

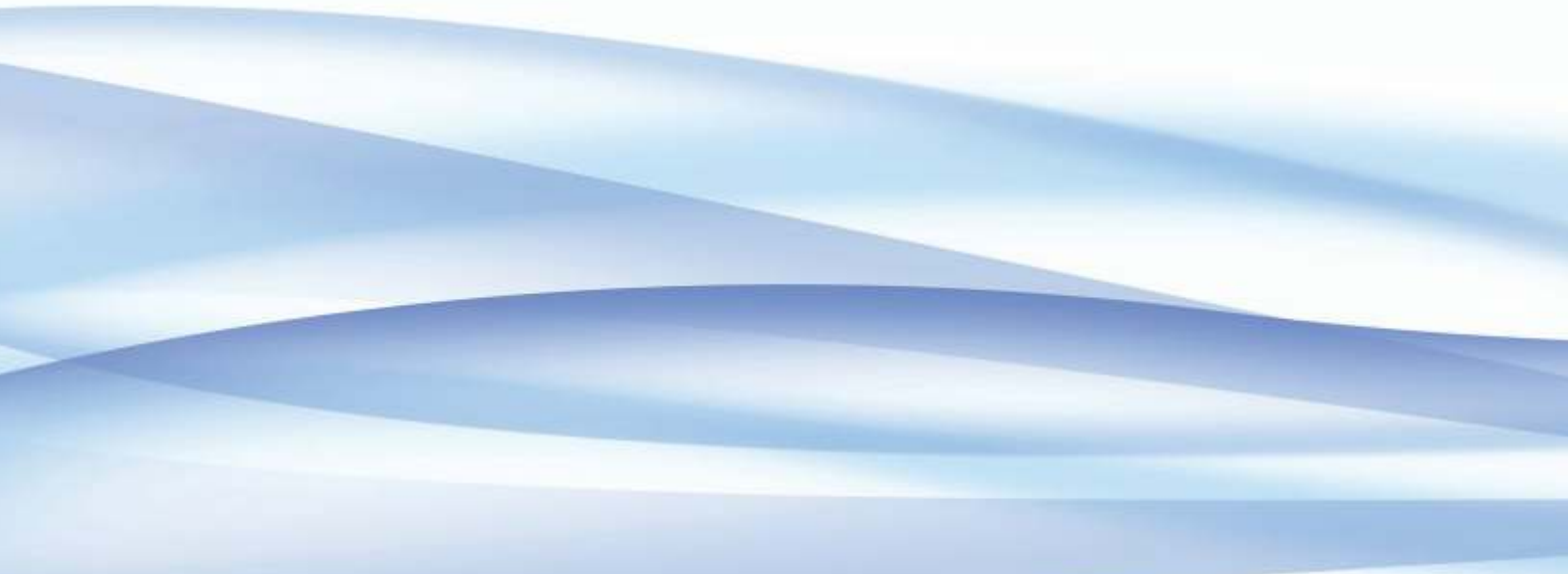
2015 Comprehensive Annual Financial Report



For the Years Ended December 31, 2015 and 2014

Milwaukee Metropolitan Sewerage District
Milwaukee, Wisconsin

Jones Island Water Reclamation Facility



2015 Comprehensive Annual Financial Report

For the Years Ended December 31, 2015 and 2014

Date of Incorporation Reorganized April 26, 1982 pursuant to Chapter 282, Laws of Wisconsin 1981

Finance Staff Mark T. Kaminski, CPA, Director of Finance/Treasurer

MMSD Headquarters



Table of Contents

	Reference Exhibit	Page		Reference Exhibit	Page
I. Introductory Section					
Commission Organization Chart		4	Nonoperating Revenue and Expenses, for the fiscal years ended December 31, 2006 through 2015	B-5	37
Commissioners of the MMSD		5	User Charge Revenue by Municipality Within the District, for the fiscal years ended December 31, 2006 through 2015	B-6	38-39
2015 Letter from the MMSD Chair		6	User Charge Revenue by Municipality Outside the District, for the fiscal years ended December 31, 2006 through 2015	B-7	40-41
District Map		7	User Charge Rates, for the fiscal years ended December 31, 2006 through 2015	B-8	42-43
Letter of Transmittal		8-11	Wastewater Loadings by Customer Class, for the fiscal years ended December 31, 2006 through 2015	B-9	44-45
GFOA Certificate of Achievement		12	Ten Largest Sewer Users, for the fiscal years ended December 31, 2006 and 2015	B-10	46
II. Financial Section					
Independent Auditors' Report		14-15	Property Tax Information, for the fiscal years ended December 31, 2006 through 2015	B-11	47
Management's Discussion and Analysis - Required Supplementary Information		16-19	Bonded Debt Limit and Ratio of Bonded Debt to Equalized Value, for the fiscal years ended December 31, 2006 through 2015	B-12	48-49
Basic Financial Statements			Per Capita Debt, Personal Income and Unemployment Rate for the fiscal years ended December 31, 2006 through 2015	B-13	50
Statements of Net Position, December 31, 2015 and 2014	A-1	20-21	Computation of Overlapping Debt, for the fiscal year ended December 31, 2015	B-14	51
Statements of Revenues, Expenses, and Changes in Net Position, years ended December 31, 2015 and 2014	A-2	22	Ten Largest Taxpayers for Milwaukee County, for the fiscal years ended December 31, 2006 and 2015	B-15	52-53
Statements of Cash Flows, years ended December 31, 2015 and 2014	A-3	23	Population by Municipality, for the fiscal years ended December 31, 2006 through 2015	B-16	54
Notes to Financial Statements December 31, 2015 and 2014		24-29	Principal Private Sector Employers, for the fiscal years ended December 31, 2006 and 2015	B-17	55
Required Supplementary Information		30	Number of Employees by Identifiable Activity, for the fiscal years ended December 31, 2006 through 2015	B-18	56-57
Schedule of Funding Progress for Other Post-Employment Benefits Plan		30	Operating and Capital Indicators, for the fiscal years ended December 31, 2006 through 2015	B-19	58-59
Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset) - ERS		30	MMSD's Mission		60
Schedule of Employer's Contributions - ERS		30			
Notes to Required Supplementary Information		30			
III. Statistical Section					
Net Position by Components, for the fiscal years ended December 31, 2006 through 2015	B-1	32-33			
Change in Net Position, for the fiscal years ended December 31, 2006 through 2015	B-2	34			
Operating Revenue by Source, for the fiscal years ended December 31, 2006 through 2015	B-3	35			
Operating Expenses, for the fiscal years ended December 31, 2006 through 2015	B-4	36			

Introductory Section

Construction Projects



Commission Organization Chart



Commissioners of the Milwaukee Metropolitan Sewerage District



Ben Gramling
Commission Chair,
Director of Environmental
Health Programs,
Sixteenth Street
Community
Health Center

Lyle A. Balistreri
Retired President,
Milwaukee Building & Construction
Trades Council, AFL-CIO

James A. Bohl
Alderman,
City of Milwaukee

John R. Hermes
Commission Vice Chair,
Principal,
John Hermes
Consulting



Milele A. Coggs
Alderdwoman,
City of Milwaukee

Kathy Ehley
Mayor,
City of Wauwatosa

Nikiya Harris Dodd
Wisconsin State Senator

District Staff

Kevin L. Shafer, P.E.
Executive Director

Anna Kettlewell
Commission Secretary

Susan B. Anthony
Director of Legal Services

Michael Martin
Director of Technical Services

Carl Krueger
President,
Village of Brown Deer

Eugene Manzanet
Vice President Community Development,
PNC Bank

Principal Advisors

Baker Tilly Virchow Krause, LLP
Independent Auditors

Foley & Lardner
Bond Counsel

Robert W. Baird & Co.
Financial Advisor

Kris Martinsek
Owner of Martinsek & Associates

Michael A. West
President,
Village of Fox Point

2015 Letter From The MMSD Chair



Ben Gramling
Commission Chair,
Director of
Environmental
Health Programs,
Sixteenth Street
Community
Health Center

Crafting a Blueprint for the Future of Wisconsin's Most Urbanized Watershed

The most densely populated watershed in the state went under the microscope in 2015 as experts figure out how to handle an increased threat of flooding for hundreds of homes in the Kinnickinnic River (KK) Watershed.

It's an impressive, dynamic process that involves technical experts working alongside hundreds of neighbors who want their voices heard to improve their neighborhoods, parks, quality of life and the health of the river.

We are grateful that many of our partners are connecting MMSD's ongoing investments in flood management to broader watershed restoration and community revitalization goals. Our work to keep water out of basements and

the inline storage system is helping to build healthier neighborhoods and communities of opportunity - one concrete-lined channel at a time.

The scope of our work in the KK Watershed and in other parts of our service area presents challenges for future budgets. The District owns more than 19 miles of concrete-lined rivers and streams, and these are assets that will need costly replacement at an ever-accelerating pace. We are equal to the challenge, however, and the District's strong financial management capacity makes our plans for the KK River and others like it obtainable and achievable.

The community value created by these partnerships and projects will far exceed the direct costs that MMSD will bear. Our commission understands this value proposition and I look forward to continuing the call for support of these transformational initiatives.

