</u>	<u>(1,622,251)</u>
Total Expenditures	<u>381,033</u>	<u>381,033</u>	<u>2,003,282</u>	<u>(1,622,249)</u>
Excess of revenues over expenditures	1,398,764	1,398,764	(192,590)	(1,591,354)
FUND BALANCES (DEFICIT) - Beginning	<u>(3,465,955)</u>	<u>(3,465,955)</u>	<u>(3,465,955)</u>	-
FUND BALANCES (DEFICIT) - ENDING	<u>\$ (2,067,191)</u>	<u>\$ (2,067,191)</u>	<u>\$ (3,658,545)</u>	<u>\$ (1,591,354)</u>

See accompanying notes to required supplementary information.

**CITY OF APPLETON**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - TAX INCREMENT DISTRICT NO. 3  
 For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,121,351	\$ 1,121,351	\$ 1,125,572	\$ 4,221
Intergovernmental	6,100	6,100	8,996	2,896
Investment income	15,000	15,000	67,070	52,070
Total Revenues	<u>1,142,451</u>	<u>1,142,451</u>	<u>1,201,638</u>	<u>59,187</u>
<b>EXPENDITURES</b>				
Current				
General government	1,400	1,400	1,399	1
Debt Service				
Interest	1,286,060	1,286,060	607,763	678,297
Total Expenditures	<u>1,287,460</u>	<u>1,287,460</u>	<u>609,162</u>	<u>678,298</u>
Excess (deficiency) of revenues over expenditures	(145,009)	(145,009)	592,476	737,485
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	900,000	900,000
Transfers out	(1,418,946)	(1,418,946)	(1,418,946)	-
Total Other Financing Sources (Uses)	<u>(1,418,946)</u>	<u>(1,418,946)</u>	<u>(518,946)</u>	<u>900,000</u>
Net Change in Fund Balance	(1,563,955)	(1,563,955)	73,530	1,637,485
FUND BALANCE (DEFICIT) - Beginning	<u>(12,052,383)</u>	<u>(12,052,383)</u>	<u>(12,052,383)</u>	<u>-</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ (13,616,338)</u>	<u>\$ (13,616,338)</u>	<u>\$ (11,978,853)</u>	<u>\$ 1,637,485</u>

See accompanying notes to required supplementary information.

## **CITY OF APPLETON**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2006**

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#### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C.

The budget presentations are at the function level, whereas the legal level of control is at the total expenditures level.

**SUPPLEMENTARY INFORMATION**

## CITY OF APPLETON

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>TAXES</b>				
Property tax	\$ 24,625,020	\$ 24,625,020	\$ 24,624,866	\$ (154)
Payment in lieu of taxes	448,800	448,800	434,275	(14,525)
Total Taxes	<u>25,073,820</u>	<u>25,073,820</u>	<u>25,059,141</u>	<u>(14,679)</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
State shared revenues	11,443,527	11,443,527	11,446,814	3,287
State aid - exempt computers	344,000	344,000	296,126	(47,874)
Highway aid - connecting streets	215,000	215,000	215,104	104
State tax disparity act	1,367,529	1,367,529	1,365,780	(1,749)
State aid - local streets	2,470,000	2,470,000	2,506,050	36,050
Miscellaneous federal aids	6,116	6,116	2,763	(3,353)
Miscellaneous state aids	197,500	215,681	222,663	6,982
Miscellaneous local aids	7,500	7,500	7,500	-
Library grants and aids	606,827	606,827	606,827	-
Health grants	40	35,671	54,197	18,526
Total Intergovernmental Revenues	<u>16,658,039</u>	<u>16,711,851</u>	<u>16,723,824</u>	<u>11,973</u>
<b>LICENSES AND PERMITS</b>				
Licenses				
Amusement devices	10,000	10,000	9,380	(620)
Cigarette	7,500	7,500	7,500	-
Electricians	3,400	3,400	3,010	(390)
Health	104,217	104,217	107,936	3,719
Liquor and malt beverages	60,000	130,000	149,066	19,066
Operators	55,000	55,000	49,530	(5,470)
Heating	750	750	380	(370)
Sundry	26,200	26,200	25,512	(688)
Dog	30,000	30,000	22,378	(7,622)
Cat	10,000	10,000	12,287	2,287
Weights and measures	33,625	33,625	38,803	5,178
Permits				
Building	200,000	200,000	239,546	39,546
Electrical	110,000	110,000	103,226	(6,774)
Heating	60,000	60,000	52,895	(7,105)
Plumbing and sewer	60,000	60,000	57,052	(2,948)
Trailer parking	14,000	14,000	10,196	(3,804)
State building	6,000	6,000	3,418	(2,582)
Signs	3,300	3,300	3,245	(55)
Sidewalk	9,000	9,000	6,375	(2,625)
Street occupancy	1,200	1,200	2,715	1,515
Street excavating and patching	4,200	4,200	4,745	545
Sundry	21,450	21,450	29,408	7,958
Total Licenses and Permits	<u>829,842</u>	<u>899,842</u>	<u>938,603</u>	<u>38,761</u>
<b>FINES AND FORFEITURES</b>				
Court fines and costs	300,000	300,000	271,530	(28,470)
Total Fines and Forfeitures	<u>300,000</u>	<u>300,000</u>	<u>271,530</u>	<u>(28,470)</u>

## CITY OF APPLETON

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>SPECIAL ASSESSMENTS</b>				
Asphalt paving	\$ 400,000	\$ 400,000	\$ 260,958	\$ (139,042)
Concrete paving	600,000	600,000	721,309	121,309
Grade and gravel	130,000	130,000	9,164	(120,836)
Sewer mains and laterals	-	-	-	-
Sidewalks	60,000	60,000	39,814	(20,186)
Snow removal	55,000	55,000	56,545	1,545
Weed cutting	10,000	10,000	45,489	35,489
Street light revenue	25,000	25,000	902	(24,098)
Miscellaneous	-	-	69,539	69,539
Total Special Assessments	<u>1,280,000</u>	<u>1,280,000</u>	<u>1,203,720</u>	<u>(76,280)</u>
<b>INVESTMENT INCOME</b>				
Investment income	2,628,397	2,628,397	2,972,683	344,286
Interest on taxes	87,000	87,000	110,499	23,499
Interest - deferred special assessments	95,000	95,000	112,032	17,032
Total Investment Income	<u>2,810,397</u>	<u>2,810,397</u>	<u>3,195,214</u>	<u>384,817</u>
<b>CHARGES FOR SERVICES</b>				
City clerk	200	200	216	16
Assessor	2,000	2,000	2,421	421
Finance	4,000	4,000	3,815	(185)
Human resources	-	-	715	715
City attorney	3,000	3,000	1,708	(1,292)
Library	85,000	85,000	96,649	11,649
Other	3,700	33,574	30,179	(3,395)
Parks and Recreation				
Park administration	500	500	114	(386)
Recreation and administration	322,500	322,500	320,403	(2,097)
Aquatics	317,000	317,000	267,588	(49,412)
Public Works				
Street division	95,000	95,000	81,869	(13,131)
Traffic	57,825	57,825	106,233	48,408
Inspection department	50,000	50,000	38,969	(11,031)
Health department	51,087	51,087	54,993	3,906
Police department	254,568	254,568	273,204	18,636
Fire department	74,500	74,500	71,731	(2,769)
Total Charges for Services	<u>1,320,880</u>	<u>1,350,754</u>	<u>1,350,807</u>	<u>53</u>
<b>OTHER</b>				
Fees and commissions	460,900	461,850	771,885	310,035
Zoning and subdivision fees	40,000	40,000	22,800	(17,200)
Property inquiry fees	110,000	110,000	88,253	(21,747)
Discounts	-	-	198	198
Miscellaneous revenue	27,420	28,120	51,978	23,858
Rental of city property	52,300	52,300	45,522	(6,778)

## CITY OF APPLETON

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>OTHER (cont.)</b>				
Donations and memorials	\$ 450	\$ 97,415	\$ 76,871	\$ (20,544)
Damage to city property	36,400	36,400	56,173	19,773
Other reimbursements	50,445	75,140	217,494	142,354
Insurance proceeds	-	-	16,886	16,886
Leases	11,124	11,124	60,151	49,027
Board of appeals	3,400	3,400	3,930	530
Total Other	<u>792,439</u>	<u>915,749</u>	<u>1,412,141</u>	<u>496,392</u>
Total Revenues	<u>49,065,417</u>	<u>49,342,413</u>	<u>50,154,980</u>	<u>812,567</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of City property	<u>26,000</u>	<u>26,000</u>	<u>14,273</u>	<u>(11,727)</u>
Transfers From				
Room tax fund	19,000	19,000	19,000	-
CEA	128,021	128,021	128,021	-
Water utility fund	-	-	13,800	13,800
Water utility fund - property tax equivalent	1,028,364	1,028,364	1,121,099	92,735
Wastewater utility fund	117,450	117,450	117,450	-
Parking utility fund	9,300	9,300	9,300	-
Stormwater utility fund	12,500	12,500	12,500	-
Reid municipal golf course fund	<u>17,900</u>	<u>17,900</u>	<u>17,900</u>	<u>-</u>
Total Transfers	<u>1,332,535</u>	<u>1,332,535</u>	<u>1,439,070</u>	<u>106,535</u>
Total Other Financing Sources	<u>1,358,535</u>	<u>1,358,535</u>	<u>1,453,343</u>	<u>94,808</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 50,423,952</u>	<u>\$ 50,700,948</u>	<u>\$ 51,608,323</u>	<u>\$ 907,375</u>

## CITY OF APPLETON

### DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Common council	\$ 126,310	\$ 126,310	\$ 121,658	\$ 4,652
Mayor	318,413	318,413	318,326	87
City clerk	604,962	713,416	713,414	2
City assessor	499,863	499,863	498,703	1,160
Finance	866,104	881,604	875,636	5,968
Information services	1,742,104	1,778,104	1,749,084	29,020
Human resources	577,069	584,469	583,938	531
City attorney	368,549	376,749	376,256	493
Unclassified				
Severance pay	275,000	275,000	253,308	21,692
Insurance	297,854	297,854	297,852	2
Reserve for contingencies	1,226,200	1,884,414	-	1,884,414
City hall	343,508	367,651	358,408	9,243
Other	120,999	120,999	140,298	(19,299)
Total General Government	<u>7,366,935</u>	<u>8,224,846</u>	<u>6,286,881</u>	<u>1,937,965</u>
<b>PUBLIC SAFETY</b>				
Health services	1,056,734	1,103,995	1,101,359	2,636
Police	13,211,721	13,347,008	13,338,793	8,215
Fire	8,914,468	8,901,538	8,709,893	191,645
Total Public Safety	<u>23,182,923</u>	<u>23,352,541</u>	<u>23,150,045</u>	<u>202,496</u>
<b>PUBLIC WORKS</b>				
	<u>10,767,740</u>	<u>11,011,449</u>	<u>10,141,186</u>	<u>870,263</u>
<b>EDUCATION AND RECREATION</b>				
Library	3,913,455	3,997,800	3,996,448	1,352
Parks and recreation	4,305,402	4,341,867	4,273,359	68,508
Total Education and Recreation	<u>8,218,857</u>	<u>8,339,667</u>	<u>8,269,807</u>	<u>69,860</u>
<b>COMMUNITY DEVELOPMENT</b>				
	<u>735,069</u>	<u>752,769</u>	<u>752,305</u>	<u>464</u>
<b>OTHER FINANCING USES</b>				
Transfers Out To				
Debt service	-	650,000	650,000	-
Public safety facility	-	26,430	26,430	-
CEA	-	22,374	22,374	-
Valley transit fund	601,482	601,482	487,508	113,974
Total Other Financing Uses	<u>601,482</u>	<u>1,300,286</u>	<u>1,186,312</u>	<u>113,974</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 50,873,006</u>	<u>\$ 52,981,558</u>	<u>\$ 49,786,536</u>	<u>\$ 3,195,022</u>

# **NONMAJOR GOVERNMENTAL FUNDS AND BUDGETARY COMPARISONS**

## **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments or other major capital projects) that are legally restricted to expenditures for specified purposes.

### **TAX INCREMENT DISTRICT NO. 2**

To account for receipt of district "incremental" property taxes and other revenues and the corresponding program expenditures.

### **TAX INCREMENT DISTRICT NO. 4**

To account for receipt of district "incremental" property taxes and other revenues and the corresponding program expenditures.

### **COMMUNITY DEVELOPMENT BLOCK GRANT**

To account for the proceeds of the Federal Community Development Block Grant and the corresponding program expenditures for housing rehabilitation and community development projects.

### **RENTAL REHABILITATION GRANTS**

To account for the proceeds of the Rental Energy Rehabilitation Grant, Rental Rehabilitation Grant and HOME Grant and the corresponding program expenditures for rental housing and energy rehabilitation loans.

### **SANITATION AND RECYCLING PROGRAM**

To account for the proceeds received from the collection of recyclable solid waste and the corresponding program expenditures.

### **HEALTH GRANTS**

To account for receipt of a variety of State health grants and corresponding program expenditures. Health services provided include maternal, child health, immunization education, lead paint and radon identification.

### **POLICE GRANTS**

To account for the grant proceeds and corresponding expenditures related to various law enforcement grants.

**NONMAJOR GOVERNMENTAL FUNDS  
AND BUDGETARY COMPARISONS**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**HAZARDOUS MATERIALS LEVEL A**

To account for the proceeds of a state contract and the corresponding program expenditures to provide certain "Level A" services relating to the containment of hazardous substances in the event of an accidental spill, release or discharge within a region of northeast Wisconsin, as determined through negotiations with the State of Wisconsin.

**FORESTRY**

To account for the proceeds of property taxes and reimbursement for damage caused to the urban forest and the corresponding expenditures.

**ROOM TAX**

To account for the receipt of room tax proceeds and the corresponding remittance to the Fox Cities Convention and Visitors Bureau.

**EMERGENCY SHELTER GRANT**

To account for the grant proceeds and corresponding expenditures related to a program to benefit persons in need of emergency and transitional housing.

**CONTINUUM OF CARE GRANT**

To account for the grant proceeds and corresponding expenditures related to providing extensive case management and supportive services to chronically homeless residents.

**TUCHSCHERER DISABILITY**

To account for monies received by the City in an employee disability settlement and the corresponding expenditures for such purposes.

**PEABODY ESTATE**

To account for monies received from a private donation to finance the repair, construction and preservation of Peabody Park and the corresponding expenditures for such purpose.

**NONMAJOR GOVERNMENTAL FUNDS  
AND BUDGETARY COMPARISONS**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**BALLIET LOCOMOTIVE**

To account for monies provided by private donations to finance the maintenance of a steam engine located at Telulah Park and the corresponding expenditures for such purpose.

**LUTZ PARK RECREATIONAL**

To account for monies received from a private donation to finance the construction and preservation of recreational facilities of Lutz Park and the corresponding expenditures for such purpose.

**PARK PURPOSE OPEN SPACE**

To account for monies received from subdivision developers to finance future acquisition of park facilities and the corresponding expenditures for park purposes.

**UNION SPRING PARK**

To account for monies received from private donations to finance the maintenance of the well at Union Spring Park.

**UNIVERSAL PLAYGROUND**

To account for monies received from donations to finance the future replacement of playground equipment at the Universal Playground at Memorial Park.

## **NONMAJOR GOVERNMENTAL FUNDS AND BUDGETARY COMPARISONS**

### **CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds. Resources are derived from general obligation bond and note issues, certain federal grants and other specific receipts.

#### **SUBDIVISION DEVELOPMENT PROJECTS**

To account for the receipt of special assessments levied and the disbursement of funds necessary to construct public improvements in new subdivisions.

#### **INDUSTRIAL PARK LAND**

To account for the sales and acquisition of land for the City's industrial parks.

#### **CITY CENTER FACILITY**

To account for the financing and acquisition of certain City Center equipment as well as project costs associated with improvements to the facility.

#### **PARK AND RECREATION PROJECTS**

To account for the financing and expenditures associated with the acquisition and construction of certain Park and Recreation capital projects.

#### **TAX INCREMENT DISTRICT NO. 5**

To account for the financing and project costs for public improvement and private development within the area of T.I.D. No. 5 as provided for in the Tax District's project plan.