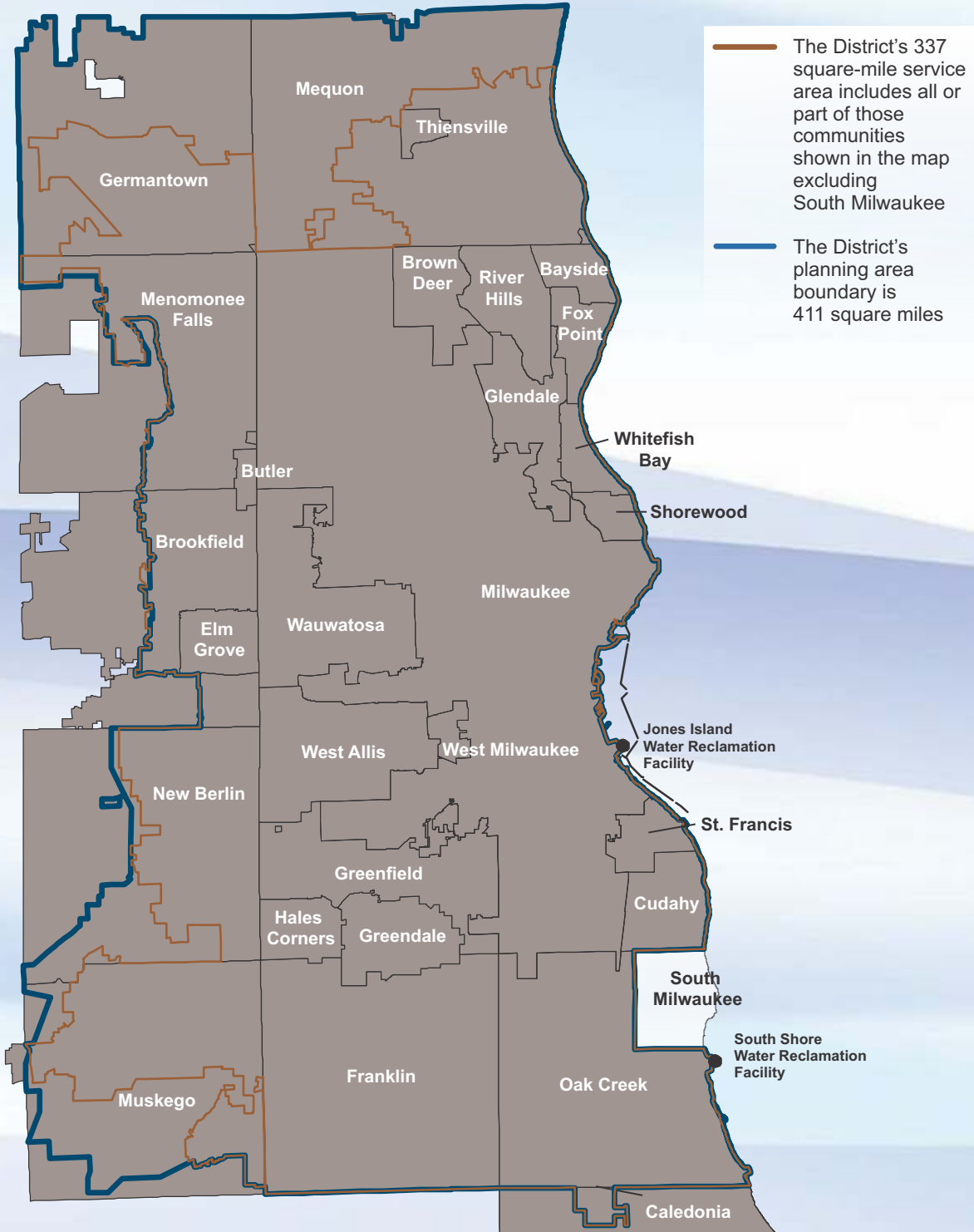
Sincerely,

Ben Gramling

Commission Chair



Milwaukee Metropolitan Sewerage District





May 31, 2016

The Commissioners
Milwaukee Metropolitan Sewerage District

Dear Commissioners:

State law requires that the Milwaukee Metropolitan Sewerage District (District) publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of independent licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the District for the fiscal year ended December 31, 2015.

This report consists of management's representations concerning the finances of the District. Accordingly, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Baker Tilly Virchow Krause, LLP, a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal years ended December 31, 2015 and 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

District's internal control over financial reporting. Accordingly, Baker Tilly Virchow Krause, LLP expresses no such opinion. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal years ended December 31, 2015 and 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the District's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DISTRICT

General

The District is a special purpose municipal corporation organized under the laws of the State of Wisconsin. The District was created in 1982 by the reorganization of the sewerage function previously financed by the Milwaukee County government.

Legal Boundary

The District's legal boundary presently includes all of Milwaukee County with the exclusion of the City of South Milwaukee. The legal boundary also includes the portion of the Village of Bayside that is in Ozaukee County, and those portions of the City of Milwaukee that are in Waukesha and Washington Counties. The District may levy ad valorem property taxes from time to time on all taxable property within its legal boundary.

Milwaukee Metropolitan Sewerage District

260 W. Seeboth Street, Milwaukee, WI 53204-1446
414-272-5100 • www.mmsd.com

Service Area

The District presently provides sewage treatment services for the 18 cities and villages within the District's legal boundary. In addition, the District is authorized under state statutes to provide sewage treatment service to areas beyond its legal boundary but within the portion of the multi-county drainage basin delineated as part of the Water Quality Management Plan developed by the Southeastern Wisconsin Regional Planning Commission pursuant to section 208 of the Federal Water Pollution Control Act Amendments of 1972. This area includes all or parts of 10 municipalities outside Milwaukee County. District sewage treatment service is presently provided to all or parts of these 10 municipalities.

Service Responsibilities and Powers

The District is statutorily responsible for construction, operation and maintenance of its sewers, watercourse improvements and treatment plant facilities within its service area. The District possesses the right of eminent domain throughout Wisconsin. It has the authority to promulgate rules and regulations necessary and proper to promote the best operation of the system, protect its works, prevent damage to the sewerage system, prevent surcharging of sewers or interference with the treatment process, and to attain state and federal pretreatment requirements. These rules and regulations apply throughout the territory served and have precedence over any conflicting ordinance, code or regulation. The District may issue special orders to attain compliance with its rules and regulations and it may issue special use permits.

Governance

The District's governing body is the Milwaukee Metropolitan Sewerage Commission, which is composed of eleven members. Seven of the eleven members are appointees of the Mayor of the City of Milwaukee. Three of the appointees of the Mayor of the City of Milwaukee must be elected officials. Four of the eleven members are appointees of a body comprised of the elected executive officer of each city or village other than the City of Milwaukee within the District's boundary. Of these four appointees, three must be elected officials. All appointees have terms of three years, except the elected official appointees of the Mayor of the City of Milwaukee, who serve for one year. The Commission elects a Chairperson and Vice Chairperson from its membership. Most major financing decisions of the District require an approving vote of two-thirds of all Commissioners.

Budgets

The District's annual Operation and Maintenance, and Capital budgets are financial plans outlining the established expenditures for programs or projects already authorized or to be considered by the District's Commission. Approval of the budgets by the District's Commission does not in itself authorize any specific expenditures or projects. Requests for capital project expenditures must be approved by either the Commission or the Executive Director, as appropriate, within established limits of authority prior to the commitment of funds. Operation and Maintenance budgets are structured so that expenses can be approved and costs can be accumulated by: a) cost center, b) expense category, c) user charge parameter/activity in accordance with the cost recovery manual, as updated annually by the Commission, and d) special program costs as requested and approved by the Commission.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

The Milwaukee metropolitan area continues to reflect a solid economic base and diversification despite the most significant national economic recession since the 1920's. After five straight years of declining property values, for the second consecutive year, taxable valuations in 2015 increased, with a 0.7% increase within the District boundary and 1.3% in the District's service area following a 2.0% increase in the District's service area in 2014. The District's ten largest taxpayers make up only 3.9% of the total tax base. Six of these taxpayers are commercial real estate developers whose projects include shopping malls, office buildings, and hotels.

The Milwaukee metropolitan area continues to have a sizable manufacturing base, one of the largest in the Midwest. However, continued expansion of the service sector provides diverse employment opportunities to metropolitan area residents in the financial, governmental, and health care areas and has reduced the relative importance of manufacturing.

Another indicator of the improvement in the Milwaukee area economy has been the decrease in the unemployment rate. The unemployment rate in Milwaukee County was 5.8% in 2015 compared to 7.0% in 2014. The unemployment rate has now decreased each of the last five years since 2010 when the unemployment rate was 9.9%.