#### **TAX INCREMENT DISTRICT NO. 6**

To account for the financing and project costs for public improvement and private development within the area of T.I.D. No. 6 as provided for in the Tax District's project plan.

#### **PUBLIC SAFETY FACILITIES**

To account for the financing and project costs of public safety improvements.

**NONMAJOR GOVERNMENTAL FUNDS  
AND BUDGETARY COMPARISONS**

**CAPITAL PROJECTS FUNDS (CONTINUED)**

**PUBLIC WORKS EQUIPMENT**

To account for the financing and acquisition of certain Public Works equipment.

**CEA REPLACEMENT**

To account for the financing and expenditures associated with the replacement of vehicles and equipment in the City's Central Equipment Agency.

**RIVERFRONT INITIATIVES**

To account for the financing and expenditures associated with redevelopment projects along the City's riverfront.

**LIBRARY IMPROVEMENTS**

To account for the financing and expenditures associated with capital improvements and equipment related to the Appleton Public Library.

**TECHNOLOGY**

To account for the financing and expenditures associated with major upgrades to the City's electronic infrastructure, including the computer network and various software applications.

**RESIDENTIAL PROJECT**

To account for the financing and expenditures associated with the City's contribution to the redevelopment of a former industrial site into an affordable residential apartment complex.

**PERMANENT FUND**

**FRANK P. YOUNG MEMORIAL**

To account for assets restricted for purposes of generating interest income and providing for scholarships in Library Science.

**CITY OF APPLETON**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2006

	Special Revenue Funds					
	Tax	Tax	Community	Rental	Sanitation &	Health
	Incremental District No. 2	Incremental District No. 4	Development Block Grant	Rehabili- tation Grants	Recycling Program	Grants
<b>ASSETS</b>						
Cash and investments	\$ 52,530	\$ 3,696,249	\$ -	\$ 150,621	\$ 826,620	\$ 424,413
Receivables						
Taxes	190,649	2,720,023	-	-	2,450,000	-
Deferred loans	-	-	5,367,503	785,886	-	-
Accounts	-	-	7,746	-	131,006	-
Special assessments	-	-	-	-	-	-
Developer loans	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Due from other governments	-	-	135,930	-	-	-
Due from other funds	-	-	-	-	6,856	-
Prepaid items	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 243,179</b>	<b>\$ 6,416,272</b>	<b>\$ 5,511,179</b>	<b>\$ 936,507</b>	<b>\$ 3,414,482</b>	<b>\$ 424,413</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	\$ -	\$ -	\$ 72,695	\$ 41	\$ 43,574	\$ 1,389
Other accrued liabilities	-	-	2,145	51	35,817	2,563
Due to other funds	-	-	68,899	-	-	-
Deferred revenues	190,649	2,720,023	5,372,168	785,886	2,450,000	420,461
Advances from other funds	880,484	-	-	-	-	-
Total Liabilities	<u>1,071,133</u>	<u>2,720,023</u>	<u>5,515,907</u>	<u>785,978</u>	<u>2,529,391</u>	<u>424,413</u>
Fund Balances						
Reserved for						
Debt service	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-
Trust purposes	-	-	-	-	-	-
Unreserved						
Designated for subsequent year's expenditures	-	3,696,249	-	150,529	885,091	-
Undesignated (deficit)	<u>(827,954)</u>	<u>-</u>	<u>(4,728)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(827,954)</u>	<u>3,696,249</u>	<u>(4,728)</u>	<u>150,529</u>	<u>885,091</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 243,179</b>	<b>\$ 6,416,272</b>	<b>\$ 5,511,179</b>	<b>\$ 936,507</b>	<b>\$ 3,414,482</b>	<b>\$ 424,413</b>

Special Revenue Funds

Hazardous Materials Level A	Forestry	Room Tax	Emergency Shelter	Continuum of Care	Tuch- scherer Disability	Peabody Estate	Balliet Locomotive
\$ 389,263	\$ 2,456	\$ 9,095	\$ -	\$ -	\$ 78,383	\$ 93,478	\$ 9,074
-	17,850	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	514	72,465	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	26,336	97,774	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 389,263</u>	<u>\$ 20,820</u>	<u>\$ 81,560</u>	<u>\$ 26,336</u>	<u>\$ 97,774</u>	<u>\$ 78,383</u>	<u>\$ 93,478</u>	<u>\$ 9,074</u>
\$ 1,313	\$ -	\$ 65,564	\$ 9,189	\$ 60,761	\$ -	\$ -	\$ -
-	-	-	7	18	-	-	-
-	-	-	16,019	36,995	-	-	-
12,201	17,850	-	1,121	-	-	-	-
-	-	-	-	-	-	-	-
<u>13,514</u>	<u>17,850</u>	<u>65,564</u>	<u>26,336</u>	<u>97,774</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
375,749	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,970	15,996	-	-	78,383	93,478	9,074
-	-	-	-	-	-	-	-
<u>375,749</u>	<u>2,970</u>	<u>15,996</u>	<u>-</u>	<u>-</u>	<u>78,383</u>	<u>93,478</u>	<u>9,074</u>
<u>\$ 389,263</u>	<u>\$ 20,820</u>	<u>\$ 81,560</u>	<u>\$ 26,336</u>	<u>\$ 97,774</u>	<u>\$ 78,383</u>	<u>\$ 93,478</u>	<u>\$ 9,074</u>

**CITY OF APPLETON**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)  
December 31, 2005

	Special Revenue Funds				Capital Projects Funds	
	Lutz Park	Park Purpose Open Space	Union Spring Park	Universal Playground	Subdivision Development Projects	Industrial Park Land
<b>ASSETS</b>						
Cash and investments	\$ 873,552	\$ 328,632	\$ 3,392	\$ 21,754	\$ 1,460,631	\$ 1,993,059
Receivables						
Taxes	-	-	-	-	531,133	-
Deferred loans	-	-	-	-	-	-
Accounts	-	-	-	-	-	82,506
Special assessments	-	-	-	-	530,337	-
Developer loans	-	21,368	-	-	-	-
Accrued interest	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 873,552</u>	<u>\$ 350,000</u>	<u>\$ 3,392</u>	<u>\$ 21,754</u>	<u>\$ 2,522,101</u>	<u>\$ 2,075,565</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	\$ -	\$ 1,631	\$ -	\$ -	\$ -	\$ 10,097
Other accrued liabilities	-	-	-	-	2,582	-
Due to other funds	-	-	-	-	-	-
Deferred revenues	134,650	21,368	-	-	530,337	-
Advances from other funds	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>134,650</u>	<u>22,999</u>	<u>-</u>	<u>-</u>	<u>532,919</u>	<u>10,097</u>
<b>Fund Balances</b>						
Reserved for						
Debt service	-	-	-	-	-	931,281
Prepaid items	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	79,873
Trust purposes	-	-	-	-	-	-
Unreserved						
Designated for subsequent year's expenditures	738,902	327,001	3,392	21,754	1,989,182	1,054,314
Undesignated (deficit)	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>738,902</u>	<u>327,001</u>	<u>3,392</u>	<u>21,754</u>	<u>1,989,182</u>	<u>2,065,468</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>						
<b>FUND BALANCES</b>	<u>\$ 873,552</u>	<u>\$ 350,000</u>	<u>\$ 3,392</u>	<u>\$ 21,754</u>	<u>\$ 2,522,101</u>	<u>\$ 2,075,565</u>

Continued on  
Next Page

Capital Projects Funds						
City Center Facility	Parks and Recreation Projects	Tax Incremental District No. 5	Tax Incremental District No. 6	Public Safety Facilities	Public Works Equipment	CEA Replacement
\$ -	\$ 391,690	\$ 26,385	\$ 1,854,850	\$ 1,178,153	\$ 1,156,514	\$ 3,038,309
-	-	132,869	1,485,279	-	-	-
-	-	-	192,514	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
95,610	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	313,569
<u>\$ 95,610</u>	<u>\$ 391,690</u>	<u>\$ 159,254</u>	<u>\$ 3,532,643</u>	<u>\$ 1,178,153</u>	<u>\$ 1,156,514</u>	<u>\$ 3,351,878</u>
\$ -	\$ 89,383	\$ -	\$ 49,726	\$ 350,373	\$ 230,118	\$ -
-	-	-	782	-	-	-
76,323	-	-	-	-	-	-
-	-	132,869	1,485,279	-	-	-
-	-	91,478	-	-	-	-
<u>76,323</u>	<u>89,383</u>	<u>224,347</u>	<u>1,535,787</u>	<u>350,373</u>	<u>230,118</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	313,569
-	139,000	-	292,553	789,312	847,504	35,065
-	-	-	-	-	-	-
19,287	163,307	-	1,704,303	38,468	78,892	3,003,244
-	-	(65,093)	-	-	-	-
<u>19,287</u>	<u>302,307</u>	<u>(65,093)</u>	<u>1,996,856</u>	<u>827,780</u>	<u>926,396</u>	<u>3,351,878</u>
<u>\$ 95,610</u>	<u>\$ 391,690</u>	<u>\$ 159,254</u>	<u>\$ 3,532,643</u>	<u>\$ 1,178,153</u>	<u>\$ 1,156,514</u>	<u>\$ 3,351,878</u>

**CITY OF APPLETON**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)  
December 31, 2005

	Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
	Riverfront Initiatives	Library Improvements	Technology	Residential Project	Frank P. Young Memorial	
<b>ASSETS</b>						
Cash and investments	\$ 54,678	\$ 22	\$ 119,586	\$ 303,595	\$ 16,292	\$ 18,553,276
Receivables						
Taxes	-	-	-	-	-	7,527,803
Deferred loans	-	-	-	-	-	6,153,389
Accounts	-	-	-	-	-	486,751
Special assessments	-	-	-	-	-	530,337
Developer loans	-	-	-	-	-	21,368
Accrued interest	-	-	-	-	72	72
Due from other governments	-	-	-	11,361	-	367,011
Due from other funds	-	-	-	-	-	6,856
Prepaid items	-	-	-	-	-	313,569
<b>TOTAL ASSETS</b>	<u>\$ 54,678</u>	<u>\$ 22</u>	<u>\$ 119,586</u>	<u>\$ 314,956</u>	<u>\$ 16,364</u>	<u>\$ 33,960,432</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	\$ -	\$ -	\$ 1,763	\$ 159,170	\$ -	\$ 1,146,787
Other accrued liabilities	-	-	-	-	-	43,965
Due to other funds	-	-	-	-	-	198,236
Deferred revenues	-	-	-	-	-	14,274,862
Advances from other funds	-	-	-	-	-	971,962
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>1,763</u>	<u>159,170</u>	<u>-</u>	<u>16,635,812</u>
<b>Fund Balances</b>						
Reserved for						
Debt service	-	-	-	-	-	931,281
Prepaid items	-	-	-	-	-	313,569
Encumbrances	-	-	7,344	120,220	-	2,686,620
Trust purposes	-	-	-	-	16,364	16,364
Unreserved						
Designated for subsequent year's expenditures	54,678	22	110,479	35,566	-	14,274,561
Undesignated (deficit)	-	-	-	-	-	(897,775)
<b>Total Fund Balances</b>	<u>54,678</u>	<u>22</u>	<u>117,823</u>	<u>155,786</u>	<u>16,364</u>	<u>17,324,620</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 54,678</u>	<u>\$ 22</u>	<u>\$ 119,586</u>	<u>\$ 314,956</u>	<u>\$ 16,364</u>	<u>\$ 33,960,432</u>

**CITY OF APPLETON**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2006

	Special Revenue Funds			
	Tax Incremental District No. 2	Tax Incremental District No. 4	Community Development Block Grant	Rental Rehabili- tation Grants
	-	-	-	-
<b>REVENUES</b>				
Taxes	\$ 167,790	\$ 2,257,299	\$ -	\$ -
Intergovernmental	5,530	120,394	776,286	-
Special assessments	-	-	-	-
Investment income	14,280	361,059	-	-
Charges for services	-	-	-	-
Other	-	-	280,456	81,211
Total Revenues	<u>187,600</u>	<u>2,738,752</u>	<u>1,056,742</u>	<u>81,211</u>
<b>EXPENDITURES</b>				
Current				
General government	1,398	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	-	-	-	-
Community development	-	-	1,056,742	63,130
Capital Outlay	-	24,770	-	-
Debt Service				
Interest and fiscal charges	45,499	-	-	-
Total Expenditures	<u>46,897</u>	<u>24,770</u>	<u>1,056,742</u>	<u>63,130</u>
Excess (deficiency) of revenues over expenditures	<u>140,703</u>	<u>2,713,982</u>	<u>-</u>	<u>18,081</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issued	-	-	-	-
Sale of city property	-	413,931	-	-
Transfer in	-	-	-	-
Transfers out	(91,341)	(4,170,297)	-	-
Total Other Financing Sources (Uses)	<u>(91,341)</u>	<u>(3,756,366)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	49,362	(1,042,384)	-	18,081
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(877,316)</u>	<u>4,738,633</u>	<u>(4,728)</u>	<u>132,448</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (827,954)</u>	<u>\$ 3,696,249</u>	<u>\$ (4,728)</u>	<u>\$ 150,529</u>

Special Revenue Funds						
Sanitation & Recycling Program	Health Grants	Police Grants	Hazardous Materials Level A	Forestry	Room Tax	Emergency Shelter
\$ 2,518,357	\$ -	\$ -	\$ -	\$ 17,900	\$ 303,514	\$ -
-	598,161	-	145,387	-	-	138,504
-	-	-	-	-	-	-
94,445	-	-	15,732	697	-	-
638,096	-	-	-	6,396	-	-
645	-	-	-	1,090	-	-
<u>3,251,543</u>	<u>598,161</u>	<u>-</u>	<u>161,119</u>	<u>26,083</u>	<u>303,514</u>	<u>138,504</u>
-	-	-	-	-	274,608	-
-	598,161	5,065	131,247	-	-	-
3,094,984	-	-	-	-	-	-
-	-	-	-	26,437	-	-
-	-	-	-	-	-	138,504
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,094,984</u>	<u>598,161</u>	<u>5,065</u>	<u>131,247</u>	<u>26,437</u>	<u>274,608</u>	<u>138,504</u>
<u>156,559</u>	<u>-</u>	<u>(5,065)</u>	<u>29,872</u>	<u>(354)</u>	<u>28,906</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(19,000)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,000)</u>	<u>-</u>
<u>156,559</u>	<u>-</u>	<u>(5,065)</u>	<u>29,872</u>	<u>(354)</u>	<u>9,906</u>	<u>-</u>
<u>728,532</u>	<u>-</u>	<u>5,065</u>	<u>345,877</u>	<u>3,324</u>	<u>6,090</u>	<u>-</u>
<u>\$ 885,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,749</u>	<u>\$ 2,970</u>	<u>\$ 15,996</u>	<u>\$ -</u>

**CITY OF APPLETON**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (cont.)  
For the Year Ended December 31, 2006

	Special Revenue Funds				
	Continuum of Care	Tuch- scherer Disability	Peabody Estate	Balliet Locomotive	Lutz Park
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	496,921	-	-	-	7,858
Special assessments	-	-	-	-	-
Investment income	-	3,911	4,494	437	36,701
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>496,921</u>	<u>3,911</u>	<u>4,494</u>	<u>437</u>	<u>44,559</u>
<b>EXPENDITURES</b>					
Current					
General government	-	6,391	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Education and recreation	-	-	-	-	7,858
Community development	496,921	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>496,921</u>	<u>6,391</u>	<u>-</u>	<u>-</u>	<u>7,858</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(2,480)</u>	<u>4,494</u>	<u>437</u>	<u>36,701</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issued	-	-	-	-	-
Sale of city property	-	-	-	-	-
Transfer in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(2,480)	4,494	437	36,701
FUND BALANCES (DEFICIT) - Beginning of Year	<u>-</u>	<u>80,863</u>	<u>88,984</u>	<u>8,637</u>	<u>702,201</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 78,383</u>	<u>\$ 93,478</u>	<u>\$ 9,074</u>	<u>\$ 738,902</u>

Special Revenue Funds			Capital Projects Funds			
Park Purpose Open Space	Union Spring Park	Universal Playground	Subdivision Development Projects	Industrial Park Land	City Center Facility	Parks and Recreation Projects
\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ -
-	-	-	-	82,506	95,610	-
-	-	-	1,463,955	-	-	-
18,490	163	1,053	123,529	132,581	-	21,667
24,000	-	-	-	-	-	-
4,000	-	-	144,902	6,400	-	-
<u>46,490</u>	<u>163</u>	<u>1,053</u>	<u>2,032,386</u>	<u>221,487</u>	<u>95,610</u>	<u>21,667</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
138,167	-	531	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,726,072	666,218	195,323	596,541
-	-	-	-	-	-	-
<u>138,167</u>	<u>-</u>	<u>531</u>	<u>1,726,072</u>	<u>666,218</u>	<u>195,323</u>	<u>596,541</u>
<u>(91,677)</u>	<u>163</u>	<u>522</u>	<u>306,314</u>	<u>(444,731)</u>	<u>(99,713)</u>	<u>(574,874)</u>
-	-	-	-	-	119,000	400,000
-	-	-	-	177,399	-	-
-	-	-	-	-	-	-
-	-	-	-	(186,335)	-	-
-	-	-	-	(8,936)	119,000	400,000
(91,677)	163	522	306,314	(453,667)	19,287	(174,874)
<u>418,678</u>	<u>3,229</u>	<u>21,232</u>	<u>1,682,868</u>	<u>2,519,135</u>	<u>-</u>	<u>477,181</u>
<u>\$ 327,001</u>	<u>\$ 3,392</u>	<u>\$ 21,754</u>	<u>\$ 1,989,182</u>	<u>\$ 2,065,468</u>	<u>\$ 19,287</u>	<u>\$ 302,307</u>

**CITY OF APPLETON**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (cont.)  
For the Year Ended December 31, 2006

	Capital Projects Funds				
	Tax	Tax	Public	Public	CEA
	Incremental District No. 5	Incremental District No. 6	Safety Facilities	Works Equipment	Replacement
<b>REVENUES</b>					
Taxes	\$ 105,895	\$ 1,200,312	\$ -	\$ -	\$ -
Intergovernmental	1,917	210,339	20,937	-	-
Special assessments	-	-	-	-	-
Investment income	5,621	159,577	29,263	5,733	155,299
Charges for services	-	-	-	-	-
Other	-	1,600	-	-	1,369,231
Total Revenues	<u>113,433</u>	<u>1,571,828</u>	<u>50,200</u>	<u>5,733</u>	<u>1,524,530</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Education and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital Outlay	1,397	2,307,913	1,441,934	510,411	1,889,709
Debt Service					
Interest and fiscal charges	<u>4,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>5,753</u>	<u>2,307,913</u>	<u>1,441,934</u>	<u>510,411</u>	<u>1,889,709</u>
Excess (deficiency) of revenues over expenditures	<u>107,680</u>	<u>(736,085)</u>	<u>(1,391,734)</u>	<u>(504,678)</u>	<u>(365,179)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issued	-	2,386,387	680,000	1,271,000	-
Sale of city property	-	-	-	-	-
Transfers in	-	-	26,430	-	35,574
Transfers out	<u>(96,228)</u>	<u>(1,699,395)</u>	<u>-</u>	<u>-</u>	<u>(128,021)</u>
Total Other Financing Sources (Uses)	<u>(96,228)</u>	<u>686,992</u>	<u>706,430</u>	<u>1,271,000</u>	<u>(92,447)</u>
Net Change in Fund Balances	11,452	(49,093)	(685,304)	766,322	(457,626)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(76,545)</u>	<u>2,045,949</u>	<u>1,513,084</u>	<u>160,074</u>	<u>3,809,504</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (65,093)</u>	<u>\$ 1,996,856</u>	<u>\$ 827,780</u>	<u>\$ 926,396</u>	<u>\$ 3,351,878</u>

Capital Projects Funds				Permanent Fund	
Riverfront Initiatives	Library Improve- ments	Technology	Residential Project	Frank P. Young Memorial	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,871,067
-	-	-	171,361	-	2,871,711
-	-	-	-	-	1,463,955
2,630	-	44	28,079	779	1,216,264
-	-	-	-	-	668,492
-	-	-	-	515	1,890,050
<u>2,630</u>	<u>-</u>	<u>44</u>	<u>199,440</u>	<u>1,294</u>	<u>14,981,539</u>
-	-	-	-	1,000	283,397
-	-	-	-	-	734,473
-	-	-	-	-	3,094,984
-	-	-	-	-	172,993
-	-	-	-	-	1,755,297
-	-	273,356	1,129,216	-	10,762,860
-	-	-	-	-	49,855
-	-	<u>273,356</u>	<u>1,129,216</u>	<u>1,000</u>	<u>16,853,859</u>
<u>2,630</u>	<u>-</u>	<u>(273,312)</u>	<u>(929,776)</u>	<u>294</u>	<u>(1,872,320)</u>
-	-	321,000	-	-	5,177,387
-	-	-	-	-	591,330
-	-	-	-	-	62,004
-	-	-	-	-	(6,390,617)
-	-	<u>321,000</u>	<u>-</u>	<u>-</u>	<u>(559,896)</u>
2,630	-	47,688	(929,776)	294	(2,432,216)
<u>52,048</u>	<u>22</u>	<u>70,135</u>	<u>1,085,562</u>	<u>16,070</u>	<u>19,756,836</u>
<u>\$ 54,678</u>	<u>\$ 22</u>	<u>\$ 117,823</u>	<u>\$ 155,786</u>	<u>\$ 16,364</u>	<u>\$ 17,324,620</u>

## **NONMAJOR PROPRIETARY FUNDS**

### **ENTERPRISE FUNDS**

Enterprise funds are used to account for activities that are financed and operated in a manner similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities provided to outside parties are accounted for in enterprise funds.

#### **PARKING UTILITY**

To account for the operation of City parking meters, parking ramps and lots. All revenue and expenses necessary to provide such services are accounted for in this fund.

#### **REID MUNICIPAL GOLF COURSE**

To account for the operation, maintenance and improvement of the municipal golf course. All revenue and expenses necessary to provide such golf and concession services are accounted for in this fund.

## CITY OF APPLETON

### COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS December 31, 2006

	Enterprise Funds		Totals
	Parking Utility	Reid Municipal Golf Course	
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 1,067,632	\$ 14,993	\$ 1,082,625
Other accounts receivable	17,941	19	17,960
Total Current Assets	1,085,573	15,012	1,100,585
Non-Current Assets			
Capital Assets			
Land	1,558,140	1,428,667	2,986,807
Construction work in progress	8,453	-	8,453
Building and improvements	22,811,345	1,082,764	23,894,109
Equipment, furniture and vehicles	447,134	130,143	577,277
Less: Accumulated depreciation	(12,118,146)	(909,312)	(13,027,458)
Total Non-Current Assets	12,706,926	1,732,262	14,439,188
Total Assets	13,792,499	1,747,274	15,539,773
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	25,876	4,739	30,615
Compensated absences	34,457	13,260	47,717
Other accrued liabilities	10,776	34,236	45,012
Current portion of advance	-	50,000	50,000
Total Current Liabilities	71,109	102,235	173,344
Noncurrent Liabilities			
General obligation debt payable	-	708,509	708,509
Advances from other funds	-	430,000	430,000
Compensated absences	44,531	34,186	78,717
Total Noncurrent Liabilities	44,531	1,172,695	1,217,226
Total Liabilities	115,640	1,274,930	1,390,570
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,706,926	1,023,753	13,730,679
Unrestricted (deficit)	969,933	(551,409)	418,524
TOTAL NET ASSETS	\$ 13,676,859	\$ 472,344	\$ 14,149,203

## CITY OF APPLETON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS - NONMAJOR PROPRIETARY FUNDS  
For the Year Ended December 31, 2006

	Enterprise Funds		
	Parking Utility	Reid Municipal Golf Course	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,724,515	\$ 507,685	\$ 2,232,200
Other	608,824	6,368	615,192
Total Operating Revenues	2,333,339	514,053	2,847,392
<b>OPERATING EXPENSES</b>			
Operation and maintenance	985,912	453,494	1,439,406
Depreciation	872,908	65,096	938,004
Total Operating Expenses	1,858,820	518,590	2,377,410
Operating Income (Loss)	474,519	(4,537)	469,982
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	69,530	1,269	70,799
Interest expense	-	(57,169)	(57,169)
Other	117	3,825	3,942
Total Nonoperating Revenues (Expenses)	69,647	(52,075)	17,572
Income Before Transfers	544,166	(56,612)	487,554
Transfers out	(909,300)	(17,900)	(927,200)
Change in Net Assets	(365,134)	(74,512)	(439,646)
TOTAL NET ASSETS - Beginning	14,041,993	546,856	14,588,849
TOTAL NET ASSETS - ENDING	\$ 13,676,859	\$ 472,344	\$ 14,149,203

**CITY OF APPLETON**

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
For the Year Ended December 31, 2006

	Enterprise Funds		Totals
	Parking Utility	Reid Municipal Golf Course	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers	\$ 2,326,400	\$ 517,878	\$ 2,844,278
Paid to suppliers for goods and services	(396,521)	(249,848)	(646,369)
Paid to employees for services	(577,928)	(240,118)	(818,046)
Net Cash Flows From Operating Activities	<u>1,351,951</u>	<u>27,912</u>	<u>1,379,863</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(9,300)	(17,900)	(27,200)
Advances to/from other funds	(900,000)	(15,000)	(915,000)
Net Cash Flows From Noncapital Financing Activities	<u>(909,300)</u>	<u>(32,900)</u>	<u>(942,200)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(133,203)	(31,653)	(164,856)
General obligation debt issued	-	71,662	71,662
Interest paid on long-term debt	-	(24,751)	(24,751)
Net Cash Flows From Capital and Related Financing Activities	<u>(133,203)</u>	<u>15,258</u>	<u>(117,945)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	69,530	1,269	70,799
Net Cash Flows From Investing Activities	<u>69,530</u>	<u>1,269</u>	<u>70,799</u>
Net Increase in Cash and Cash Equivalents	378,978	11,539	390,517
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>688,654</u>	<u>3,454</u>	<u>692,108</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,067,632</u>	<u>\$ 14,993</u>	<u>\$ 1,082,625</u>

	Enterprise Funds		
	Parking Utility	Reid Municipal Golf Course	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 474,519	\$ (4,537)	\$ 469,982
Adjustments to reconcile operating income to net cash flows from operating activities			
Non-operating income	117	3,825	3,942
Depreciation	872,908	65,096	938,004
Change in assets and liabilities			
Other accounts receivable	(7,056)	-	(7,056)
Accounts payable	-	(37,217)	(37,217)
Accrued liabilities	1,618	(1,840)	(222)
Compensated absences	9,845	2,585	12,430
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>\$ 1,351,951</u>	 <u>\$ 27,912</u>	 <u>\$ 1,379,863</u>

## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or other governments, on a cost reimbursement basis.

### **CENTRAL EQUIPMENT AGENCY**

To account for the user fees and costs associated with the acquisition, operation and maintenance of various City-owned vehicles and equipment.

### **RISK MANAGEMENT**

To account for the user fees and costs associated with providing insurance and risk protection services to the organization and agencies of the City. All user charges and expenses necessary to provide such services are accounted for in this fund.

**CITY OF APPLETON**

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS  
December 31, 2006

	Central Equipment Agency	Insurance	Totals
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 270,030	\$ 1,762,764	\$ 2,032,794
Other receivable	11,159	280	11,439
Inventories	<u>46,522</u>	<u>-</u>	<u>46,522</u>
Total Current Assets	<u>327,711</u>	<u>1,763,044</u>	<u>2,090,755</u>
Non-Current Assets			
Restricted Assets			
Investment in WMIC	-	2,020,950	2,020,950
Receivable from mutual insurance company	-	48,355	48,355
Capital Assets			
Construction in progress	1,366	-	1,366
Equipment	1,554,132	-	1,554,132
Vehicles	19,448,496	-	19,448,496
Less: Accumulated depreciation	<u>(11,676,089)</u>	<u>-</u>	<u>(11,676,089)</u>
Total Non-Current Assets	<u>9,327,905</u>	<u>2,069,305</u>	<u>11,397,210</u>
Total Assets	<u>9,655,616</u>	<u>3,832,349</u>	<u>13,487,965</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	27,492	577	28,069
Compensated absences	40,001	13,510	53,511
Other accrued liabilities	19,166	8,983	28,149
Claims payable	-	1,500,000	1,500,000
Current portion of long-term debt	<u>-</u>	<u>236,791</u>	<u>236,791</u>
Total Current Liabilities	<u>86,659</u>	<u>1,759,861</u>	<u>1,846,520</u>
Noncurrent Liabilities			
Compensated absences	<u>36,522</u>	<u>-</u>	<u>36,522</u>
Total Noncurrent Liabilities	<u>36,522</u>	<u>-</u>	<u>36,522</u>
Total Liabilities	<u>123,181</u>	<u>1,759,861</u>	<u>1,883,042</u>
<b>NET ASSETS</b>			
Invested in capital assets	9,327,905	-	9,327,905
Unrestricted	<u>204,530</u>	<u>2,072,488</u>	<u>2,277,018</u>
TOTAL NET ASSETS	<u>\$ 9,532,435</u>	<u>\$ 2,072,488</u>	<u>\$ 11,604,923</u>

## CITY OF APPLETON

### COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS For the Year Ended December 31, 2006

	Central Equipment Agency	Insurance	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,159,890	\$ 561,768	\$ 2,721,658
Other	6,530	251,571	258,101
Total Operating Revenue	2,166,420	813,339	2,979,759
<b>OPERATING EXPENSES</b>			
Operation and maintenance	2,278,987	1,083,196	3,362,183
Depreciation	1,621,850	-	1,621,850
Total Operating Expenses	3,900,837	1,083,196	4,984,033
Operating Loss	(1,734,417)	(269,857)	(2,004,274)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	5,038	53,768	58,806
Interest expense	-	(25,318)	(25,318)
Gain on the sale of capital assets	186,134	-	186,134
Loss on investment in WMIC	-	(37,190)	(37,190)
Other	8,793	820	9,613
Total Nonoperating Revenues (Expenses)	199,965	(7,920)	192,045
Income (Loss) Before Contributions	(1,534,452)	(277,777)	(1,812,229)
Capital contributions	1,882,814	-	1,882,814
Change in Net Assets	348,362	(277,777)	70,585
TOTAL NET ASSETS - Beginning	9,184,073	2,350,265	11,534,338
TOTAL NET ASSETS - ENDING	\$ 9,532,435	\$ 2,072,488	\$ 11,604,923

**CITY OF APPLETON**

COMBINING STATEMENT OF CASH FLOWS  
ALL INTERNAL SERVICE FUNDS  
For the Year Ended December 31, 2006

	Central Equipment Agency	Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers	\$ 2,175,414	\$ 915,811	\$ 3,091,225
Paid to suppliers for goods and services	(1,371,990)	(819,127)	(2,191,117)
Paid to employees for services	(920,644)	(264,575)	(1,185,219)
Net Cash Flows From Operating Activities	<u>(117,220)</u>	<u>(167,891)</u>	<u>(285,111)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Principal payments on note payable	-	(216,899)	(216,899)
Interest paid on note payable	-	(30,036)	(30,036)
Net Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>(246,935)</u>	<u>(246,935)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of capital assets	312,314	-	312,314
Net Cash Flows From Capital and Related Financing Activities	<u>312,314</u>	<u>-</u>	<u>312,314</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	5,038	53,768	58,806
Net Cash Flows From Investing Activities	<u>5,038</u>	<u>53,768</u>	<u>58,806</u>
Net Increase (Decrease) in Cash and Cash Equivalents	200,132	(361,058)	(160,926)
CASH AND CASH EQUIVALENTS - Beginning of Year	69,898	2,123,822	2,193,720
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 270,030</u>	<u>\$ 1,762,764</u>	<u>\$ 2,032,794</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating loss	\$ (1,734,417)	\$ (269,857)	\$ (2,004,274)
Adjustments to reconcile income (loss) to net cash flows from operating activities:			
Non-operating income	8,793	820	9,613
Depreciation	1,621,850	-	1,621,850
Change in assets and liabilities:			
Other accounts receivable	201	1,652	1,853
Inventories	(6,773)	-	(6,773)
Accounts payable	5,574	(1,116)	4,458
Accrued liabilities	715	377	1,092
Accrued compensated absences	(13,163)	233	(12,930)
Claims payable	-	100,000	100,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (117,220)</u>	<u>\$ (167,891)</u>	<u>\$ (285,111)</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contributed property and equipment	<u>\$ 1,882,814</u>	<u>\$ -</u>	<u>\$ 1,882,814</u>

## **FIDUCIARY FUND**

### **AGENCY FUNDS**

Accounts for resources held by the City in a purely custodial capacity (assets equal liabilities).