Long-range Financial Planning

The District maintains long-range financing plans for its Operation and Maintenance (O&M) and Capital budgets. The District's operating budget utilizes a user charge stabilization fund and an equipment replacement fund to help stabilize user charge rates while improving customer service and the efficiency of operations. Items of note in the 2016 operating budget include:

- \$73.3 million in budgeted sewer user charge billings for 2016, a 2.5% increase from 2015. The annual average District household charge of \$122.42 in 2016 represents a decrease of \$2.75 or 2.2% from the 2015 amount of \$125.17.
- Total O&M expenditures were budgeted at \$89.8 million, 1.0% higher than in 2015.
- Although O&M expenditures increased only \$864,000 when compared to 2015's amount and the 2016's O&M budget returns a surplus of \$4.7 million, a 19.1% increase, or \$747,000 more than when compared to 2015's amount, 2016 sewer user charge billings still increased 2.5%. This increase was due to a 0.52% reduction in budgeted other revenues in 2016 and in 2016 the District included a \$300,000 contribution to the District's equipment replacement fund to remain in compliance with the funding requirements of the reserve. This 2016 contribution compares to the 2015 withdrawal of \$1 million of excess funding from the District's equipment replacement fund, thus \$1.3 million decrease in funding from 2015 to 2016.

The District's six-year financing plan for the capital budget seeks to accomplish the District's capital program needs within the following financing objectives:

- 25% cash financing for capital projects, and
- Maintaining outstanding debt at no more than 2.5% of total equalized property value (i.e., 50% of the statutory limit of 5%).

The six-year plan provides for \$596 million in capital project and program expenditures from 2016 through 2021, primarily for rehabilitation, upgrade or replacement of assets at the District's two water reclamation facilities, structural and hydraulic upgrades to the Metropolitan Interceptor Sewer system, watercourse and flood management projects, private property infiltration and inflow reduction, and development of green infrastructure solutions.

The 2016 Capital Budget continues the Private Property Infiltration and Inflow (PPI/I) Reduction program which began in 2010 and continues a program to fund municipal

green infrastructure. One of the primary causes of system capacity problems is the amount of clear water entering the system through infiltration and inflow from private property, such as aging or deteriorating laterals, or foundation drains. The District's PPI/I Reduction program provides funding to municipalities to remedy I/I from private property sources within their municipalities. The Green Solutions program provides funding to municipalities to implement green infrastructure, assisting the District in meeting its permit requirement to capture an additional one million gallons of stormwater each year through green infrastructure. The long-range financing plan includes \$30 million (\$5 million per year) in planned funding for the PPI/I Reduction program and \$8.9 million for the Green Solutions program.

In order to fund projected capital expenditures within the District's financing objectives, the tax levy increased 2.5% for 2016 and is projected to increase 4% annually thereafter through 2021.

Operating Contract

On December 3, 2007 the Milwaukee Metropolitan Sewerage District Commission approved a 10-year contract effective March 1, 2008 with Veolia Water Milwaukee, LLC (Veolia) to replace United Water Services (UWS) as the operator of the District's two water reclamation facilities, biosolids management and field operations. Veolia's proposal was determined to be the most cost-effective (saving over an estimated \$35 million over ten years) and was selected based on a competitive bid process which included UWS and after evaluating the cost-effectiveness of returning the operations to the public sector.

The District continues to operate its industrial waste pretreatment program; capital planning and engineering services; environmental laboratory, water quality monitoring and research; Milorganite sales, marketing and distribution. The District has an extensive contract compliance and oversight program related to the 10-year agreement.

LANDFILL GAS PIPELINE

The District has designed and built a low-pressure pipeline approximately 19 miles long to transport landfill gas from Advance Disposal Services Emerald Park Landfill in Muskego, to fuel the District's Jones Island Water Reclamation Facility, providing 20 years of green energy and reducing greenhouse gas emissions. The pipeline began full operations in 2014. The pipeline is estimated to result in significant savings to District customers over a 20-year period, depending on natural gas prices.

AWARDS AND ACKNOWLEDGEMENTS

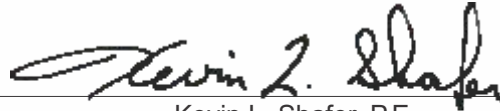
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2014. This was the 37th consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

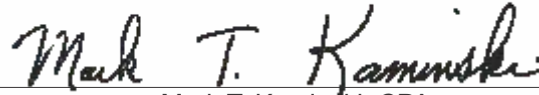
The District received the GFOA's Distinguished Budget Presentation Award for its 2014 annual budget document. In order to qualify for the distinguished Budget Presentation Award, the District's budget document was judged to be proficient in several categories. These categories include presentation as a policy document, financial plan, operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Accounting Department. Staff diligently and faithfully contributed to the continued improvement of the District's accounting function and preparation of this report. Their professional expertise,

experience and judgment have been invaluable to us and to the overall efficiency of the District. We would like to thank the members of the Communications and Graphics staffs, for without their efficient and dedicated services, the preparation of this report could not have been accomplished on a timely basis. We would also like to thank the Commission for providing the policy direction that allows us to pursue sound financial management practices.



Kevin L. Shafer, P.E.
Executive Director



Mark T. Kaminski, CPA
Director of Finance/Treasurer

The GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Milwaukee Metropolitan Sewerage District for its comprehensive annual financial report for the fiscal year ended December 31, 2014. This was the 37th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Milwaukee Metropolitan Sewerage District, Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

Financial Section

Green Initiatives





Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Commissioners
Milwaukee Metropolitan Sewerage District
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Milwaukee Metropolitan Sewerage District, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Milwaukee Metropolitan Sewerage District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Milwaukee Metropolitan Sewerage District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Milwaukee Metropolitan Sewerage District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Commissioners
Milwaukee Metropolitan Sewerage District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Metropolitan Sewerage District as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in the Note 2, Milwaukee Metropolitan Sewerage District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change is shown in the current year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Introductory Section and Statistical Section as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated May 31, 2016 on our consideration of the Milwaukee Metropolitan Sewerage District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Milwaukee Metropolitan Sewerage District's internal control over financial reporting and compliance.

Baker Tilly Vinchow Krause, LLP

Madison, Wisconsin
May 31, 2016

Management's Discussion and Analysis

As management of the Milwaukee Metropolitan Sewerage District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2015 and December 31, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 8-11 of this report.

FINANCIAL HIGHLIGHTS

- The District's net position of \$2.6 billion remained basically unchanged over the course of this year's operation.
- The District has a deficit balance of \$3.9 million for its unrestricted net position. This represents a decrease of \$0.5 million from the deficit balance of \$4.4 million at December 31, 2014. In accordance with GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, at December 31, 2015, the District has recorded a liability of \$46.1 million related to these benefits. The District has elected to fund its liability related to postretirement benefits other than pensions as it comes due rather than when it is incurred. At December 31, 2015, the actuarial accrued liability of \$190.5 million increased \$12.0 million from 2014's amount and is being amortized as a level dollar amount and the amortization period is open and is 30 years. See note 11 to the financial statements for further details.
- On May 11, 2015, the District issued \$100 million of General Obligation Promissory Notes, Series 2015A. The notes have a true interest cost of 2.94%. The net proceeds from this issue will provide funding for a portion of the District's capital improvements program in 2015 and 2016.
- On October 21, 2015, the District issued \$47,765,000 of General Obligation Sewerage System Refunding Bonds, Series 2015C. The net proceeds were in an irrevocable escrow account with an escrow agent to provide for all future debt service payments on \$42,720,000 of General Obligation Sewerage System Bonds, Series 2008F for maturities 2019 through 2028. The refunding resulted in the District realizing \$3.4 million in net present value savings over 13 years or 7.911%.
- During 2015, the District received \$19.4 million in loan proceeds from the State of Wisconsin Clean Water Fund Loan Program. The issuance of this new debt, along with the other general obligation debt, brings the District's outstanding debt at December 31, 2015 to \$960 million. This is an increase of \$36.3 million over the balance at December 31, 2014. The District's debt limit rate increased from 1.62% to 1.67%, well below the statutory limit rate of 5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information about the District using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the District's overall financial status.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows of resources with the difference reported as net position. This statement provides information about the nature and the amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It provides one way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. However, one will need to also consider nonfinancial factors such as changes in economic conditions, population and industrial/commercial customer growth, and new or changed government legislation.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the

See accompanying independent auditors' report.

past year and can be used to determine whether the District has successfully recovered all its costs through its user fees, net Milorganite sales revenue, other charges and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$2.6 billion at the close of the most recent fiscal year.

As can be seen in Table A-1 on page 17, the largest portion of the District's net position (96.4% at December 31, 2015) reflects its investment in capital assets (e.g., sewers, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide sewerage treatment services, provide flood management and to maintain and improve watercourses for the entire District service area; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

As shown in Table A-1, current, other assets and noncurrent assets increased \$67.4 million or 26.0% from 2014 to 2015. The primary reason for the increase was the issuance of \$100 million of General Obligation Promissory Notes, Series 2015A. The District had \$47.6 million in unused proceeds from the Notes still remaining at December 31, 2015 and \$7.4 million from the bid premium on the Notes. In addition, the issuance of the \$100 million of General Obligation Promissory Notes in 2015 was originally planned for fiscal year 2014. The deferral of issuance to 2015 resulted in the District drawing down its 2014 working capital balances reducing funds on hand. Finally, at December 31, 2015 there is an increase of \$3.9 million in surplus funds on hand. The 2015 balances included \$12.5 million in surplus funds from 2015 and 2014. The 2014 balances included \$8.6 million in surpluses from current and prior year operations. In compliance with federal user charge regulations the District must return a surplus back to its customers within two years from the year incurred and is a main reason for the increase in unrestricted cash and investments.