### **TAX COLLECTION FUND**

To account for the City's collection of property taxes and the corresponding liability to other governmental units.

## CITY OF APPLETON

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND For the Year Ended December 31, 2006

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	<u>Balance 1-1-06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12-31-06</u>
<b>TAX COLLECTIONS</b>				
<b>Assets</b>				
Cash and investments	\$ 41,840,108	\$ 37,777,918	\$ 41,840,108	\$ 37,777,918
Property taxes receivable	<u>14,862,405</u>	<u>19,402,259</u>	<u>14,862,405</u>	<u>19,402,259</u>
<b>TOTAL ASSETS</b>	<u>\$ 56,702,513</u>	<u>\$ 57,180,177</u>	<u>\$ 56,702,513</u>	<u>\$ 57,180,177</u>
<b>Liabilities</b>				
Due to other taxing authorities	\$ 56,626,719	\$ 57,104,874	\$ 56,626,719	\$ 57,104,874
Accounts payable	<u>75,794</u>	<u>75,303</u>	<u>75,794</u>	<u>75,303</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 56,702,513</u>	<u>\$ 57,180,177</u>	<u>\$ 56,702,513</u>	<u>\$ 57,180,177</u>

STATISTICAL  
SECTION

**Schedule 1**  
**City of Appleton**  
**Net Assets by Component**  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities</b>				
Invested in Capital Assets, net of related debt	\$ 222,306,765	\$ 232,641,235	\$ 240,869,557	\$ 251,427,513
Restricted	218,516	6,429,747	6,796,749	6,868,633
Unrestricted	<u>(4,087,925)</u>	<u>(13,022,089)</u>	<u>6,092,284</u>	<u>5,749,677</u>
Total Governmental Activities Net Assets	218,437,356	226,048,893	253,758,590	264,045,823
<b>Business-type Activities</b>				
Invested in Capital Assets, net of related debt	148,565,590	164,337,658	171,026,349	178,165,977
Restricted	9,927,016	10,482,382	10,852,698	9,249,057
Unrestricted	<u>35,042,798</u>	<u>25,205,527</u>	<u>12,692,909</u>	<u>11,951,190</u>
Total Business-type Activities Net Assets	193,535,404	200,025,567	194,571,956	199,366,224
<b>Primary Government</b>				
Invested in Capital Assets, net of related debt	370,872,355	396,978,893	410,473,911	425,890,500
Restricted	10,145,532	16,912,129	17,649,447	16,117,690
Unrestricted	<u>30,954,873</u>	<u>12,183,438</u>	<u>20,207,188</u>	<u>21,403,857</u>
Total Primary Government Net Assets	<u>\$ 411,972,760</u>	<u>\$ 426,074,460</u>	<u>\$ 448,330,546</u>	<u>\$ 463,412,047</u>

Note: Appleton began to report accrual information with the implementation of GASB Statement # 34 in 2003.

**Schedule 2**  
**City of Appleton**  
**Changes in Net Assets**  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General Government	\$ 6,492,619	\$ 6,419,439	\$ 6,945,784	\$ 6,791,974
Public Safety	22,639,969	23,575,858	24,424,002	24,478,781
Public Works	15,379,335	15,521,570	16,935,291	16,394,553
Education & Recreation	8,820,286	8,667,868	8,706,013	8,827,228
Community Development	4,356,058	2,450,493	2,532,059	2,300,154
Interest	<u>4,080,710</u>	<u>3,983,171</u>	<u>2,070,103</u>	<u>4,731,390</u>
Total Governmental Activities	61,768,977	60,618,399	61,613,252	63,524,080
<b>Business-type Activities</b>				
Water	11,436,383	11,384,777	12,075,437	13,734,286
Wastewater	10,442,858	10,901,021	10,714,320	10,527,573
Valley Transit	5,951,388	6,454,888	6,577,385	6,884,932
Stormwater	3,032,606	3,974,123	4,347,493	4,711,912
Other non-major enterprise funds	<u>2,507,622</u>	<u>2,482,916</u>	<u>2,454,170</u>	<u>2,482,848</u>
Total Business-type Activities	<u>33,370,857</u>	<u>35,197,725</u>	<u>36,168,805</u>	<u>38,341,551</u>
Total - Primary Government	<u>\$ 95,139,834</u>	<u>\$ 95,816,124</u>	<u>\$ 97,782,057</u>	<u>\$ 101,865,631</u>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Service	\$ 4,945,020	\$ 4,285,207	\$ 4,195,931	\$ 4,629,519
Operating Grants & Contributions	2,320,915	2,470,595	2,984,118	2,986,715
Capital Grants & Contributions	<u>4,416,370</u>	<u>7,176,121</u>	<u>6,861,161</u>	<u>6,332,043</u>
Total Governmental Activities	11,682,305	13,931,923	14,041,210	13,948,277
<b>Business-type Activities</b>				
Charges for Service				
Water	14,503,814	14,143,690	14,251,543	14,373,765
Wastewater	8,381,938	8,153,375	7,942,307	9,684,273
Valley Transit	845,530	899,244	983,778	1,136,722
Stormwater	3,102,677	3,835,617	3,933,221	5,713,662
Other non-major enterprise funds	<u>2,566,566</u>	<u>2,575,747</u>	<u>2,593,791</u>	<u>2,847,392</u>
Operating Grants & Contributions	4,355,203	4,560,499	4,401,611	4,599,362
Capital Grants & Contributions	<u>4,345,345</u>	<u>7,303,800</u>	<u>4,995,504</u>	<u>4,094,711</u>
Total Business-type Activities	<u>38,101,073</u>	<u>41,471,972</u>	<u>39,101,755</u>	<u>42,449,887</u>
Total - Primary Government	<u>\$ 49,783,378</u>	<u>\$ 55,403,895</u>	<u>\$ 53,142,965</u>	<u>\$ 56,398,164</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	(50,086,672)	(46,686,476)	(47,572,042)	(49,575,803)
Business-Type Activities	<u>4,730,216</u>	<u>6,274,247</u>	<u>2,932,950</u>	<u>4,108,336</u>
Total Primary Government Net Assets	<u>\$ (45,356,456)</u>	<u>\$ (40,412,229)</u>	<u>\$ (44,639,092)</u>	<u>\$ (45,467,467)</u>

**Schedule 2 (cont)**  
**City of Appleton**  
**Changes in Net Assets**  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues & Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property Taxes	32,614,255	32,883,651	34,909,951	36,843,733
Other Taxes	866,069	1,195,606	1,060,335	790,509
Intergovernmental revenues not restricted to specific programs	17,271,606	16,084,242	16,015,538	16,833,670
Investment income	2,030,374	2,182,845	1,682,999	5,470,655
Gain (Loss) on the sale of assets	206,811	135,307	2,255,997	532,942
Miscellaneous	568,296	1,224,976	790,190	-
Transfers	<u>641,359</u>	<u>591,386</u>	<u>11,918,030</u>	<u>836,691</u>
Total general revenues and transfers	54,198,770	54,298,013	68,633,040	61,308,200
Business-type Activities				
Investment income	1,142,573	788,552	791,730	1,452,672
Gain (Loss) on the sale of assets	(3,206)	-	-	-
Miscellaneous	8,940	18,750	11,816	68,918
Transfers	<u>(641,359)</u>	<u>(591,386)</u>	<u>(11,918,030)</u>	<u>(836,691)</u>
Total Business-type Activities	506,948	215,916	(11,114,484)	684,899
Total Primary Government	<u>\$ 54,705,718</u>	<u>\$ 54,513,929</u>	<u>\$ 57,518,556</u>	<u>\$ 61,993,099</u>
Change in Net Assets				
Governmental Activities:	\$ 4,112,098	\$ 7,611,537	\$ 21,060,998	\$ 11,732,397
Business-type Activities	<u>5,237,164</u>	<u>6,490,163</u>	<u>(8,181,534)</u>	<u>4,793,235</u>
Total Primary Government	<u>\$ 9,349,262</u>	<u>\$ 14,101,700</u>	<u>\$ 12,879,464</u>	<u>\$ 16,525,632</u>

Note: Appleton began to report accrual information with the implementation of GASB Statement # 34 in 2003.

**Schedule 3**  
**City of Appleton**  
**Program Revenues by Function/Program**  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Function/Program				
Governmental Activities:				
General Government	\$ 252,984	\$ 560,841	\$ 551,625	\$ 922,350
Public Safety	1,719,607	1,869,967	2,059,771	2,020,978
Public Works	6,064,272	8,825,461	8,363,126	7,513,891
Education & Recreation	1,636,676	1,645,419	1,690,834	1,623,161
Community Development	<u>2,008,766</u>	<u>1,030,235</u>	<u>1,375,854</u>	<u>1,867,897</u>
Total Governmental Activities	11,682,305	13,931,923	14,041,210	13,948,277
Business-type Activities				
Water	15,516,139	15,087,868	15,044,585	14,865,848
Wastewater	9,227,688	9,273,617	9,353,598	10,907,330
Valley Transit	5,159,558	8,957,170	6,514,788	6,192,470
Stormwater	5,631,122	5,577,570	5,594,993	7,636,847
Other non-major enterprise funds	<u>2,566,566</u>	<u>2,575,747</u>	<u>2,593,791</u>	<u>2,847,392</u>
Total Business-type Activities	<u>38,101,073</u>	<u>41,471,972</u>	<u>39,101,755</u>	<u>42,449,887</u>
Total - Primary Government	<u>\$ 49,783,378</u>	<u>\$ 55,403,895</u>	<u>\$ 53,142,965</u>	<u>\$ 56,398,164</u>

**Schedule 4**  
**City of Appleton**  
**Fund Balances, Governmental Funds**  
(modified accrual basis of accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Fund</b>										
Reserved for:										
Inventories	\$ 507,439	\$ 465,231	\$ 385,886	\$ 355,214	\$ 434,194	\$ 443,632	\$ 730,647	\$ 624,307	\$ 631,367	\$ 598,994
Prepaid items	233,040	211,069	76,069	37,832	18,098	40,342	231,697	37,156	15,564	9,792
Noncurrent receivables/advances	11,763,065	12,544,043	12,534,168	12,521,578	12,510,912	11,801,779	10,793,361	11,706,947	11,193,955	10,609,275
Encumbrances	856,887	1,262,590	1,202,854	1,477,769	1,521,057	2,269,780	2,665,155	1,386,837	1,281,556	2,071,583
Unreserved	<u>17,686,386</u>	<u>16,503,259</u>	<u>15,653,472</u>	<u>15,173,394</u>	<u>15,398,336</u>	<u>16,586,914</u>	<u>15,801,906</u>	<u>15,098,001</u>	<u>18,495,639</u>	<u>20,150,224</u>
Total General Fund	\$ <u>31,046,817</u>	\$ <u>30,986,192</u>	\$ <u>29,852,449</u>	\$ <u>29,565,787</u>	\$ <u>29,882,597</u>	\$ <u>31,142,447</u>	\$ <u>30,222,766</u>	\$ <u>28,853,248</u>	\$ <u>31,618,081</u>	\$ <u>33,439,868</u>
<b>All Other Governmental Funds</b>										
Reserved for:										
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,614	\$ -	\$ -	\$ 313,569
Debt service <sup>(1)</sup>	12,490,749	3,459,712	2,549,859	1,571,943	899,984	152,081	218,516	1,308,374	1,187,549	986,156
Encumbrances	-	4,734,271	474,236	712	2,556,635	803,204	1,437,827	1,327,663	4,058,957	2,686,620
Trust purposes <sup>(2)</sup>	13,144	13,133	11,376	12,419	13,231	15,423	15,922	15,703	16,070	16,364
Unreserved, reported in:										
Special revenue funds	(8,058,689)	(7,472,112)	(13,687,150)	(11,789,016)	(11,907,738)	(10,768,430)	(29,686,303)	(32,061,055)	(14,206,164)	(10,447,261)
Capital projects funds	<u>(2,556,029)</u>	<u>602,454</u>	<u>833,138</u>	<u>(3,319,324)</u>	<u>(2,974,667)</u>	<u>(8,387,804)</u>	<u>11,644,012</u>	<u>11,461,170</u>	<u>13,252,019</u>	<u>8,186,649</u>
Total All Other Governmental Funds	<u>1,889,175</u>	<u>1,337,458</u>	<u>(9,818,541)</u>	<u>(13,523,266)</u>	<u>(11,412,555)</u>	<u>(18,185,526)</u>	<u>(16,287,412)</u>	<u>(17,948,145)</u>	<u>4,308,431</u>	<u>1,742,097</u>
<b>Total Governmental Funds</b>	\$ <u>32,935,992</u>	\$ <u>32,323,650</u>	\$ <u>20,033,908</u>	\$ <u>16,042,521</u>	\$ <u>18,470,042</u>	\$ <u>12,956,921</u>	\$ <u>13,935,354</u>	\$ <u>10,905,103</u>	\$ <u>35,926,512</u>	\$ <u>35,181,965</u>

**Notes:**

- <sup>1</sup>. General Obligation debt issued for Reid Golf Course and the Water, Wastewater and Stormwater Utilities (enterprise funds) was recorded in the Long- Term Debt group in 1997 in the amount of \$6,799,521.
- <sup>2</sup>. This presentation shows non-expendable fiduciary funds for all years as Trust Purposes. With the adoption of GASB # 34 in 2003, expendable fiduciary funds were re-classified as special revenue funds and, to be consistent, we have re-classified years 1997 - 2002.

**Schedule 5**  
**City of Appleton**  
**Changes in Fund Balances, Governmental Funds**  
(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>REVENUES</b>										
Taxes	\$ 28,272,112	\$ 28,484,660	\$ 29,063,804	\$ 29,058,416	\$ 30,997,028	\$ 33,099,823	\$ 33,480,323	\$ 34,079,257	\$ 35,970,286	\$ 37,634,241
Intergovernmental	17,299,265	17,748,956	17,376,711	20,316,452	19,105,737	19,683,745	19,926,685	18,663,193	19,211,564	19,671,713
Licenses and permits	682,340	732,758	702,779	750,035	791,011	884,000	857,425	855,231	921,707	938,603
Fines and forfeitures	473,981	449,152	417,360	444,667	550,333	355,125	277,692	281,958	251,401	271,530
Special assessments	2,094,959	3,298,685	3,318,367	2,163,984	3,242,590	3,705,450	2,393,102	2,504,028	2,557,843	2,667,675
Investment income	2,688,001	2,872,649	2,010,886	3,523,432	2,820,965	2,382,965	788,177	2,635,922	3,301,704	4,541,476
Charges for services	1,911,250	2,116,351	1,957,681	2,073,791	2,373,079	2,317,445	2,541,086	2,329,281	2,238,306	2,019,299
Other	1,228,154	1,840,916	1,313,785	2,765,278	3,140,818	2,672,953	2,784,593	2,976,130	2,989,714	3,393,516
<b>Total Revenues</b>	<b>54,650,062</b>	<b>57,544,127</b>	<b>56,161,373</b>	<b>61,096,055</b>	<b>63,021,561</b>	<b>65,101,506</b>	<b>63,049,083</b>	<b>64,325,000</b>	<b>67,442,525</b>	<b>71,138,053</b>
<b>EXPENDITURES</b>										
Current:										
General government	10,405,428	7,722,163	5,478,419	5,784,192	5,845,365	6,251,609	6,126,494	6,168,655	6,660,800	6,573,075
Public safety	16,387,158	16,853,419	17,626,422	18,771,270	20,334,106	21,174,302	22,074,301	22,986,627	23,539,036	23,884,518
Public works	12,827,537	12,904,735	12,966,175	12,645,998	13,233,142	12,629,782	12,909,444	13,660,780	13,486,345	13,236,170
Education and recreation	6,342,352	6,449,693	6,680,548	7,250,491	7,888,695	8,027,742	8,374,430	8,040,579	8,113,321	8,442,800
Community development	2,343,603	2,844,169	2,584,193	3,172,604	2,631,857	2,757,170	2,987,427	3,072,314	3,183,793	2,507,602
Capital Outlay	8,813,506	10,274,001	5,995,217	15,952,220	11,208,473	15,056,988	8,467,483	7,000,266	8,264,711	10,762,860
Debt Service:										
Principal retirement	6,208,180	7,456,688	8,242,988	6,131,943	6,322,600	7,149,027	5,388,571	5,746,890	5,708,427	9,333,847
Interest and fiscal charges	2,280,669	2,328,895	11,448,484	3,247,678	3,617,391	3,692,094	4,076,244	3,939,715	(1,836,951)	4,646,345
<b>Total Expenditures</b>	<b>65,608,433</b>	<b>66,833,763</b>	<b>71,022,446</b>	<b>72,956,396</b>	<b>71,081,629</b>	<b>76,738,714</b>	<b>70,404,394</b>	<b>70,615,826</b>	<b>67,119,482</b>	<b>79,387,217</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(10,958,371)</b>	<b>(9,289,636)</b>	<b>(14,861,073)</b>	<b>(11,860,341)</b>	<b>(8,060,068)</b>	<b>(11,637,208)</b>	<b>(7,355,311)</b>	<b>(6,290,826)</b>	<b>323,043</b>	<b>(8,249,164)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Debt issued	7,070,000	8,125,716	4,780,000	10,465,000	9,823,639	10,530,000	4,312,743	1,099,352	12,246,220	5,180,387
Premium on debt issued	-	-	-	-	-	-	-	-	133,344	886
Refunding debt issued	-	9,570,105	-	-	-	-	-	-	-	-
Payments to escrow agents	-	(9,468,197)	-	-	-	-	-	-	(5,240,154)	-
Sale of city properties	145,075	413,341	1,124,747	382,082	740,827	1,741,379	683,294	1,683,147	4,376,356	605,603
Transfers in	9,350,207	6,237,517	7,535,326	13,416,867	6,894,729	7,400,967	27,505,734	7,399,121	20,744,753	10,713,616
Transfers out	(8,244,763)	(6,531,681)	(7,696,381)	(12,939,219)	(11,303,124)	(9,454,864)	(26,888,823)	(6,875,712)	(7,562,153)	(8,995,875)
<b>Total Other Financing Sources (Uses)</b>	<b>8,320,519</b>	<b>8,346,801</b>	<b>5,743,692</b>	<b>11,324,730</b>	<b>6,156,071</b>	<b>10,217,482</b>	<b>5,612,948</b>	<b>3,305,908</b>	<b>24,698,366</b>	<b>7,504,617</b>
<b>Net Change in Fund Balances</b>	<b>(2,637,852)</b>	<b>(942,835)</b>	<b>(9,117,381)</b>	<b>(535,611)</b>	<b>(1,903,997)</b>	<b>(1,419,726)</b>	<b>(1,742,363)</b>	<b>(2,984,918)</b>	<b>25,021,409</b>	<b>(744,547)</b>
<b>FUND BALANCES (DEFICIT) - Beginning (as restated)</b>	<b>31,234,593*</b>	<b>28,596,741</b>	<b>27,653,906</b>	<b>18,536,525</b>	<b>18,000,914</b>	<b>16,096,917</b>	<b>15,677,717</b>	<b>13,890,021</b>	<b>10,905,103</b>	<b>35,926,512</b>
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<b>\$ 28,596,741</b>	<b>\$ 27,653,906</b>	<b>\$ 18,536,525</b>	<b>\$ 18,000,914</b>	<b>\$ 16,096,917</b>	<b>\$ 14,677,191</b>	<b>\$ 13,935,354</b>	<b>\$ 10,905,103</b>	<b>\$ 35,926,512</b>	<b>\$ 35,181,965</b>

\* Balance restated

Debt service as a percent of non-capital expenditures <sup>(1)</sup>	18.9%	22.4%	45.8%	21.1%	21.6%	23.4%	19.1%	20.7%	7.1%	27.1%
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1. Prior to the implementation of GASB 34 in 2003, non-capital expenditures consist of current expenditures for General government, Public safety, Public works, Education and recreation, and Community development, less any assets recorded in the General Fixed Asset Account Group. Beginning in 2003, non-capital expenditures excludes all expenditures on infrastructure (streets, sidewalks, bridges, etc.) as well.

**Schedule 6**  
**City of Appleton**  
**Assessed Value and Estimated Actual Value (Equalized Value) of Taxable Property**

<u>Levy Year</u>	<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Agricultural Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Value</u> <sup>A</sup>	<u>Total Direct Tax Rate</u> <sup>B</sup>	<u>Estimated Actual Taxable Value</u> <sup>C</sup>	<u>Assessed as Percent of Estimated Actual Value</u>
1996	1997	1,800,169,200	487,973,100	113,756,500	468,900	140,395,290	2,542,762,990	10.1481	2,573,762,200	98.80%
1997	1998	1,833,725,200	506,216,900	116,506,300	468,900	148,215,360	2,605,132,660	9.9245	2,710,599,200	96.11%
1998	1999	1,996,836,800	531,975,000	124,618,200	566,900	152,032,100	2,806,029,000	9.2911	2,810,931,700	99.83%
1999	2000	2,044,483,900	543,116,200	129,654,100	698,800	122,100,880	2,840,053,880	9.0590	2,922,765,600	97.17%
2000	2001	2,105,737,900	590,221,200	141,614,500	197,100	123,588,300	2,961,359,000	9.2553	3,085,147,000	95.99%
2001	2002	2,172,020,300	619,288,000	145,306,900	97,700	126,098,150	3,062,811,050	9.4367	3,257,173,800	94.03%
2002	2003	2,538,529,000	645,168,800	158,744,000	20,400	123,458,191	3,465,920,391	8.5695	3,484,190,400	99.48%
2003	2004	2,599,645,900	693,289,600	163,630,500	140,400	118,638,100	3,575,344,500	8.3167	3,640,419,000	98.21%
2004	2005	2,669,283,400	756,401,000	153,906,600	134,200	114,535,530	3,694,260,730	8.5035	3,897,467,400	94.79%
2005	2006	2,754,366,400	854,361,200	143,387,200	229,600	122,876,400	3,875,220,800	8.4351	4,168,388,400	92.97%
2006	2007	3,223,179,200	895,088,600	155,893,700	160,700	129,273,600	4,403,595,800	7.6845	4,350,186,400	101.23%

<sup>A.</sup> Source: Wisconsin Department of Revenue, Final Statement of Assessment. The values shown include TIF districts.

<sup>B.</sup> Source: City of Appleton Budget and Service Plan. The rate shown is for properties in Outagamie County and served by the Appleton Area School District.

<sup>C.</sup> Source: Wisconsin Department of Revenue, County Equalization Report.

**Notes:**

Property in the City of Appleton is reassessed every four to five years on average, with the goal of assessing it at 100% of market value. Between major reassessments, property values are updated based on sales of comparable properties.

**Schedule 7  
CITY OF APPLETON  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Fiscal Years

OUTAGAMIE COUNTY/APPLETON AREA SCHOOL DISTRICT

Per \$1,000 of Assessed Value

Levy	Collection	Basic	G.O. Debt	City of Appleton	Appleton School		Outagamie	Sanitary	State of	Gross Tax	State Tax	Net Tax
<u>Year</u>	<u>Year</u>	<u>Rate</u>	<u>Service</u>	<u>Direct Rate</u> <sup>(2)</sup>	<u>District</u>	<u>FVTC</u>	<u>County</u>	<u>District</u> <sup>(1)</sup>	<u>Wisconsin</u>	<u>Rate</u>	<u>Credits</u>	<u>Rate</u>
1997	1998	\$ 8.37	\$ 1.55	\$ 9.92	\$ 9.57	\$ 1.76	\$ 4.91	\$ -	\$ 0.21	\$ 26.37	\$ 1.99	\$ 24.38
1998	1999	8.09	1.20	9.29	10.36	1.82	4.69	-	0.20	26.36	1.70	24.66
1999	2000	8.19	0.87	9.06	10.07	1.87	4.76	-	0.21	25.97	1.60	24.37
2000	2001	8.22	1.03	9.25	10.12	1.94	5.03	-	0.21	26.55	1.54	25.01
2001	2002	8.41	1.03	9.44	9.52	2.01	5.36	-	0.21	26.54	1.52	25.02
2002	2003	7.68	0.89	8.57	8.63	1.89	4.85	-	0.20	24.14	1.29	22.85
2003	2004	7.46	0.86	8.32	8.83	1.83	4.72	-	0.20	23.90	1.21	22.69
2004	2005	7.66	0.84	8.50	8.92	1.82	4.73	-	0.21	24.18	1.13	23.05
2005	2006	7.63	0.81	8.44	8.94	1.83	4.74	-	0.20	24.15	1.06	23.09
2006	2007	6.95	0.73	7.68	7.95	1.65	4.25	-	0.17	21.70	1.18	20.52

OUTAGAMIE COUNTY/MENASHA SCHOOL DISTRICT

Per \$1,000 of Assessed Value

Levy	Collection	Basic	G.O. Debt	City of Appleton	Menasha School		Outagamie	Sanitary	State of	Gross Tax	State Tax	Net Tax
<u>Year</u>	<u>Year</u>	<u>Rate</u>	<u>Service</u>	<u>Direct Rate</u> <sup>(2)</sup>	<u>District</u>	<u>FVTC</u>	<u>County</u>	<u>District</u> <sup>(1)</sup>	<u>Wisconsin</u>	<u>Rate</u>	<u>Credits</u>	<u>Rate</u>
1997	1998	\$ 8.37	\$ 1.56	\$ 9.93	\$ 10.04	\$ 1.76	\$ 4.91	\$ 1.30	\$ 0.21	\$ 28.15	\$ 1.99	\$ 26.16
1998	1999	8.09	1.20	9.29	5.98	1.82	4.69	1.62	0.20	23.60	1.70	21.90
1999	2000	8.19	0.87	9.06	9.48	1.87	4.76	-	0.21	25.38	1.60	23.78
2000	2001	8.22	1.03	9.25	9.79	1.94	5.03	-	0.21	26.22	1.54	24.68
2001	2002	8.41	1.03	9.44	10.27	2.01	5.36	-	0.21	27.29	1.52	25.77
2002	2003	7.68	0.89	8.57	9.50	1.89	4.85	-	0.20	25.01	1.29	23.72
2003	2004	7.46	0.86	8.32	9.70	1.83	4.72	-	0.20	24.77	1.21	23.56
2004	2005	7.66	0.84	8.50	9.98	1.82	4.73	-	0.21	25.24	1.13	24.11
2005	2006	7.63	0.81	8.44	9.37	1.83	4.74	-	0.20	24.58	1.06	23.52
2006	2007	6.95	0.73	7.68	8.76	1.65	4.25	-	0.17	22.51	1.18	21.33

Note: 1997 Levy Year is the first year Outagamie County had property apportioned within Menasha School District.

(Continued)

**Schedule 7  
CITY OF APPLETON  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (Continued)**

Last Ten Fiscal Years

**OUTAGAMIE COUNTY/FREEDOM SCHOOL DISTRICT**

Per \$1,000 of Assessed Value

Levy	Collection	Basic	G.O. Debt	City of Appleton	Freedom School	FVTC	Outagamie County	Sanitary District <sup>(1)</sup>	State of Wisconsin	Gross Tax Rate	State Tax Credits	Net Tax Rate
<u>Year</u>	<u>Year</u>	<u>Rate</u>	<u>Service</u>	<u>Direct Rate <sup>(2)</sup></u>	<u>District</u>							
1997	1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1998	1999	-	-	-	-	-	-	-	-	-	-	-
1999	2000	-	-	-	-	-	-	-	-	-	-	-
2000	2001	-	-	-	-	-	-	-	-	-	-	-
2001	2002	-	-	-	-	-	-	-	-	-	-	-
2002	2003	-	-	-	-	-	-	-	-	-	-	-
2003	2004	7.46	0.86	8.32	9.47	1.83	4.72	-	0.20	24.54	1.21	23.33
2004	2005	7.66	0.84	8.50	9.62	1.82	4.73	-	0.21	24.88	1.13	23.75
2005	2006	7.63	0.81	8.44	9.01	1.83	4.74	-	0.20	24.22	1.06	23.16
2006	2007	6.95	0.73	7.68	7.88	1.65	4.25	-	0.17	21.63	1.18	20.46 *

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**CALUMET COUNTY/APPLETON AREA SCHOOL DISTRICT**

Per \$1,000 of Assessed Value

Levy	Collection	Basic	G.O. Debt	City of Appleton	Appleton School	FVTC	Calumet County	Sanitary District <sup>(1)</sup>	State of Wisconsin	Gross Tax Rate	State Tax Credits	Net Tax Rate
<u>Year</u>	<u>Year</u>	<u>Rate</u>	<u>Service</u>	<u>Direct Rate <sup>(2)</sup></u>	<u>District</u>							
1997	1998	\$ 8.20	\$ 1.52	\$ 9.72	\$ 9.37	\$ 1.73	\$ 4.72	\$ -	\$ 0.20	\$ 25.74	\$ 1.95	\$ 23.79
1998	1999	8.02	1.19	9.21	10.30	1.80	4.38	-	0.20	25.89	1.73	24.16
1999	2000	8.05	0.85	8.90	9.89	1.83	4.31	-	0.20	25.13	1.65	23.48
2000	2001	8.02	1.01	9.03	9.87	1.89	4.47	-	0.20	25.46	1.60	23.86
2001	2002	8.26	1.02	9.28	9.36	1.98	5.02	-	0.21	25.85	1.49	24.36
2002	2003	7.52	0.87	8.39	8.44	1.85	4.65	-	0.20	23.53	1.24	22.29
2003	2004	7.49	0.87	8.36	8.88	1.84	4.65	-	0.20	23.93	1.16	22.76
2004	2005	7.68	0.84	8.52	8.93	1.82	4.66	-	0.21	24.14	1.09	23.05
2005	2006	7.54	0.80	8.34	8.85	1.81	4.50	-	0.20	23.70	1.04	22.66
2006	2007	7.02	0.73	7.75	8.01	1.67	4.05	-	0.17	21.65	1.16	20.48 *

Note: 2003 Levy Year is the first year Outagamie County had property apportioned within the Freedom School District.

\* Net tax rate not equal to sum of components due to rounding.