The Deferred Outflow of Resources consists of \$5.3 million related to the implementation of GASB Statement 68, Accounting and Financial Reporting for Pensions, at December 31, 2015 (see note 10 to the financial statements for additional details). The remaining amount relates to the unamortized loss on the District issued \$47,765,000 of General Obligation Sewerage System Refunding Bonds, Series 2015C.

As can be seen from Table A-1, total liabilities decreased approximately \$42.2 million or 4.1% from 2014 to 2015. The increase is primarily attributable to the issued \$100 million of General Obligation Promissory Notes Series 2015A offset partially by the planned pay down of existing District general obligation issued debt and Clean Water Fund Program loans issued prior to 2015.

The increase in restricted net position from 2014 to 2015 is due primarily to the issuance of \$100 million of General Obligation Promissory Notes in 2015. As mentioned earlier, this issuance of notes was originally planned for 2014. The deferral to 2015 resulted in the District drawing down its 2014 working capital balances and reducing restricted funds on hand. Also, the 2015 Notes included \$7.4 million from the bid premium on the Notes which was placed into the District's debt sinking funds to be used for future debt payments related to the issue.

The deficit in the District's unrestricted net position decreased \$0.5 million to \$3.9 million. The deficit in the unrestricted net position is the result of the District electing to fund its long-term liability related to postretirement health and life insurance as it comes due rather than when it is incurred. The total long-term liability related to this benefit was

Table A-1 Condensed Summary of Net Position (000's)

	2015	2014	2013	Percentage Increase (Decrease) 2015 Versus 2014
Current and Other Assets	\$229,059	\$221,030	\$208,492	3.6%
Noncurrent Assets	97,859	38,500	57,750	154.2
Capital Assets	3,421,954	3,448,177	3,472,298	(0.8)
Total Assets	3,748,872	3,707,707	3,738,540	1.1
Deferred Outflows of Resources	9,641	0	0	
Current Liabilities	121,395	119,507	107,071	1.6
Noncurrent Liabilities	949,388	909,079	957,945	4.4
Total Liabilities	1,070,783	1,028,586	1,064,962	4.1
Deferred Inflows of Resources	123,296	122,608	117,777	0.6
Investment in Capital Assets	2,471,795	2,486,416	2,464,531	(0.6)
-Restricted	96,526	74,479	87,139	29.6
-Unrestricted	(3,887)	(4,382)	4,131	11.3
Total Net Position	\$2,564,434	\$2,556,513	\$2,555,801	0.3

\$46.1 million at December 31, 2015 with an unfunded actuarial accrued liability of \$190.5 million, amortized as a level dollar amount and the amortization period is open and is 30 years. Although the liability increased by \$4.2 million to \$46.1 million at December 31, 2015, the overall deficit was reduced primarily by the increase in 2015 of \$3.9 million in surplus funds on hand over 2014's amount and the impact of implementing GASB Statement 68, Accounting and Financial Reporting for Pensions, at December 31, 2015.

When comparing 2013 to 2014, Table A-1 indicates current, other assets and noncurrent assets decreased \$6.7 million or 2.5%. The primary reason for the decrease is a \$4.6 million decrease in surplus funds on hand from 2013 to 2014. The 2013 balances included \$13.2 million in surpluses from current and prior year operations. The 2014 balances included only \$8.6 million of surplus funds from 2014 and 2013. This is also the reason for the decrease in unrestricted cash and investments. Another reason for the decrease in 2014 is the \$3.1 million final disbursement of funds remaining from its 2010 general obligation bond issue. In addition, because of low interest rates for investments during the past few years, the District continues to delay requesting loan funds from the State of Wisconsin Clean Water Fund program in order to avoid paying interest costs ranging from 2.20% to 2.751%. Although this action continues to reduce working capital on hand, the District avoided interest costs (\$305,000 in 2014) on these loans. Table A-1 also indicates total liabilities decreased approximately \$36.4 million or 3.4% from 2013 to 2014. The decrease is primarily attributable to the planned pay down of District general obligation issued debt and Clean Water Fund Program loans.

The decrease in restricted net position from 2013 to 2014 is due primarily to the increase in outstanding restricted accounts payable at year end. The increase is the result of the resolution of the Bostco litigation (see note 9 to the financial statements for additional detail) and increased payables related to increased construction activity in the last quarter of 2014. In addition, the District delayed a planned bond issue for 2014 until 2015, further reducing restricted funds on hand.

With respect to the \$8.5 million decrease in unrestricted net position, \$5 million of the decrease is the result of the District electing to fund its long-term liability related to postretirement health and life insurance as it comes due rather than when it is incurred. The total long-term liability related to this benefit was \$41.9 million at December 31, 2014 with an unfunded actuarial accrued liability of \$178.6 million. The amortization of the unfunded actuarial accrued liability is the primary reason for the decrease in unrestricted net position. Also, as mentioned earlier, because of federal user charge regulations requiring the District to return a surplus to customers within two years from when it is incurred, resulting in less funds on hand at the end of 2014.

While the Summary of Net Position (Table A-1) shows the change in the District's financial position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 on page 18, for the fiscal year ended 2015, total revenues increased by \$6.7 million or 3.4% and expenses slightly decreased by \$1.6 million or 0.8%. The major factors, which drove these results, include:

- Total user charges increased \$3.9 million or 5.6% from 2014. Although the District a budgeted 3.25% or \$2.3 million increase for 2014 sewer user charge billings, greater than expected wasteloads

for noncertified commercial users also increased the actual amount of user charge revenue earned.

- The District's Milorganite revenue increased \$610,000 or 7.6% in 2015. Competitive pressures continue resulting in approximately 2,124 less tons being sold in 2015. Offsetting the decrease in tonnage sold was an increase in the average net selling price of \$19.95 per ton from 2014 to 2015.
- Excluding depreciation, operating expenses in 2015 decreased \$1.4 million or 1.6% over the amount for 2014. The two main reasons for the decrease are, \$1.2 million in decreased energy costs related to lower natural gas prices and the increased use of landfill gas in lieu of natural gas at lower prices; and in 2014 there were one time Information Technology purchases of hardware total \$453,000. These decreases along with other smaller decreases in 2015 expenditures more than offset the planned increase in salaries and wages and increase in costs related to the contract terms of the 10 year operating contract with Veolia Water Milwaukee, LLC.
- Nonoperating revenues slightly increased \$1.9 million or 1.6%. The primary reason for the increase is a 2.65% increase in the tax levy to District member communities increasing property tax revenue by \$2.3 million. Partially offsetting the tax levy increase was a decrease in 2015 capital charges to communities outside the District because of an increase in watercourse/flood management expenditures that the communities outside the District are not obligated to reimburse the District.
- The decrease in nonoperating expenses in 2015 is primarily the result of an \$810,000 decrease in the amount of interest expense. \$610,000 of the decrease is the result less interest expense qualifying to be capitalized, and there was a \$200,000 decrease in 2015 in overall interest expense prior to capitalization. The remaining portion of the decrease was caused by a small decrease in disbursements related to the District's Infiltration/Inflow Reduction on Private Property Capital Program (PPI/I program).

As can be seen in Table A-2, for the fiscal year ended 2014, total revenues slightly increased by \$4.8 million or 2.5% and expenses increased by \$8.7 million or 4.4%. The major factors, which drove these results, include:

- Total user charges remained essentially the same from 2013. Although the District a budgeted 1.75% or \$1.2 million increase for 2014 sewer user charge billings, less than expected wasteloads for noncertified commercial users reduced the actual amount of user charge revenue earned.
- The District's Milorganite revenue increased \$326,000 or 4.3% in 2014 after revenue decreased 2.0% or \$160,000 in 2013. Although competitive pressures continue and combined with a struggling economy resulted in approximately 2,174 less tons being sold in 2014, offsetting the decrease in tonnage sold was an increase in the average net selling price of \$14.42 per ton from 2013 to 2014.
- Excluding depreciation, operating expenses in 2014 increased \$2.8 million or 3.3% over the amount for 2013. The three main reasons for the increase are: \$901,000 in increased energy costs related to higher natural gas prices in the first half of 2014; a \$765,000 increase in costs related to the contract terms of the 10 year operating contract with Veolia Water Milwaukee, LLC; and a \$757,000 increase in planned machinery and equipment repairs.
- Nonoperating revenues increased \$4.4 million or 3.8%. The primary

See accompanying independent auditors' report.

Table A-2 Condensed Summary of Revenues, Expenses, and Changes in Net Position (000's)

	2015	2014	2013	Percentage Increase (Decrease) 2015 Versus 2014
Operating Revenues:				
User Charges	\$73,940	\$70,029	\$69,572	5.6%
Fertilizer	8,603	7,993	7,667	7.6
Other	1,066	784	1,158	36.0
Total Operating Revenues	83,609	78,806	78,397	6.1
Nonoperating Revenues:				
Property Tax	93,239	90,919	88,626	2.6
Capital Charges - Communities Outside the District	28,433	29,396	28,424	(3.3)
Other	2,200	1,619	443	35.9
Total Nonoperating Revenues	123,872	121,934	117,493	1.6
Total Revenues	207,481	200,740	195,890	3.4
Operating Expenses:				
Systems - Operation and Maintenance	57,618	58,754	57,130	(1.9)
Laboratory and Research Services	2,388	2,449	2,448	(2.5)
Industrial Waste and Conveyance Monitoring	3,274	3,444	3,227	(4.9)
Finance, Engineering and Administration	23,231	23,311	22,331	(0.3)
Depreciation	88,906	87,647	82,785	1.4
Total Operating Expenses	175,417	175,605	167,921	(0.1)
Nonoperating Expenses	28,499	29,705	29,192	(4.1)
Land Contributed to Municipalities	515	722	176	(28.7)
Total Nonoperating Expenses	29,014	30,427	29,368	(4.6)
Total Expenses	204,431	206,032	197,289	(0.8)
Income (Loss) Before Capital Contributions	3,050	(5,292)	(1,399)	157.6
Capital Contributions	3,070	6,004	3,016	(48.9)
Changes in Net Position	6,120	712	1,617	
Beginning Net Assets, as Restated	2,556,513	2,555,801	2,554,184	
Cumulative Effect of a Change in Accounting Principle	1,801	0	0	
Ending Net Position	\$2,564,434	\$2,556,513	\$2,555,801	

reason for the increase is a 2.85% increase in the tax levy to District member communities which also impacted the level of billings for capital charges to communities outside the District. The remainder of the increase is due to a one-time payment of \$1.1 million from the Wisconsin Department of Transportation (DOT) for costs incurred by the District related to the impact of the DOT's Zoo Interchange project on the District's infrastructure in the area of the interchange.

- The slight increase in nonoperating expenses in 2014 is the result of an increase in expenditures related to the District's Infiltration/Inflow Reduction on Private Property Capital Program (PPI/I program).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015, the District's investment in capital assets amounted to \$3.4 billion (net of accumulated depreciation) as shown in Table A-3 below. The decrease of \$26.2 million in net capital assets for 2015 reflects an \$89.5 million increase in accumulated depreciation which exceeds the \$63.3 million in net additions to the asset base during

2015. In 2014 the increase in capital assets was \$62.5 million.

During 2015 and 2014 the District incurred capital expenditures to rehabilitate, upgrade or replace assets at its two water reclamation facilities and conveyance system; continued to work on flood management projects, as well as work on sustainability projects and 2050 Facilities Planning. In 2016, the District's current six-year capital expenditure forecast projects \$596.2 million in project and program expenditures over the six-year period from 2016 through 2021. During this period the capital improvement program continues its focus on asset management and sustainability rather than expansion of capacity.

More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

Debt Administration

General obligation indebtedness outstanding at December 31, 2015 amounted to \$960 million. Included in this amount are \$305.6 million of general obligation bonds issued by the District.

The remaining balance of \$654.4 million represents funds received by the District through the State of Wisconsin Clean Water Fund Loan

Table A-3 Capital Assets (000's)

	2015	2014	2013	Percentage Increase (Decrease) 2015 Versus 2014
Land, Land Easements & Land Improvements	\$113,802	\$111,227	\$110,674	2.3%
Buildings	812,940	803,028	802,701	1.2
Machinery & Equipment	896,058	884,280	786,344	1.3
Aeration and Clarifier Tanks	86,242	86,242	85,249	0.0
Watercourse Improvements	356,209	349,075	342,415	2.0
Intercepting Sewer System & Rights	2,501,040	2,478,845	2,463,150	0.9
Construction in Progress	230,192	220,532	280,215	4.4
Subtotal	4,996,483	4,933,229	4,870,748	1.3
Less: Accumulated Depreciation	(1,574,529)	(1,485,052)	(1,398,450)	6.0
Net Capital Assets	\$3,421,954	\$3,448,177	\$3,472,298	(0.8)%

See accompanying independent auditors' report.

Program, which provides low interest loans for use in the construction of wastewater treatment facilities. Interest on these loans is payable semi-annually with interest rates ranging from 2.20% to 4.95%.

On May 11, 2015, the District issued \$100 million of General Obligation Promissory Notes, Series 2015A. The net proceeds from this issue will provide funding for a portion of the District's capital improvements program in 2015 and 2016. The Series 2015A issue, competitively sold by the District, is the first issue since December of 2010.

On October 21, 2015, the District issued \$47,765,000 of General Obligation Sewerage System Refunding Bonds, Series 2015C. The net proceeds of \$47.8 million (including a net premium of \$683,652) were used to purchase U.S. government securities which were placed in an irrevocable escrow account with an escrow agent to provide for all future debt service payments on \$42,720,000 of General Obligation Sewerage System Bonds, Series 2008F for maturities 2019 through 2028. The refunding resulted in the District realizing \$3.4 million in net present value savings over 13 years or 7.911%.

Fitch Ratings affirmed the District's current bond rating on September 25, 2015. Moody's Investor's Services and Standard & Poor's current bond rating were affirmed on September 28, 2015. The current ratings are as follows:

<u>Fitch Ratings</u>	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>
AAA	Aa1	AA+

At December 31, 2015 the District has recorded an intergovernmental loan for \$23.5 million. This loan is with City of Franklin for costs related to constructing the Ryan Creek Interceptor in accordance with District standards and which the District will purchase from Franklin. The District made payments to Franklin, beginning in 2015, equal to Franklin's annual payments toward repaying its loan with the Clean Water Fund Loan Program used to finance the construction of the interceptor. On January 3, 2017, the District is to make a payment to reimburse Franklin for the sums Franklin has paid toward the Clean Water Fund Program loan through 2014.

During 2010 the Wisconsin Department of Commerce agreed to lend the District up to \$5 million for the purpose of economic development pursuant to the American Recovery and Reinvestment Act of 2009. The loan was amended on March 1, 2012 for an additional \$945,000 of principal. The loan provides partial funding for the District's landfill gas turbine project. The loan is interest free for 5 years and is secured by the equipment purchased with the loan funds rather than a tax levy pledge. The outstanding loan balance at December 31, 2015 was \$2.7 million. Although the District will be paying off the loan in April of 2016, in the event the District did not to pay off the loan by May 1, 2016 interest then accrues at the rate of 6% until final payment. The District will avoid \$751,000 in interest costs during the interest free period ending May 1, 2016, when compared to the District's next lowest cost financing option.

Additional information on the District's long-term debt can be in found in Note 7 to the financial statements and Exhibits B-12 to B-14 in the statistical section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for Milwaukee County was 5.8 percent for 2015, a decrease from the 7.0 percent rate for 2014. This compares to the state's unemployment rate of 4.6 percent and the national rate of 5.3 percent.
- Inflation in the metropolitan area was similar to the national consumer price index.
 - Milwaukee's inflation rate was -0.5% for 2015.
 - The average U.S. city rate was -0.1% for 2015.
- The equalized valuation for the District's service area (including communities outside the District) increased by 1.3 percent in 2015, while 2015 user charge wasteloads changed as follows:
 - Billable flows down 0.7%.
 - Pounds of Biochemical Oxygen Demand (BOD) down 1.1%
 - Pounds of Total Suspended Solids (TSS) up 0.8%.

All these factors were taken into consideration when preparing the District's budgets.

The District approved an \$89.8 million 2016 Operation and Maintenance Budget, an increase of \$864,000 or 1.0% from 2015. The District's sewer user charge billings for 2016 are budgeted to increase 2.5% to \$73.3 million. The average District residential charge for 2016 is decreasing \$2.75 to \$122.42 or 2.2% from the 2015 amount \$125.17.

Items of note in the 2016 Operations and Maintenance (O&M) Budget include:

- The 2016's O&M budget returns the 2014 surplus of \$4.7 million, a 19.1% increase, or \$747,000 more than when compared to 2015's amount of \$3.9 million.
- In 2016 the District included a \$300,000 contribution to the District' equipment replacement fund to remain in compliance with the funding requirements of the reserve. This 2016 contribution compares to the 2015 withdrawal of \$1 million of excess funding from the District' equipment replacement fund, thus \$1.3 million decrease in funding from 2015 to 2016.
- Contractual fee increases of \$1.1 million for the Veolia Water operating contract in the 2016 budget.
- Due to changes in the State of Wisconsin Local Government Property Insurance Fund, the District sought external proposals for a lower cost option. In 2016, after switching carriers, the lowest cost option still results in an estimated increase of \$338,000 for General Operations/Property Insurance Premiums.
- Health Care expenditures for active employees and retirees are expected to increase \$329,000. Included in this increase are increased active employee contributions.
- Milorganite packaging expenditures are increasing by \$250,000.
- Offsetting some of these increases are decreases of \$513,000 in energy costs; a \$425,000 reduction in Information Technology maintenance and hardware/software expenditures; and a reduction of \$407,000 for Green Infrastructure program when compared to 2015's budgeted amount.