(Continued)

**Schedule 7  
CITY OF APPLETON  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (Continued)**

Last Ten Fiscal Years

**CALUMET COUNTY/KIMBERLY AREA SCHOOL DISTRICT**

Per \$1,000 of Assessed Value

Levy	Collection	Basic	G.O. Debt	City of Appleton	Kimberly School	FVTC	Calumet County	Sanitary District <sup>(1)</sup>	State of Wisconsin	Gross Tax Rate	State Tax Credits	Net Tax Rate
<u>Year</u>	<u>Year</u>	<u>Rate</u>	<u>Service</u>	<u>Direct Rate</u> <sup>(2)</sup>	<u>District</u>		<u>County</u>	<u>District</u> <sup>(1)</sup>	<u>Wisconsin</u>	<u>Rate</u>	<u>Credits</u>	<u>Rate</u>
1997	1998	\$ 8.20	\$ 1.52	\$ 9.72	\$ 10.62	\$ 1.73	\$ 4.72	\$ -	\$ 0.20	\$ 26.99	\$ 1.95	\$ 25.04
1998	1999	8.02	1.19	9.21	7.83	1.80	4.38	-	0.20	23.42	1.73	21.69
1999	2000	8.05	0.85	8.90	11.88	1.83	4.31	-	0.20	27.12	1.65	25.47
2000	2001	8.02	1.01	9.03	11.12	1.89	4.47	-	0.20	26.71	1.60	25.11
2001	2002	8.26	1.02	9.28	10.75	1.98	5.02	-	0.21	27.24	1.49	25.75
2002	2003	7.52	0.87	8.39	9.97	1.85	4.65	-	0.20	25.06	1.24	23.82
2003	2004	7.49	0.87	8.36	9.87	1.84	4.65	-	0.20	24.92	1.16	23.76
2004	2005	7.68	0.84	8.52	10.10	1.82	4.66	-	0.21	25.31	1.09	24.22
2005	2006	7.54	0.80	8.34	9.68	1.81	4.50	-	0.20	24.53	1.04	23.49
2006	2007	7.02	0.73	7.75	9.53	1.67	4.05	-	0.17	23.17	1.16	22.00 *

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**WINNEBAGO COUNTY/APPLETON AREA SCHOOL DISTRICT**

Per \$1,000 of Assessed Value

Levy	Collection	Basic	G.O. Debt	City of Appleton	Appleton School	FVTC	Winnebago County	Sanitary District <sup>(1)</sup>	State of Wisconsin	Gross Tax Rate	State Tax Credits	Net Tax Rate
<u>Year</u>	<u>Year</u>	<u>Rate</u>	<u>Service</u>	<u>Direct Rate</u> <sup>(2)</sup>	<u>District</u>		<u>County</u>	<u>District</u> <sup>(1)</sup>	<u>Wisconsin</u>	<u>Rate</u>	<u>Credits</u>	<u>Rate</u>
1997	1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1998	1999	8.24	1.23	9.47	10.21	1.85	5.05	-	0.20	26.78	1.87	24.91
1999	2000	8.31	0.88	9.19	10.22	1.89	5.18	-	0.21	26.69	1.83	24.86
2000	2001	8.25	1.04	9.29	10.16	1.95	5.28	-	0.21	26.89	1.59	25.30
2001	2002	8.27	1.02	9.29	9.37	1.98	5.64	-	0.21	26.49	1.62	24.87
2002	2003	7.85	0.91	8.76	8.83	1.93	5.62	-	0.21	25.35	1.50	23.85
2003	2004	7.73	0.90	8.63	9.16	1.90	5.60	-	0.21	25.50	1.30	24.20
2004	2005	7.72	0.84	8.56	8.97	1.83	5.72	-	0.21	25.29	1.33	23.96
2005	2006	7.54	0.80	8.34	8.84	1.81	5.64	-	0.20	24.83	1.25	23.58
2006	2007	7.33	0.76	8.09	8.36	1.74	5.55	-	0.18	23.92	1.52	22.40

Note: 1998 Levy Year is the first year Winnebago County had property apportioned within the Appleton School District.

\* Net tax rate not equal to sum of components due to rounding.

(Continued)

**Schedule 7  
CITY OF APPLETON  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (Continued)**

Last Ten Fiscal Years

WINNEBAGO COUNTY/MENASHA JOINT SCHOOL DISTRICT

Per \$1,000 of Assessed Value

Levy Year	Collection Year	Basic Rate	G.O. Debt Service	City of Appleton Direct Rate <sup>(2)</sup>	Menasha School District	FVTC	Winnebago County	Sanitary District <sup>(1)</sup>	State of Wisconsin	Gross Tax Rate	State Tax Credits	Net Tax Rate
1997	1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1998	1999	8.24	1.23	9.47	9.67	1.85	5.05	-	0.20	26.24	1.87	24.37
1999	2000	8.31	0.88	9.19	9.62	1.89	5.18	-	0.21	26.09	1.83	24.26
2000	2001	8.25	1.04	9.29	9.84	1.95	5.28	-	0.21	26.57	1.59	24.98
2001	2002	8.27	1.02	9.29	10.11	1.98	5.64	-	0.21	27.23	1.62	25.61
2002	2003	7.85	0.91	8.76	9.72	1.93	5.62	-	0.21	26.24	1.50	24.74
2003	2004	7.73	0.90	8.63	10.07	1.90	5.60	-	0.21	26.40	1.30	25.10
2004	2005	7.72	0.84	8.56	10.05	1.83	5.72	-	0.21	26.37	1.33	25.04
2005	2006	7.54	0.80	8.34	9.27	1.81	5.64	-	0.20	25.26	1.25	24.01
2006	2007	7.33	0.76	8.09	9.21	1.74	5.55	-	0.18	24.77	1.52	23.25

Note: 1998 Levy Year is the first year Winnebago County had property apportioned within the Menasha School District.

(1) For Levy Years 1992 through 1998, tax levies for the township sanitary districts were included with the tax roll for the properties they served within the City limits. Since the 1999 Levy Year, those levies have been paid directly by the Appleton Utility and all City residents are billed at Appleton Utility rates.

(2) In 1997, the City of Appleton enacted a local ordinance that imposes restraints on the total City levy. The Tax Levy Ordinance limits the increase in the City's tax levy to the rate of change in the Consumer Price Index plus an allowance for growth, adjusted for services transferred to other funding sources, new revenues and one time grant awards. In 2005, the State of Wisconsin imposed a two year limitation on all units of local government. This limit is similar in many respects to the Tax Levy Ordinance, though not identical. Furthermore, the State of Wisconsin, through its Expenditure Restraint Program, distributes a pool of money annually to local governments that meet certain restrictions on the growth of General Fund expenditures. In general, the Expenditure Restraint Program limits the growth of General Fund expenditures to 60% of the percentage of growth in equalized value, up to a maximum of 2%, plus the change in the Consumer Price Index.

**Schedule 8**  
**City of Appleton**  
**Principal Taxpayers, Current Year and Nine Years Prior**

<u>Name</u>	<u>Nature of Business</u>	<u>2006</u>			<u>1997</u>		
		<u>Taxable</u>	<u>Percent</u>	<u>Rank</u>	<u>Taxable</u>	<u>Percent</u>	<u>Rank</u>
		<u>Assessed</u>	<u>of Total</u>		<u>Assessed</u>	<u>of Total</u>	
		<u>Value <sup>(A)</sup></u>	<u>Value <sup>(B)</sup></u>		<u>Value <sup>(A)</sup></u>	<u>Value <sup>(B)</sup></u>	
Winter Properties	Real Estate Development	\$ 33,843,000	0.77	1	\$ 9,434,400	0.36	8
Thomas Wright, et al	Rental Properties	25,473,900	0.58	2			
PRDC Corp.	Real Estate Development	23,238,000	0.53	3			
Pfefferle/Hoffman/Evans	Real Estate Development	22,787,300	0.52	4			
Thrivent/Northmeadows Inv.	Insurance <sup>(C)</sup>	22,706,800	0.52	5	20,539,600	0.79	2
Appleton, Inc. (Appleton Papers)	NCR Paper Products	22,222,400	0.50	6	27,239,800	1.05	1
Oly/Montclair Wis. Hotels	Hotel	17,351,500	0.39	7			
Voith, Inc./Voith Fabrics	Industrial Machines/Papermaker Felts	16,242,400	0.37	8	11,587,100	0.44	8
Eisenhower Properties	Real Estate Development	15,621,300	0.35	9			
Wal-Mart	Retail Store	13,710,500	0.31	10			
VH Enterprises/Warehouse Specialist	Warehouse Storage				13,167,900	0.51	7
Secura Insurance	Insurance				14,491,500	0.56	6
Guardian Life Insurance	Insurance				14,976,400	0.57	4
Miller Electric Mfg.	Electric Arc Welders				17,195,900	0.66	3
Bergstrom	Hotel & Auto Dealership				14,923,800	0.57	5
NF (Nash Finch) Properties	Wholesale Foods				9,357,700	0.36	10
	<b>TOTAL</b>	<b>\$ 213,197,100</b>	<b>4.84</b>		<b>\$ 152,914,100</b>	<b>5.87</b>	

<sup>(A)</sup> Per City Assessor's records.

<sup>(B)</sup> Based on the city's total January 1, 2006 and 1997 assessed valuation of \$4,402,624,401 and \$2,605,132,660, respectively, including personal property.

<sup>(C)</sup> Home office site (maximum 10 acres) is tax exempt as a fraternal organization. A voluntary contribution is made to all taxing jurisdictions.

**Schedule 9  
CITY OF APPLETON  
PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Ten Fiscal Years**

<b>Collection Year</b>	<b>Total Tax Levy</b>	<b>Collections Prior to Transfer of Roll on August 1</b>	<b>Percent of Levy Collected</b>	<b>Total Tax Collections as of December 31</b>	<b>Total Collections as Percent of Current Levy</b>	<b>Outstanding Delinquent Taxes <sup>(A)</sup></b>	<b>Outstanding Delinquent Taxes as Percent of Current Levy</b>
1997	\$ 25,030,908	\$ 24,730,537	98.80	\$ 25,025,054	99.98	\$ 5,854	0.02 %
1998	24,986,883	24,714,526	98.91	24,980,771	99.98	6,112	0.02
1999	25,158,220	24,806,005	98.60	25,147,165	99.96	11,055	0.04
2000	24,765,055	24,440,110	98.69	24,739,988	99.90	25,067	0.10
2001	26,257,639	25,892,728	98.61	26,234,319	99.91	23,320	0.09
2002	27,418,190	27,027,898	98.58	27,378,007	99.85	40,183	0.15
2003	28,004,767	27,639,769	98.70	27,975,008	99.89	29,759	0.11
2004	28,111,450	27,667,971	98.42	28,096,621	99.95	14,829	0.05
2005	29,532,807	29,109,910	98.57	29,504,923	99.91	27,884	0.09
2006	30,359,156	29,744,663	97.98	30,344,594	99.95	14,562	0.05

<sup>(A)</sup> The amount of outstanding taxes represents uncollected personal property taxes at the end of the year. The portion of the delinquent taxes attributable to overlapping jurisdictions is charged back to those jurisdictions in the subsequent year.

**Schedule 10  
City of Appleton  
Direct and Overlapping Sales Tax Rates**

	<u>City Direct Rate</u>	<u>Outagamie County Direct Rate</u>	<u>Calumet County Direct Rate</u>	<u>Winnebago County Direct Rate</u>	<u>Wisconsin</u>
1997	0.0 %	0.0 %	0.0 %	0.0 %	5.0 %
1998	0.0	0.0	0.0	0.0	5.0
1999	0.0	0.0	0.0	0.0	5.0
2000	0.0	0.0	0.0	0.0	5.0
2001	0.0	0.0	0.0	0.0	5.0
2002	0.0	0.0	0.0	0.0	5.0
2003	0.0	0.0	0.0	0.0	5.0
2004	0.0	0.0	0.0	0.0	5.0
2005	0.0	0.0	0.0	0.0	5.0
2006	0.0	0.0	0.0	0.0	5.0

Note: Counties in Wisconsin have the option of levying a 0.5% sales tax but, to date, none of the counties in which Appleton is located have chosen to do so. Cities do not have the option of levying any sales tax.

**Schedule 11  
City of Appleton  
Outstanding Debt by Type**

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Business-type Bonds for Activities	Capital Leases	Water Revenue Bonds	Wastewater Revenue Bonds	Stormwater Revenue Bonds			
1997	45,533,123	9,013,466	-	7,089,618	27,025,915	-	88,662,122	6.01%	1,270
1998	46,291,000	9,503,619	160,782	50,744,798	25,521,472	-	132,221,671	8.19%	1,900
1999	42,873,736	8,370,751	-	50,214,978	19,109,556	3,080,000	123,649,021	7.22%	1,769
2000	47,076,730	7,169,630	-	66,977,975	17,985,613	6,005,000	145,214,948	7.93%	2,070
2001	50,436,612	5,910,000	-	65,482,857	16,896,609	10,665,000	149,391,078	8.17%	2,115
2002	53,664,187	4,105,000	-	68,317,448	14,394,190	12,885,000	153,365,825	8.56%	2,150
2003	52,421,190	3,425,000	-	65,420,000	13,877,356	16,540,000	151,683,546	8.33%	2,117
2004	47,591,564	2,715,000	-	65,935,000	12,688,237	19,760,000	148,689,801	7.76%	2,068
2005	48,805,437	2,606,847	-	66,090,000	10,978,711	19,200,000	147,680,995	7.48%	2,049
2006	44,435,078	1,903,509	-	62,295,000	12,877,923	22,250,000	143,761,510	N/A *	1,997

\* N/A = Not Available.

**Schedule 12  
City of Appleton  
General Obligation Debt**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u> <sup>(1)</sup>	<u>Less Assets Restricted for Debt Service</u>	<u>Total Net Debt</u>	<u>Percentage of Actual Taxable Value of Property</u> <sup>(2)</sup>	<u>Per Capita</u> <sup>(3)</sup>
1997	\$ 54,546,589	\$ (7,828,369)	46,718,220	1.82	669
1998	55,794,619	(7,086,522)	48,708,097	1.80	700
1999	51,244,487	(5,343,181)	45,901,306	1.63	657
2000	54,246,360	(3,706,496)	50,539,864	1.73	720
2001	56,346,612	(3,332,872)	53,013,740	1.72	751
2002	57,769,187	(3,373,131)	54,396,056	1.67	762
2003	55,846,190	(3,679,901)	52,166,289	1.50	728
2004	50,306,564	(3,230,500)	47,076,064	1.29	655
2005	51,412,284	(3,218,970)	48,193,314	1.24	669
2006	46,338,587	(4,987,410)	41,351,177	0.99	574

(1) Includes general obligation debt for business-type activities (see table 11). Details on the City's outstanding debt can be found in the notes to the financial statements.

(2) See Schedule 6 for property value data.

(3) See Schedule 16 for population data.

**TABLE 13  
CITY OF APPLETON  
COMPUTATION OF DIRECT AND OVERLAPPING  
GENERAL OBLIGATION DEBT**

December 31, 2006

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Appleton	Amount Applicable to City of Appleton
City of Appleton <sup>(A)</sup>	\$ 41,351,177	100.00 %	<u>\$ 41,351,177</u>
<u>Overlapping Debt</u>			
Appleton Area School District	56,792,635	61.90	35,154,641
Menasha Joint School District	19,321,585	4.09	790,253
Kimberly Area School District	49,065,000	1.20	587,308
Freedom Area School District	12,675,000	3.60	456,300
Fox Valley Technical College	37,790,814	13.51	5,105,539
Outagamie County	35,590,500	30.25	10,765,059
Calumet County	4,303,698	19.07	820,715
Winnebago County	71,228,290	0.59	<u>423,167</u>
Total Overlapping Debt			<u>54,102,982</u>
<b>Total Direct And Overlapping Debt</b>			<b><u>\$ 95,454,159</u></b>

<sup>(A)</sup> Debt is shown net of amounts available for debt service.

**Schedule 14  
City of Appleton  
Legal Debt Margin Calculation**

**Legal Debt Margin Calculation for Fiscal Year 2006:**

Equalized Value of Real & Personal Property	<u>\$ 4,350,186,400</u>
Outagamie County	3,667,811,300
Calumet County	618,378,300
Winnebago County	63,996,800
 Legal Debt Limit (5% of equalized value)	 <u>217,509,320</u>
 Amount of Debt Applicable to Debt Limitation:	
Total General Obligation Bonds and Notes Outstanding at December 31, 2006	 46,338,587
 Less: Assets in Government Fund Types Available for Debt Service	 <u>(4,987,410)</u>
 Amount of Debt Applicable to Debt Limit	 <u>41,351,177</u>
 Remaining Legal Debt Margin	 <u>\$ 176,158,143</u>

**Fiscal Year**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 135,529,960	\$ 140,546,585	\$ 146,138,280	\$ 154,257,350	\$ 162,858,690	\$ 174,209,520	\$ 182,020,950	\$ 194,873,370	\$ 208,419,420	\$ 217,509,320
Total net debt applicable to limit	<u>47,460,067</u>	<u>50,451,438</u>	<u>47,537,991</u>	<u>50,913,488</u>	<u>52,973,481</u>	<u>54,089,286</u>	<u>52,615,690</u>	<u>47,087,594</u>	<u>47,470,506</u>	<u>41,351,177</u>
Legal Debt Margin	<u>\$ 88,069,893</u>	<u>\$ 90,095,147</u>	<u>\$ 98,600,289</u>	<u>\$ 103,343,862</u>	<u>\$ 109,885,209</u>	<u>\$ 120,120,234</u>	<u>\$ 129,405,260</u>	<u>\$ 147,785,776</u>	<u>\$ 160,948,914</u>	<u>\$ 176,158,143</u>
Total net debt applicable to limit as a percentage of debt limit	35.02%	35.90%	32.53%	33.01%	32.53%	31.05%	28.91%	24.16%	22.78%	19.01%

**Schedule 15  
CITY OF APPLETON  
MORTGAGE REVENUE BOND COVERAGE - WATER UTILITY**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u> <sup>(1)</sup>	<u>Direct Operating Expenses</u> <sup>(2)</sup>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1997	6,582,205	3,228,125	3,354,080	560,000	426,895	986,895	3.40
1998	7,143,463	3,093,188	4,050,275	925,000	468,051	1,393,051	2.91
1999	9,158,787	3,293,504	5,865,283	925,000	468,051	1,393,051	4.21
2000	10,243,067	3,836,108	6,406,959	1,025,000	641,251	1,666,251	3.85
2001	11,775,980	4,609,232	7,166,748	3,495,000	2,323,600	5,818,600	1.23
2002	12,936,374	4,332,001	8,604,373	3,670,000	2,649,476	6,319,476	1.36
2003	14,687,589	5,411,849	9,275,740	3,670,000	2,649,476	6,319,476	1.47
2004	14,333,414	5,292,495	9,040,919	3,820,000	2,786,904	6,606,904	1.37
2005 <sup>(3)</sup>	14,415,014	5,858,708	8,556,306	4,115,000	2,778,618	6,893,618	1.24
2006	14,711,828	7,479,725	7,232,103	4,105,000	3,164,590	7,269,590	0.99

(Continued)

<sup>(1)</sup> Includes total operating revenues and investment income.