The District's Commission approved a 2016 Capital Budget that included a tax levy of \$96 million, an increase of 2.5% from the levy of the prior year. The tax rate increased 1.8% from \$1.71 to \$1.74 per \$1,000 of equalized value. Included in the 2016 Capital Budget is the current six-year financing plan that projects tax levy increases of 4% per year through 2021, while increasing the estimated tax rate from \$1.74 to \$1.83 per \$1,000 of equalized value.

In the summer of 2010, the District's service area and local systems experienced extreme wet weather events that exceeded system capacity. To address the great magnitude of the problem, the 2011 Capital Budget introduced a Private Property Infiltration and Inflow (PPI/I) Reduction program. The 2016 Capital Budget's long-range financial plan maintains funding at \$5 million for years 2016 through 2021, bringing the total actual and planned program funding to \$65 million. The funding for this program will be used to reimburse each of the 28 municipalities within the District service area as they incur expenditures addressing I/I issues on private property within their own municipality.

In addition to the PPI/I Reduction program, the 2016 Capital Budget sets aside \$2.1 million in 2016 for reimbursements to municipalities for green infrastructure improvements and the long-range financial plan maintains funding at \$6.8 million for years 2017 through 2019. The Green Solutions program will assist the District in meeting its permit requirement to capture an additional million gallons of stormwater each year through green infrastructure. PPI/I program expenditures are written off in the year the municipality is reimbursed as they do not result in a District asset.

The 2016 Capital Budget also provides for the continuation of efforts to rehabilitate, upgrade or replace assets at the District's two water reclamation facilities and conveyance system, provide for flood management and develop additional green infrastructure solutions. The long-range financing plan provides for an average level of expenditures for capital projects and programs of \$99.4 million per year from 2016 through 2021 while the District maintains its 25% cash financing objective over the six-year period.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the **Milwaukee Metropolitan Sewerage District, 260 W. Seeboth St., Milwaukee, WI. 53204-1446 or made at the District's website www.mmsd.com.**

Exhibit A-1

Statements of Net Position

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

ASSETS	<u>2015</u>	<u>2014</u>
Current unrestricted assets:	(In Thousands)	
Cash and cash equivalents	\$ 3,015	\$ 8,490
Investments	18,783	10,111
Receivables:		
Billed user charges	6,335	6,299
Unbilled user charges	11,875	11,585
Fertilizer sales	1,638	1,371
Other	2,303	3,584
Inventories:		
Operating and maintenance supplies	2,727	2,745
Fertilizer	1,819	1,809
Total Current Unrestricted Assets	<u>48,495</u>	<u>45,994</u>
Current restricted assets:		
Cash and investments	52,092	46,882
Receivables:		
Tax levy	95,980	93,639
Capital charges – municipalities outside the District	29,882	33,225
Grant funds	2,032	602
Other	357	280
Prepaid expenses and other	221	408
Total Current Restricted Assets	<u>180,564</u>	<u>175,036</u>
Total Current Assets	<u>229,059</u>	<u>221,030</u>
Noncurrent restricted assets:		
Investments	<u>97,859</u>	<u>38,500</u>
Capital assets, at cost:		
Land	74,635	73,102
Land easements	19,618	18,576
Land improvements	19,549	19,549
Buildings	812,940	803,028
Aeration and clarifier tanks	86,242	86,242
Machinery and equipment	896,058	884,280
Intercepting sewer system	2,476,451	2,454,256
Interceptor rights	24,589	24,589
Watercourse improvement	356,209	349,075
Construction in progress	<u>230,192</u>	<u>220,532</u>
Total Capital Assets	4,996,483	4,933,229
Less accumulated depreciation	<u>(1,574,529)</u>	<u>(1,485,052)</u>
Net Capital Assets	<u>3,421,954</u>	<u>3,448,177</u>
Total Assets	<u>3,748,872</u>	<u>3,707,707</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources:		
Pension deferred outflows	5,334	-
Unamortized loss on refunding	4,307	-
Total Deferred Outflows of Resources	<u>9,641</u>	<u>-</u>

See accompanying notes to financial statements.



	2015	2014
	(In Thousands)	
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	\$ 7,281	\$ 6,402
Accrued salaries and wages	350	400
Accrued vacation pay	1,069	1,053
Other	440	440
Total Current Liabilities (Payable from Current Assets)	<u>9,140</u>	<u>8,295</u>
Current liabilities (payable from restricted assets):		
Accounts payable	8,700	13,611
Retainers payable	573	872
Accrued interest	7,269	7,209
Long-term obligations due within one year	95,713	89,520
Total Current Liabilities (Payable from Restricted Assets)	<u>112,255</u>	<u>111,212</u>
Total Current Liabilities Payable	<u>121,395</u>	<u>119,507</u>
Noncurrent liabilities:		
Retainers payable	23	217
Long-term obligations:		
General obligation bonds	280,093	204,691
Clean Water Fund Program loans	598,110	635,545
Intergovernmental loan	22,302	23,459
Postretirement benefits	46,126	41,906
Net pension liability	2,189	-
Accrued vested sick pay	545	555
State loans payable - long term	-	2,706
Total Long-term Obligations	<u>949,388</u>	<u>909,079</u>
Total Liabilities	<u>1,070,783</u>	<u>1,028,586</u>
	DEFERRED INFLOWS OF RESOURCES	
Tax levies	95,980	93,639
Capital charges – municipalities outside the District	27,316	28,871
Unamortized gain on refundings	-	98
Total Deferred Inflows of Resources	<u>123,296</u>	<u>122,608</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,194,079</u>	<u>1,151,194</u>
	NET POSITION	
Net Position:		
Investment in capital assets	2,471,795	2,486,416
Restricted – capital projects and programs	50,887	34,527
Restricted – equipment replacement	14,509	14,411
Restricted – debt service	31,130	25,541
Unrestricted	(3,887)	(4,382)
TOTAL NET POSITION	<u>\$ 2,564,434</u>	<u>\$ 2,556,513</u>

See accompanying notes to financial statements.

Exhibit A-2

Statements of Revenues, Expenses and Changes in Net Position

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

	2015	2014
	(In Thousands)	
OPERATING REVENUES		
User charges	\$ 73,940	\$ 70,029
Fertilizer	8,603	7,993
Other	1,066	784
Total Operating Revenues	<u>83,609</u>	<u>78,806</u>
OPERATING EXPENSES		
Systems – operation and maintenance	57,618	58,754
Laboratory and research services	2,388	2,449
Industrial waste and conveyance monitoring	3,274	3,444
Finance, engineering, and administration	22,231	23,311
Depreciation and amortization	89,906	87,647
Total Operating Expenses	<u>175,417</u>	<u>175,605</u>
OPERATING LOSS	<u>(91,808)</u>	<u>(96,799)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes - capital	93,239	90,919
Investment income	507	479
Net increase (decrease) in fair value of investments	(105)	(42)
Interest expense	(23,450)	(24,260)
Capital charges – municipalities outside the District	28,433	29,396
Gain (loss) on disposal of capital assets	(791)	(2,110)
Capital program expenditures	(5,049)	(5,445)
Land contributed to municipalities	(515)	(722)
Other	2,589	3,292
Total Nonoperating Revenues, Net	<u>94,858</u>	<u>91,507</u>
Income (Loss) before Capital Contributions	3,050	(5,292)
CAPITAL CONTRIBUTIONS	<u>3,070</u>	<u>6,004</u>
CHANGE IN NET POSITION	6,120	712
NET POSITION - Beginning of Year	2,556,513	2,555,801
Cumulative effect of a change in accounting principle	1,801	-
NET POSITION - END OF YEAR	<u>\$ 2,564,434</u>	<u>\$ 2,556,513</u>

See accompanying notes to financial statements.

Exhibit A-3

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 87,254	\$ 79,607
Payments for capital programs	(5,049)	(5,445)
Payments to suppliers	(69,343)	(71,829)
Payments to employees	(12,262)	(12,080)
Net Cash Provided (Used) by Operating Activities	<u>600</u>	<u>(9,747)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(63,832)	(57,488)
Proceeds from long-term debt issued	119,402	37,216
Principal payments on long-term obligations	(90,082)	(84,498)
Interest paid on long-term obligations (net of capitalized interest)	(30,438)	(25,482)
Debt issuance costs	(505)	-
Premium received on debt issued	8,053	-
Government grant receipts and other contributions	5,479	6,232
Tax levy receipts	93,239	90,919
Capital charges – municipalities outside the District	25,448	27,094
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>66,764</u>	<u>(6,007)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment income	507	479
Purchase of investments	(81,773)	(14,416)
Proceeds from sale and maturity of investments	18,429	20,639
Net cash provided (used) by investing activities	<u>(62,837)</u>	<u>6,702</u>
Net (decrease) increase in cash and cash equivalents	4,527	(9,052)
CASH AND CASH EQUIVALENTS - Beginning of Year	8,490	17,542
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,017</u>	<u>\$ 8,490</u>
Cash and cash equivalents as presented in the accompanying statements of net position:		
Current cash and equivalents	\$ 3,015	\$ 8,490
Current investments	18,783	10,111
Current restricted cash and investments	52,092	46,882
Noncurrent investments	97,859	38,500
Non-cash equivalents	(158,732)	(95,493)
Cash and cash equivalents	<u>\$ 13,017</u>	<u>\$ 8,490</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OTHER OPERATING ACTIVITIES		
Operating loss	\$ (91,808)	\$ (96,799)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	89,906	87,647
Postretirement benefits	4,220	4,996
Other nonoperating revenue	3,034	3,292
Capital program expenditures	(5,049)	(5,445)
Changes in current assets and liabilities:		
Current receivables and other assets	611	(2,491)
Prepaid expenses and other	187	109
Inventories	8	258
Accounts payable and other liabilities	(509)	(1,314)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ 600</u>	<u>\$ (9,747)</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	\$ (105)	\$ (42)
Increase (decrease) in capital grants accrued	1,430	(758)
Increase (decrease) in receivables and unearned revenue for capital charges municipalities outside the District (net impact)	2,985	2,302
Capital assets contributed by others	934	530
Capitalized interest	5,627	5,017
Loss on disposal of capital assets	851	2,074
Land contributed to municipalities	515	722
Debt refunded	42,720	-
Refunding debt issued	47,765	-

See accompanying notes to financial statements.

Notes to Financial Statements

As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - BASIS OF PRESENTATION

The Milwaukee Metropolitan Sewerage District (the District) is a special purpose municipal corporation established by the laws of the State of Wisconsin. The District's legal boundary includes all of Milwaukee County with the exclusion of the City of South Milwaukee. The legal boundary also includes the portion of the Village of Bayside which is in Ozaukee County and those portions of the City of Milwaukee that are in Waukesha County and Washington County. The District determines and collects sewer user charges from municipalities within this area in order to apportion all operation and maintenance costs associated with treatment operations. The District also provides service to certain municipalities outside the District for collection and treatment of their sewage. Construction and maintenance of all intercepting sewers, watercourse improvements, and water reclamation facilities within its territorial area are also the responsibilities of the District. The District also produces organic nitrogen fertilizer (Milorganite®) as a by-product of its wastewater treatment process for residential and commercial use.

The District has the authority to finance its capital project costs through the use of a property tax levy, user charge, or the sale of revenue or general obligation bonds. Additionally, the District may contract with users outside the District's boundaries for payment toward its capital costs.

The accompanying financial statements include all transactions of the District for which the District is financially accountable. Financial accountability is defined as an appointment of a majority of a component unit's board and either the ability to impose the will of the District or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. Based on these criteria, the District has determined that there are no component units that come under the criteria for inclusion. The District is not a component unit of any other government entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Effective January 1, 2015, the District implemented GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting to the utilities' cost-sharing multiple employer pension plan. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employer.

The following is a summary of the more significant policies.

FINANCIAL STATEMENT PRESENTATION AND BASIS OF ACCOUNTING

The District prepares its financial statements on an enterprise fund basis. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Accordingly, the District's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned, and expenses are recorded when liabilities are incurred.

CASH EQUIVALENTS

The District generally considers deposits and all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

INVESTMENTS

Investment of the District's funds is restricted by state statutes. Investments are limited to:

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

Investments are reported at fair value based on quoted market prices. Commercial paper, which is short-term (less than 180 days) and highly liquid, is carried at amortized cost.

Investment income, including changes in the fair value of investments and realized gains and losses, is recognized as revenue in the statements of revenues, expenses, and changes in net position.

The District invests in the Wisconsin Local Government Investment Pool (the Pool), which 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 (SEC), but operates under the statutory authority of Wisconsin Chapter 25. The District's investment in the Pool is reported at fair value in the statements of net position. The fair value of the District's investment in the Pool equals the net realizable value of the District's share of the Pool (see Note 3). The Pool is authorized by Wisconsin statutes to enter into investments on behalf of government

entities within Wisconsin and, in certain circumstances, to enter into derivative transactions to maximize the yield on its investments. However, specific information about the Pool's derivative transactions is not available to the District.

USER CHARGES

User charges are recorded on the accrual basis. User charges billed to municipalities within the service area are designed to cover only operation and maintenance expenditures and are not intended to recover capital costs. User charge rates are set by District resolution on an annual basis to recover net estimated operating expenses, excluding depreciation, after giving effect to prior year surpluses or deficits. These charges are billed to municipalities in proportion to each user's contribution to total wastewater loading into the treatment system. Each municipality's bill reflects the amount due from each user class - residential, commercial, and industrial. Due to the delay in user charge billing caused by the monthly or quarterly billing cycle, the District accrues unbilled service charges with respect to services provided during the current year.

INVENTORIES

Inventories are valued at the lower of cost (weighted average cost) or market.

PREPAYMENTS

Prepayments represent costs of insurance paid during the current audit year for coverage in subsequent years.

RESTRICTED ASSETS

The District maintains specific investments held by the bank for safekeeping for funds intended for equipment replacement. The equipment replacement funds are classified as restricted assets and were approximately \$14,509,000 and \$14,411,000 in 2015 and 2014. Also included in restricted assets are investments, receivables, and other assets available for restricted liabilities related to the District's capital improvement program of \$185,321,000 and \$173,584,000 in the same periods. Investments restricted for debt service were \$31,130,000 and \$25,541,000, respectively. Investments restricted for construction funds were \$47,561,000 in 2015.

PROPERTY TAXES AND CAPITAL CHARGES

Property taxes levied have been designated by the District's Commission to be legally available for capital expenditures, capital programs, and debt service requirements in the ensuing year. Taxes levied in 2015, to be collected in 2016, of \$95,980,000, have been included in deferred inflows of resources in the statements of net position at December 31, 2015, and are available for expenditure in 2016. Taxes levied in 2014, to be collected in 2015, of \$93,639,000, have been included in deferred inflows of resources in the statements of net position at December 31, 2014, and were available for expenditure in 2015.

The various municipalities within the District's legal boundary initially collect District taxes. As collections are made, the local or county treasurer makes pro rata settlements with the District beginning on or before January 15 each year and monthly thereafter. All municipalities are required to remit delinquent District taxes to the treasurer of the county in which such municipality is located by August 15 each year. The county treasurer, in turn, must settle the taxes in full with the District by August 20 regardless of actual collections.

Communities outside the District's legal boundary, but within the service area are assessed a capital charge in place of levying a property tax.

CAPITAL CONTRIBUTIONS

Capital contributions consist of federal and state grants, contributions from Veolia Water, and funds from the State of Wisconsin used to finance capital expenditures. Federal and state grant receivables are recognized as the related capital project expenditures are incurred. Revenue from grants and contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

CAPITAL ASSETS

Capital assets, which include land, land easements, land improvements, buildings, aeration and clarifier tanks, machinery and equipment, intercepting sewer system, interceptor rights, and watercourse improvements, are stated at cost. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life of three or more years. Public domain property (i.e., sewers) and other capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Interest is capitalized on constructed assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest cost is amortized on the same basis as the related asset is depreciated. The amount of interest capitalized was \$5,627,000 and \$5,017,000 in 2015 and 2014, respectively.

Depreciation/amortization are provided using the straight-line method over the following estimated useful lives:

	Years
Land easements	50
Land improvements	30-60
Buildings	50-65
Aeration and clarifier tanks	20-25
Machinery and equipment	3-50
Intercepting sewer system	20-100
Interceptor rights	50
Watercourse improvements	65-80

Depreciation is not provided on construction in progress until the project is completed and placed in service.

Notes to Financial Statements Continued

VACATION PAY

Vacation pay is accrued as earned and is to be used within one year. The accrued vacation pay of \$1,069,000 and \$1,053,000 at December 31, 2015 and 2014, respectively, is classified as a current liability.

RETAINERS PAYABLE

The District withholds payment for a portion of construction work completed. Upon completion of construction projects, the District remits payment for the amount withheld. Retainers expected to be paid during the next year are classified as current.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

A deferred outflow of resources represents the consumption of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense) until that future period.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

On an accrual basis, revenue from property taxes and capital charges for communities outside the District are recognized in the period they are intended to finance, which is the year after the taxes are levied and the capital charges are incurred. A deferred inflow of resources arises when assets are recognized before the period for revenue recognition has occurred.

Gains or losses on refunding are deferred and amortized over the life of related bonds on a straight line basis and are reported as deferred inflows or outflows.

Certain changes impacting the net position liability are deferred as discussed in Note 10.

BOND PREMIUMS AND DISCOUNTS

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

VESTED SICK PAY

Prior to 1984, it was the District's practice that employees could accumulate unused sick pay to a maximum of 240 days, and upon retirement could receive payment for one-half of their accumulated days. In 1984, the accumulated unused sick pay for management employees was frozen at the balance earned as of December 31, 1983. The Union employees continued to accumulate unused sick pay until 2012. The accumulated sick pay for Union employees was frozen at the balance earned as of April 30, 2012. The frozen sick pay of the management employees is \$87,000 and \$43,000 at December 31, 2015 and 2014, respectively, and the frozen sick pay of the Union employees is \$808,000 and \$912,000 at December 31, 2015 and 2014, respectively. Of the total, \$545,000 and \$555,000 at December 31, 2015 and 2014, respectively, are classified as a long-term liability. The current portion is included with accrued salaries and wages.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

NET POSITION

Net position is displayed in three components as follows:

Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – consists of constraints placed on net position that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

CLASSIFICATION OF REVENUES AND EXPENSES

The District has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions, including sewer user charges and fertilizer (Milorganite®) sales. Nonoperating revenue includes interest income on investments and activities that have characteristics of nonexchange transactions including federal, state, and local grants and contributions.