<sup>(2)</sup> Includes total operating expenses less depreciation and payment in lieu of taxes through 2002. In 2003, with the implementation of Governmental Accounting Standards Board Statement # 34 (GASB 34), the payment in lieu of taxes became a non-operating expense.

<sup>(3)</sup> Includes Waterworks Mortgage Revenue Bonds, Series 1998, 2000, 2001, 2002, 2004, & 2005.

**Schedule 15 (Continued)**  
**CITY OF APPLETON**  
**MORTGAGE REVENUE BOND COVERAGE - WASTEWATER UTILITY**

Last Ten Fiscal Years

Fiscal Year	Gross Revenues <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	\$ 11,454,787	\$ 4,467,174	\$ 6,987,613	\$ 2,269,525	\$ 619,300	\$ 2,888,825	2.42
1998	11,765,294	4,552,904	7,212,390	2,269,525	619,300	2,888,825	2.50
1999	10,977,161	4,826,541	6,150,620	2,254,987	149,406	2,404,393	2.56
2000	11,144,474	5,231,277	5,913,196	2,254,987	149,406	2,404,393	2.46
2001	10,460,393	5,631,280	4,829,113	2,254,987	149,406	2,404,393	2.01
2002	9,746,238	5,065,104	4,681,134	2,254,987	149,406	2,404,393	1.95
2003	8,960,550	5,959,734	3,000,816	2,254,987	149,406	2,404,393	1.25
2004	8,553,064	6,476,793	2,076,271	2,254,987	149,406	2,404,393	0.86
2005 <sup>(3)</sup>	8,279,773	6,077,023	2,202,750	2,154,987	102,266	2,257,253	0.98 <sup>(4)</sup>
2006	10,218,912	6,165,826	4,053,086	2,279,987	238,978	2,518,965	1.61

(Continued)

<sup>(1)</sup> Includes total operating revenues and investment income.

<sup>(2)</sup> Includes total operating expenses less depreciation.

<sup>(3)</sup> Includes Sewerage System Revenue Bonds, Series 1993 and 1995 Refunding and 1993 Clean Water Fund Loan.

<sup>(4)</sup> Rate increase averaging 14.3% for residential customers approved, effective 10/1/05.

**Schedule 15 (Continued)**  
**CITY OF APPLETON**  
**MORTGAGE REVENUE BOND COVERAGE - STORMWATER UTILITY**

Last Ten Fiscal Years

Fiscal Year	Gross Revenues <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
1998	-	-	-	-	-	-	-
1999	2,870,772	1,564,616	1,306,156	330,000	167,208	497,208	2.63
2000	2,959,321	1,331,300	1,628,021	200,000	115,950	315,950	5.15
2001	3,154,787	1,512,520	1,642,267	540,000	436,190	976,190	1.68
2002	3,167,779	1,397,335	1,770,444	640,000	524,439	1,164,439	1.52
2003	3,447,134	1,394,562	2,052,572	795,000	656,841	1,451,841	1.41
2004	4,014,515	2,136,180	1,878,335	935,000	785,047	1,720,047	1.09
2005 <sup>(3)</sup>	4,196,249	2,273,075	1,923,174	935,000	785,047	1,720,047	1.12 <sup>(4)</sup>
2006	6,210,783	2,362,608	3,848,175	1,085,000	897,659	1,982,659	1.94

<sup>(1)</sup> Includes total operating revenues and investment income.

<sup>(2)</sup> Includes total operating expenses less depreciation.

<sup>(3)</sup> Includes Storm Water System Revenue Bonds, Series 1999, 2000, 2001, 2002, 2003, and 2004.

<sup>(4)</sup> Rate increase of 53.4% approved, effective 3/1/06.

**Schedule 16  
CITY OF APPLETON  
DEMOGRAPHIC STATISTICS**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Appleton Population <sup>(1)</sup></b>	<b>Personal Income <sup>(2)</sup></b>	<b>AGI Per Return <sup>(3)</sup></b>	<b>School System Enrollment <sup>(4)</sup></b>	<b>Unemployment Rate <sup>(5)</sup></b>
1997	69,787	\$ 1,475,479,429	\$ 36,852	14,450	3.3
1998	69,607	1,615,120,314	39,529	14,538	3.1
1999	69,911	1,713,358,672	40,886	14,636	3.0
2000	70,167	1,830,974,907	43,159	14,793	3.0
2001	70,623	1,827,449,049	43,597	14,800	4.4
2002	71,348	1,792,395,580	43,228	14,948	6.5
2003	71,649	1,821,726,575	43,972	15,275	6.7
2004	71,895	1,914,976,268	45,631	15,075	6.0
2005	72,085	1,975,028,500	46,167	15,196	5.7
2006	72,004	N/A *	N/A *	15,166	6.0

1. Wisconsin Dept. of Administration estimates.
2. Wisconsin Department of Revenue. Adjusted Gross Income for all returns filed for Appleton residents.
3. Wisconsin Department of Revenue. Adjusted Gross Income per return. Prior to 1998, measure shown is per capita income.
4. Wisconsin Department of Public Instruction.
5. Wisconsin Department of Workforce Development, annual rates for City of Appleton, not seasonally adjusted.

\* N/A = Not Available

**Schedule 17  
CITY OF APPLETON  
PRINCIPAL EMPLOYERS  
Current Year and Nine Years Prior**

<u>Company Name</u>	<u>Product or Service</u>	<u>2006</u>			<u>1997</u>		
		<u>Number of Employees *</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees *</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Thrivent Investment Management, Inc.	Insurance	1,893		5.1 %	1,705	2	4.1 %
Appleton Area School District	Education	1,649		4.4	1,450	4	3.5
Appleton Papers, Inc.	NCR Paper Products	1,321		3.5	1,450	5	3.5
Outagamie County	Government	1,262		3.4	1,159	7	2.8
Appleton Medical Center	Medical & Health Care Facility	1,230		3.3			
Miller Electric Manufacturing	Electric Arc Welders	1,200		3.2	1,500	3	3.6
St. Elizabeth Hospital	Medical & Health Care Facility	1,030		2.8	1,248	6	3.0
Valley Packaging Industries, Inc.	Hi-speed Packager	750		2.0	750	10	1.8
Guardian Life	Insurance	725		1.9	808	9	1.9
City of Appleton	Government	680		1.8			0
United Health Group	Health Care Provider				1,900	1	4.5
Oscar J. Boldt	Construction				1,081	8	2.6
<b>Total</b>		<u>11,740</u>		<u>31.4 %</u>	<u>13,051</u>		<u>31.3 %</u>
<b>Total Employment</b>		<b>37,397</b>			<b>41,979</b>		

\* Includes Full- and Part-Time employees

Source: Employer contacts and Wisconsin Manufacturers & Services Directory; total employment from Wisconsin Department of Workforce Development.

**Schedule 18**  
**CITY OF APPLETON**  
**Budgeted Full-Time-Equivalent Personnel Positions**

<b>DEPARTMENT</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>General Government</b>										
Assessor's Office	8.00	8.00	8.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00
Attorney's Office	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
City Clerk's Office	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance Department	16.50	16.00	16.00	16.00	16.00	16.00	16.00	15.00	15.00	15.00
Human Resources	7.00	7.00	8.00	8.00	8.00	8.60	8.60	8.60	8.60	8.60
Information Services	8.00	9.00	10.00	13.00	14.00	15.40	15.40	15.40	15.40	15.40
Mayor's Office	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	3.00	3.00
<b>Total - General Government</b>	<b>52.50</b>	<b>53.00</b>	<b>55.00</b>	<b>58.00</b>	<b>59.00</b>	<b>61.00</b>	<b>60.00</b>	<b>58.00</b>	<b>59.00</b>	<b>59.00</b>
<b>Community Development</b>	<b>10.50</b>	<b>11.00</b>	<b>12.00</b>	<b>12.50</b>	<b>12.50</b>	<b>12.50</b>	<b>12.50</b>	<b>11.00</b>	<b>11.00</b>	<b>10.00</b>
<b>Recreation/Library/Transit</b>										
Parks & Recreation	40.50	40.50	40.50	40.50	40.50	39.50	39.50	36.17	36.17	36.17
Library	44.50	44.50	46.50	45.50	45.50	45.50	46.00	46.00	46.00	45.50
Valley Transit	62.00	62.00	62.50	62.50	56.10	56.50	56.50	55.50	55.30	54.80
<b>Total - Recreation/Library/Transit</b>	<b>147.00</b>	<b>147.00</b>	<b>149.50</b>	<b>148.50</b>	<b>142.10</b>	<b>141.50</b>	<b>142.00</b>	<b>137.67</b>	<b>137.47</b>	<b>136.47</b>
<b>Public Works</b>	<b>151.00</b>	<b>156.00</b>	<b>161.00</b>	<b>159.50</b>	<b>160.00</b>	<b>160.00</b>	<b>160.00</b>	<b>155.00</b>	<b>154.00</b>	<b>153.00</b>
<b>Public Health &amp; Safety</b>										
Health Department	12.00	12.00	12.75	12.75	13.55	14.10	14.05	16.55	17.55	17.55
Fire Department										
Firefighters and Officers	78.00	78.00	82.00	82.00	90.00	90.00	90.00	90.00	90.00	90.00
Civilian & Administrative	11.00	11.00	11.00	11.00	12.00	12.00	12.00	12.00	12.00	12.00
Police Department										
Sworn	103.00	106.00	106.00	110.00	106.00	107.00	107.00	102.00	102.00	102.00
Civilian	25.00	28.00	31.00	31.00	31.00	33.00	33.00	33.00	32.00	31.00
<b>Total - Public Health &amp; Safety</b>	<b>229.00</b>	<b>235.00</b>	<b>242.75</b>	<b>246.75</b>	<b>252.55</b>	<b>256.10</b>	<b>256.05</b>	<b>253.55</b>	<b>253.55</b>	<b>252.55</b>
<b>Water &amp; Sewer Utilities</b>	<b>39.50</b>	<b>39.50</b>	<b>43.00</b>	<b>44.00</b>	<b>45.00</b>	<b>47.00</b>	<b>47.00</b>	<b>43.00</b>	<b>43.00</b>	<b>41.00</b>
<b>Total Regular Employees</b>	<b>629.50</b>	<b>641.50</b>	<b>663.25</b>	<b>669.25</b>	<b>671.15</b>	<b>678.10</b>	<b>677.55</b>	<b>658.22</b>	<b>658.02</b>	<b>652.02</b>

**Source:** Finance and HR Departments.

**Notes:**

Full time employment is considered to be 2,080 hours per year. Full time equivalencies are calculated by dividing scheduled hours of work by 2,080. The increase in fire department staff in 1999 and 2001 was a phased addition to staff Station # 6, which was completed in 2001.

**Schedule 19  
City of Appleton  
Operating Indicators by Function/Program**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Government</b>										
Building permits issued	814	968	1,043	939	858	916	906	854	757	712
Est. construction value (\$000)	70,116.3	82,121.1	129,996.9	95,625.8	124,785.4	116,998.6	109,632.9	68,499.4	124,967.8	91,707.3
School aged children vaccinated	97.0%	99.0%	99.0%	98.0%	98.0%	98.0%	99.2%	99.6%	97.8%	N/A *
Accurate weights & measures devices	90.9%	91.0%	93.1%	93.1%	91.3%	88.1%	93.4%	95.9%	91.8%	91.7%
Food-borne disease outbreaks	2	1	2	1	0	0	0	0	0	0
<b>Police</b>										
Calls for service	N/A	N/A	N/A	N/A	N/A	N/A	55,570	51,926	52,154	55,947
Reported Part 1 crimes	N/A	N/A	1,917	1,961	2,340	2,046	2,139	2,554	2,487	2,547
Reported Part 2 crimes	N/A	N/A	9,888	10,840	10,722	9,615	10,320	10,886	11,089	11,764
Cases assigned to investigators	N/A	N/A	468	550	1,232	1,140	1,365	1,435	1,356	1,250
Arrests resulting in referral to DA	N/A	N/A	275	350	700	450	650	571	643	481
<b>Fire</b>										
Emergency response < 4 min.	N/A	N/A	N/A	76%	78%	80%	81%	72%	67%	62%
Fire loss (\$000)	563.0	1,017.0	549.0	617.4	656.2	2,095.6	746.5	832.5	276.9	1,284.0
Fire-related deaths	0	0	0	1	0	0	0	0	0	0
Emergency calls	857	1,480	2,941	2,829	3,166	2,330	2,232	2,317	2,511	2,439
<b>Public Works</b>										
Tons of refuse collected	N/A	N/A	N/A	28,208	29,058	29,201	29,712	31,226	29,945	30,600
Tons of recycling collected	N/A	N/A	N/A	8,819	3,952	8,058	8,179	8,060	7,579	6,962
Cu. Yds. of debris - street sweeping	N/A	N/A	N/A	3,790	2,290	1,850	2,525	2,537	2,165	2,722
Cost/ton - residential auto pickup	N/A	N/A	N/A	\$ 50.67	\$ 54.39	\$ 54.51	\$ 56.86	\$ 52.35	\$ 57.67	\$ 57.67
Miles of street reconstructed	N/A	N/A	3.13	5.46	7.54	6.75	6.02	6.64	3.47	3.39
<b>Parks &amp; Recreation</b>										
Sports league participants	N/A	11,538	10,844	10,105	9,951	8,437	8,348	8,425	6,709	6,675
Aquatics program participants <sup>1, 2</sup>	4,390	4,253	4,350	4,220	3,641	2,523	3,679	3,689	2,120	2,218
Open swim attendance <sup>2</sup>	96,320	102,677	102,500	102,410	102,050	97,838	93,452	71,676	96,375	86,315
Rounds of golf played	51,100	52,700	45,000	47,850	46,409	45,576	46,320	44,342	39,313	35,595
Trees pruned	3,000	3,250	3,500	3,000	1,000	3,500	2,500	2,375	3,780	3,600
<b>Public Library</b>										
Volumes	263,845	292,172	282,646	303,663	315,741	318,898	342,514	332,036	350,256	382,690
Materials circulated	876,545	856,152	868,796	893,958	984,442	1,075,224	1,109,668	1,104,215	1,153,946	1,231,738
Annual door count	448,061	508,752	508,173	483,561	523,179	552,005	559,789	534,075	551,072	537,057
<b>Water</b>										
Avg. daily consumption (000 gal.)	7,989	8,245	9,341	8,273	8,708	8,397	8,385	8,135	8,108	8,096
Peak daily consumption (000 gal.)	13,071	16,836	14,473	14,746	17,255	15,126	13,222	13,153	14,635	13,765
Number of customers <sup>3</sup>	24,195	23,975	24,331	24,588	24,849	25,161	24,849	25,161	26,785	26,963
<b>Wastewater</b>										
Avg. daily sewage treatment (000 gal.)	15,400.0	14,800.0	13,300.0	13,800.0	14,900.0	15,100.0	14,600.0	14,400.0	11,500.0	10,301.4
<b>Valley Transit</b>										
Total route miles	869,564	917,026	961,238	987,471	963,514	922,456	908,792	894,824	894,756	880,219
Passengers	1,008,526	1,022,286	986,403	966,291	971,692	970,417	909,197	937,410	954,725	937,297
Cost per trip	\$ 2.83	\$ 3.03	\$ 3.19	\$ 3.53	\$ 3.61	\$ 3.66	\$ 4.15	\$ 4.42	\$ 4.25	\$ 4.20
Cost per capita below state average	\$ 0.48	\$ 1.42	\$ 1.63	\$ 1.64	\$ 2.13	\$ 2.50	\$ 2.92	\$ 2.98	\$ 2.95	\$ 4.97

\* N/A = Not Available

<sup>1</sup>: Appleton residents only

<sup>2</sup>: Not unduplicated

<sup>3</sup>: Measure changed in 2005 to average number of invoices sent per quarter.

**Schedule 20  
City of Appleton  
Capital Asset Statistics by Function/Program**

	<b>Fiscal Year</b>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	82	82	82	82	82	82	82	83	83	83
Fire										
Stations	5	5	5	5	6	6	6	6	6	6
Fire suppression units	8	9	10	12	9	9	10	11	11	12
Public Works										
Miles of streets	290.0	292.0	292.0	305.0	310.0	313.0	322.0	332.7	335.0	335.0
Refuse packers	N/A	N/A	14	14	14	14	14	14	14	14
Single- and tri-axle dump trucks	N/A	N/A	23	24	24	24	24	24	24	24
Other heavy vehicles	N/A	N/A	19	19	19	20	20	20	19	19
Parks & Recreation										
Parks	26	26	26	26	26	32	32	32	32	32
Acreage	399.2	399.2	399.2	399.2	399.2	499.6	499.6	496.1	496.1	496.1
Swimming pools	5	5	5	5	5	5	5	5	5	5
Golf courses	1	1	1	1	1	1	1	1	1	1
Water										
Miles of mains	304.8	307.5	311.9	317.2	332.3	333.7	341.1	348.9	354.5	360.9
Storage capacity (000 gallons)	8,550	8,550	8,550	8,550	6,800	6,800	7,300	7,300	7,300	7,300
Wastewater										
Miles of mains	267.0	269.4	272.8	276.2	280.6	282.1	287.1	292.7	298.6	303.0
Stormwater										
Miles of mains	216.8	222.4	231.7	239.7	247.4	251.9	259.6	272.8	281.7	286.5

# SINGLE AUDIT SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and  
Members of the Common Council  
City of Appleton  
Appleton, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Appleton, Wisconsin as of and for the year ended December 31, 2006 which collectively comprise the City of Appleton's basic financial statements and have issued our report thereon dated May 31, 2007. We did not audit the financial statements of the Housing Authority of the City of Appleton, which are presented in the component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Housing Authority of the City of Appleton, was based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of Appleton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Appleton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Appleton's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

To the Honorable Mayor and  
Members of the Common Council  
City of Appleton

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Appleton's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Appleton's financial statements that is more than inconsequential will not be prevented or detected by the City of Appleton's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. This deficiency is item 06-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Appleton's internal control over financial reporting. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency listed above to be material a weakness.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Appleton's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Appleton in a separate letter dated May 31, 2007.

The City of Appleton's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Appleton's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Appleton's management, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Madison, Wisconsin  
May 31, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133, THE STATE SINGLE AUDIT GUIDELINES, AND  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

The Honorable Mayor and  
Members of the Common Council  
City of Appleton  
Appleton, Wisconsin

**Compliance**

We have audited the compliance of the City of Appleton, Wisconsin with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that are applicable to each of its major federal and major state programs for the year ended December 31, 2006. The City of Appleton's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and major state programs is the responsibility of the City of Appleton's management. Our responsibility is to express an opinion on the City of Appleton's compliance based on our audit.

The City of Appleton's basic financial statements included the operation of the Housing Authority of the City of Appleton, which received \$3,358,898 in federal and state awards which is not included in the schedule of expenditures of federal and state awards for the year ended December 31, 2006. Our audit, described below, did not include the operations of the Housing Authority of the City of Appleton because the component unit had a separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the City of Appleton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Appleton's compliance with those requirements.

In our opinion, the City of Appleton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and major state programs for the year ended December 31, 2007.

To the Honorable Mayor and  
Members of the Common Council  
City of Appleton

### ***Internal Control Over Compliance***

The management of the City of Appleton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Appleton's internal control over compliance with requirements that could have a direct and material effect on a major federal or major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Appleton's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### ***Schedule of Expenditures of Federal and State Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Appleton, Wisconsin as of and for the year ended December 31, 2006, which collectively comprise the City of Appleton's basic financial statements and have issued our report thereon dated May 31, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Appleton's basic financial statements. Our report was modified to include a reference to other auditors who audited the financial statements of Housing Authority of the City of Appleton, as described in our report on the City of Appleton's financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To the Honorable Mayor and  
Members of the Common Council  
City of Appleton

This report is intended solely for the information and use of the City of Appleton's management, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Madison, Wisconsin  
May 31, 2007

**CITY OF APPLETON, WISCONSIN**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	(Accrued) Deferred Revenue January 1, 2006	Grantor Reimburse- ments	Expendi- tures	Accrued (Deferred) Revenue December 31, 2006
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Direct Programs					
Community Development Block Grant					
Entitlement Program	14.218	\$ (24,779)	\$ 660,664	\$ 768,840	\$ 132,955
Passed Through State of Wisconsin Department of Commerce					
Emergency Shelter Grant	14.231	(21,270)	160,895	138,504	(1,121)
Supportive Housing Program	14.235	<u>(10,154)</u>	<u>569,301</u>	<u>668,282</u>	<u>109,135</u>
Total U.S. Department of Housing and Urban Development		<u>(56,203)</u>	<u>1,390,860</u>	<u>1,575,626</u>	<u>240,969</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>					
Passed Through State of Wisconsin Department of Justice					
Victims of Crime Act	16.575	<u>1,258</u>	-	<u>1,258</u>	-
Total U.S. Department of Justice		<u>1,258</u>	-	<u>1,258</u>	-
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
Federal Transit Cluster					
Passed Through State of Wisconsin Department of Transportation					
Federal Transit Formula Grants	20.507	(5,057)	2,139,964	2,134,907	-
Federal Transit Capital Improvement Grants					
WI-03-0076	20.500	-	33,078	33,078	-
WI-03-0080	20.500	-	7,462	35,374	27,912
WI-03-0087	20.500	(5,824)	75,361	104,806	35,269
WI-03-0091	20.500	-	<u>151,010</u>	<u>161,801</u>	<u>10,791</u>
Total Federal Transit Cluster		<u>(10,881)</u>	<u>2,406,875</u>	<u>2,469,966</u>	<u>73,972</u>
State and Community Highway Safety	20.600	-	<u>4,000</u>	<u>4,000</u>	-
Total U.S. Department of Transportation		<u>(10,881)</u>	<u>2,410,875</u>	<u>2,473,966</u>	<u>73,972</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Passed Through State of Wisconsin Department of Workforce Development					
Health Screening and Education (for Refugees)	93.576	<u>(10,426)</u>	<u>20,620</u>	<u>10,194</u>	-

See accompanying notes to schedules of expenditures of federal and state awards.

## CITY OF APPLETON, WISCONSIN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (cont.)  
For the Year Ended December 31, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	(Accrued) Deferred Revenue January 1, 2006	Grantor Reimburse- ments	Expendi- tures	Accrued (Deferred) Revenue December 31, 2006
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)</b>					
Passed Through State of Wisconsin Department of Health and Family Services					
Childhood Immunization Grant - 1/1/05 - 12/31/05	93.268	\$ 1,916	\$ -	\$ 1,916	\$ -
Childhood Immunization Grant - 1/1/06 - 12/31/06	93.268	-	22,507	22,507	-
Total Childhood Immunization Grant		1,916	22,507	24,423	-
Preventative Health and Health Services Block Grant - 1/1/04- 12/31/04	93.991	5,733	-	5,733	-
Preventative Health and Health Services Block Grant - 1/1/05- 12/31/05	93.991	9,634	-	291	(9,343)
Preventative Health and Health Services Block Grant - 1/1/06- 12/31/06	93.991	-	7,831	-	(7,831)
Total Preventative Health and Health Services Block Grant		15,367	7,831	6,024	(17,174)
Maternal and Child Health Services Block Grant - 1/1/05 - 12/31/05	93.994	2,405	-	2,405	-
Maternal and Child Health Services Block Grant - 1/1/06 - 12/31/06	93.994	-	32,250	28,840	(3,410)
Total Maternal and Child Health Services Block Grant		2,405	32,250	31,245	(3,410)
CDC Investigations - Technical Assistance - 1/1/04 - 12/31/04	93.283	4,185	-	-	(4,185)
CDC Investigations - Bioterrorism Grant - 1/1/05 - 12/31/05	93.283	403,389	-	403,389	-
CDC Investigations - Bioterrorism Grant - 1/1/06 - 12/31/06	93.283	-	513,342	124,121	(389,221)
Total CDC Investigations - Technical Assistance		407,574	513,342	527,510	(393,406)
Project Grants Cooperative Agreement for Tuberculosis Control Programs - 1/1/02 - 12/31/02	93.116	1,921	683	941	(1,663)
Total U.S. Department of Health and Human Services		418,757	597,233	600,337	(415,653)
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
Passed through State of Wisconsin Department of Administration - Office of Justice Assistance					
Homeland Security Regional Response Team Equipment	97.004	(11,900)	112,323	88,223	(12,200)
Total U.S. Department of Military Affairs		(11,900)	112,323	88,223	(12,200)
<b>TOTAL FEDERAL AWARDS</b>		\$ 341,031	\$ 4,511,291	\$ 4,739,410	\$ (112,912)

See accompanying notes to schedules of expenditures of federal and state awards.

**CITY OF APPLETON, WISCONSIN**

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended December 31, 2006

State Grantor/Program Title	State I.D. Number	(Accrued) Deferred Revenue January 1, 2006	Grantor Reimburse- ments	Expendi- tures	Accrued (Deferred) Revenue December 31, 2006
<b>WISCONSIN DEPARTMENT OF TRANSPORTATION</b>					
Transit Operating Aids					
2005	395.104	\$ (141,845)	\$ 141,845	\$ -	\$ -
2006	395.104	-	<u>1,600,007</u>	<u>1,606,398</u>	<u>6,391</u>
Total Wisconsin Department of Transportation		<u>(141,845)</u>	<u>1,741,852</u>	<u>1,606,398</u>	<u>6,391</u>
<b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>					
Recreational Boating Facilities	370.573	-	<u>142,508</u>	<u>7,858</u>	<u>(134,650)</u>
<b>WISCONSIN DEPARTMENT OF ADMINISTRATION</b>					
<b>Office of Justice Assistance</b>					
Recording Equipment	505.636	-	<u>4,850</u>	<u>4,850</u>	-
<b>WISCONSIN DEPARTMENT OF HEALTH AND FAMILY SERVICES</b>					
T Melvin Public Education - 1/1/01 - 12/31/01	435.158853	930	-	-	(930)
Lead Poisoning - 1/1/05 - 12/31/05	435.157720	1,457	-	1,457	-
Lead Poisoning - 1/1/06- 12/31/06	435.157720	-	<u>11,350</u>	<u>8,031</u>	<u>(3,319)</u>
Total Wisconsin Department of Health and Family Services		<u>2,387</u>	<u>11,350</u>	<u>9,488</u>	<u>(4,249)</u>
<b>TOTAL STATE AWARDS</b>		<u>\$ (139,458)</u>	<u>\$ 1,900,560</u>	<u>\$ 1,628,594</u>	<u>\$ (132,508)</u>

See accompanying notes to schedules of expenditures of federal and state awards.

## CITY OF APPLETON

### NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS December 31, 2006

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#### **NOTE 1 – REPORTING ENTITY**

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This report on Federal and State Awards includes all of the funds of the City of Appleton, Wisconsin. The reporting entity for the City is based upon criteria established by the Governmental Accounting Standards Board (GASB).

The City of Appleton is the primary government according to GASB criteria, while the Housing Authority of the City of Appleton (Housing Authority) is a component unit.

Federal and state awards received directly by the Housing Authority are not included in this report since the Housing Authority has been audited by other auditors for their grants and those amounts are reported in a separate report.

The schedule includes only those programs required to be included in accordance with the *State Single Audit Guidelines*.

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#### **NOTE 2 – BASIS OF PRESENTATION**

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The accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and the *State Single Audit Guidelines*.

**CITY OF APPLETON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2006

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

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***FINANCIAL STATEMENTS***

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?              X   yes                   no
- Reportable condition(s) identified that are not considered to be material weaknesses?                   yes              X   none reported

Noncompliance material to basic financial statements noted?                   yes              X   no

***FEDERAL OR STATE AWARDS***

Internal control over major programs:

- Material weakness(es) identified?                   yes              X   no
- Reportable condition(s) identified that are not considered to be material weakness(es)?                   yes              X   none reported

Type of auditor’s report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?                   yes              X   no

Auditee qualified as low-risk auditee?              X   yes                   no              X   yes                   no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant
20.500/20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:              \$ 300,000

# CITY OF APPLETON

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2006

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### SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

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#### *FEDERAL OR STATE AWARDS* (cont.)

Identification of major state program:

<u>State Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids

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### SECTION II – FINANCIAL STATEMENT FINDINGS

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#### **FINDING 06-1: Internal Control Over Financial Reporting**

*Internal control* is a process – affected by an entity’s governing body, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Internal control consists of five interrelated components:

- a. *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- b. *Risk assessment* is the entity’s identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
- c. *Control activities* are the policies and procedures that help ensure that management directives are carried out.
- d. *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- e. *Monitoring* is a process that assesses the quality of internal control performance over time.

As part of our audit process each year, it is our job to understand your internal control so that we may plan our audit properly. We are also required to communicate with the governing body certain matters that come to our attention regarding your internal control. The types of information that we communicate to you are in some sense regulated by auditing standards. Those standards are constantly changing, depending on the perceived concerns at a national level.

The most recent change involves your internal control, and what we communicate to you regarding those controls. Those requirements are set out in Statement on Auditing Standards No. 112, “*Communicating Internal Control Matters Identified in an Audit.*”

The new standard clarifies some definitions and will promote more consistency in how weak areas in internal control are communicated by auditors to their clients.

## CITY OF APPLETON

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2006

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#### SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

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##### **FINDING 06-1: Internal Control Over Financial Reporting (cont.)**

More specifically, the system of internal control over financial reporting is addressed by the new standard. In theory, a properly designed system of internal control staffed with enough people with sufficient training would provide your organization with the ability to not only process and record monthly transactions, but also to prepare a complete set of annual financial statements. Most of our clients do a good job of processing and recording monthly transactions. However, very few are capable of preparing annual financial statements.

The new standard makes it clear that the definition of a material weakness in internal control should now include consideration of the year end financial reporting process. To avoid the auditor reporting a material weakness in internal control, your system of controls would need to be able to accomplish the following:

1. Present the books and records to the auditor in such a condition that the auditor is not able to identify any material journal entries as a result of our audit procedures. As part of the 2006 audit, our procedures discovered material journal entries.
2. Be capable of preparing a complete set of year end financial statements for the auditor to test. This includes drafting the individual fund statements, making conversion entries, drafting the government-wide statements, and preparing footnote disclosures. Your staff would need to be capable of presenting the auditor with a set of complete financial statements in such a condition that the auditor is not able to identify any material changes as a result of the audit. We currently consider your staff to be capable of meeting this requirement; therefore, this point does not contribute to the material weakness.
3. Avoid material restatements to the opening fund balances of net assets. Your 2006 financial statements include material restatements to opening balances

Under the new auditing standards, we must inform you that items 1 and 3 above are material weaknesses in your internal control.

#### ***Management Response***

The journal entries discovered during the audit do not reflect in any way the strength or integrity of the City staff to provide accurate financial reporting. One entry was the result of inadvertently picking up the wrong prior month balance when adjusting the investment income receivable accrual for the month of December, while the other two entries were presented by staff to the auditors during fieldwork for corrections that needed to be made from previous years. The first related to street right of way records dating back to the implementation of Government Accounting Standards 34 and the other to a parcel of land sold by our component unit (Appleton Redevelopment Authority) that was not removed from land inventory. These last two entries resulted in prior period restatements of opening balances. Corrective actions have been taken to reduce the likelihood of future adjustments needing to be made in these areas.