Operating expenses are related to the operating, managing, and maintaining of the District's sewerage system. These expenses are primarily funded by sewer user charges and sales of Milorganite®. Nonoperating expenses are related to the cost of acquiring, purchasing, adding to, leasing, planning, designing, constructing, extending, and improving all or any part of the District's sewerage system; capital programs designed to finance improvements outside the system that minimize the need for future system expansion; and paying principal, interest, or premiums on any indebtedness for these purposes. These expenses are primarily funded by property taxes levied on member communities and capital billings to communities outside the District.

GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS

Gains and losses on disposal of capital assets include assets retired as well as projects that were terminated and disposed of during the year. In addition, the cost demolition associated with certain water course properties is included here.

CAPITAL PROGRAM EXPENDITURES

The District offers funding to municipalities for planning, design, investigation, and construction of projects intended to reduce inflow and infiltration on private property. Actual costs reimbursed by the District to municipalities are shown as a nonoperating expense on the statements of revenues, expenses, and changes in net position.

LAND CONTRIBUTED TO MUNICIPALITIES

As part of its watercourse and flood abatement program, the District purchases natural wetlands to reduce the risk of future flooding problems. These properties are subsequently donated to local municipalities because they provide multiple benefits to

the local community in the form of open space, wildlife habitat and passive recreation, while the District retains a conservation easement.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. 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, expenses, and capital contributions during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

GASB has approved GASB Statement No. 72, Fair Value Measure and Application, Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, and Statement No. 79, Certain External Investment Pools and Pool Participants.

RECLASSIFICATION

Certain amounts in the 2014 financial statements may have been reclassified to conform with the classification used in 2015.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of December 31, 2015, the District had the following investments and cash and cash equivalents and maturities:

	Carrying Value	Investment Maturities (in years)		
		Less Than 1	1-2	3-5
		(In Thousands)		
Checking (overdraft)	\$(2,775)	\$(2,775)	\$ -	\$ -
U.S. Instrumentalities	21,059	1,250	9,059	10,750
U.S. Treasuries	8,902	2,608	2,720	3,574
Local Government				
Investment Pool	127,770	127,770	-	-
Corporate Bonds	5,989	1,811	3,173	1,005
Money Market	10,001	10,001	-	-
Certificates of Deposit	803	803	-	-
Commerical Paper	-	-	-	-
Total Cash and Investments	<u>\$171,749</u>	<u>\$141,468</u>	<u>\$14,952</u>	<u>\$15,329</u>

As of December 31, 2014, the District had the following investments and cash and cash equivalents and maturities:

	Carrying Value	Investment Maturities (in years)		
		Less Than 1	1-2	3-5
		(In Thousands)		
Checking (overdraft)	\$(1,217)	\$(1,217)	\$ -	\$ -
U.S. Instrumentalities	24,406	-	2,247	22,159
U.S. Treasuries	7,660	2,533	2,629	2,498
Local Government				
Investment Pool	64,559	64,559	-	-
Corporate Bonds	7,773	3,262	1,821	2,690
Certificates of Deposit	802	802	-	-
Total Cash and Investments	<u>\$103,983</u>	<u>\$69,939</u>	<u>\$6,697</u>	<u>\$27,347</u>

The checking account bank balance was \$57,300 and \$30,271 at December 31, 2015 and 2014, respectively. Deposits in each local and area bank are insured by the FDIC in the amounts of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest and noninterest bearing). Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. During 2015 and 2014, the District was in compliance with its investment policy that all investments shall be limited to maturities not exceeding five years, and the District shall maintain at least \$10,000,000 of its total investment portfolio in instruments maturing in 60 days or less. During 2015 and 2014, investments with maturities of less than 180 days, based on par value, comprised on average, 82.3% and 76.3%, respectively, of the District's month-end investment portfolio balance.

Credit risk is risk that an issuer of an investment will not fulfill its obligations to the District. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by a nationally recognized rating service at the time of purchase.

The District investment policy further limits the purchase of commercial paper to issuers with a commercial paper program size of at least \$500,000,000, except for banks and companies located within the District's boundaries. The District did not hold any investments in commercial paper as of December 31, 2015 and 2014. The District's investment in corporate bonds at December 31, 2015, ranged from AA+ to AA- by Standard & Poor's, or Aa1 to A1 by Moody's Investors Service. The District's investment in corporate bonds at December 31, 2014, ranged from AA+ to AA by Standard & Poor's, or Aaa to A2 by Moody's Investors Service.

As to the credit risk related to the District's investment in the Local Government Investment Pool (LGIP), the investments are not insured. The Federal Deposit Insurance Corporation (FDIC) insures the pro rata share of certificates of deposit held by the LGIP.

At December 31, 2015 and 2014, all of the District's investment in U.S. Instrumentalities are rated either AA+ by Standard & Poor's or Aaa by Moody's Investors Service.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District places no limit on the amount invested in any one issuer. As of December 31, 2015, no single issuer had more than 5% of the District's investments.

As of December 31, 2014, the District had more than 5% of the District's investments in the following issuer:

Issuer	Percentage
Federal National Mortgage Association	8.86
U.S. Treasury Note	7.28
Federal Farm Credit Banks	5.32

Notes to Financial Statements Continued

In the case of deposits, in which the related risk is the event of a bank failure, the District's deposits may not be returned to it. The District maintained certificates of deposit of \$800,000 at December 31, 2015 and 2014. These deposits, excluding \$2,800 of accrued interest at December 31, 2015 and \$1,900 of accrued interest at December 31, 2014, are fully insured through a combination of federal and state deposit insurance.

NOTE 4 - OPERATING CONTRACT AND EXPENSES

On December 3, 2007, the Milwaukee Metropolitan Sewerage District Commission approved a 10-year contract effective March 1, 2008 with Veolia Water Milwaukee, LLC (Veolia) to replace UWS as the operator of the District's two wastewater treatment plants, biosolids management and field operations, while retaining ownership of the assets. Veolia's proposal was determined to be the most cost-effective and was selected based on a competitive bid process which included UWS and after evaluating the cost-effectiveness of returning the operations to the public sector. The District continued to operate its industrial waste pretreatment program; capital planning and engineering services; environmental laboratory, water quality monitoring and research; Milorganite® sales, marketing and distribution while maintaining ownership of the assets.

As part of the new contract with Veolia, the District transferred custody of the operating and maintenance supplies inventory to Veolia on March 1, 2008 while the District retained ownership. At the termination of the contract, custody of the inventory reverts back to the District, and any change in the value of inventory is paid by the District or to the District. Any changes in inventory levels throughout the term of the agreement are recorded as inventory.

The operation and maintenance and utility fees are subject to adjustments based on various indices. The total net expenditures related to the contract for the year ended December 31, 2015 were \$45,774,000 and for the year ended December 31, 2014 were \$44,628,000. The District continues to operate its industrial waste pretreatment program, engineering, central lab monitoring and research, Milorganite® sales, marketing, and distribution. Under the terms of the new contract with Veolia the District is liable for 75% of actual energy costs and Veolia is responsible for the remainder.

NOTE 5 - FEDERAL AND STATE GRANTS

The District has been awarded federal grant funds for planning, design, and construction, and state grant funds for construction.

Available and outstanding federal and state grants are presented as follows:

	Available Grant Funds		Outstanding Grants Receivable		Total
			Billed	Unbilled	
			(In Thousands)		
December 31, 2015:					
Federal	\$ 6,765	\$ 886	\$ -	\$ -	\$ 886
State and other	1,012	1,146	-	-	1,146
Totals	\$ 7,777	\$ 2,032	\$ -	\$ -	\$ 2,032
December 31, 2014:					
Federal	\$ 10,798	\$ 462	\$ -	\$ -	\$ 462
State	1,206	140	-	-	140
Totals	\$ 12,004	\$ 602	\$ -	\$ -	\$ 602

The District accrues for unbilled grant amounts based on eligible project expenditures incurred. Actual billings are made in accordance with respective grant provisions.

Grants and amounts received may be subject to compliance audits. In the District's opinion, adjustments, if any, resulting from the disallowance of expenditures would not have a material adverse effect on the District's financial position.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015 was as follows:

	Balance, Beginning of Year	Additions	Deductions (in Thousands)	Adjustments	Balance, End of Year
Capital assets not being depreciated:					
Land	\$ 73,102	\$ 1,533	\$ -	\$ -	\$ 74,635
Construction in progress	220,532	62,164	52,488	(15)	230,193
Total Capital Assets Not Being Depreciated	293,634	63,697	52,488	(15)	304,828
Capital assets being depreciated:					
Land easements	18,576	1,042	-	-	19,618
Land improvements	19,549	-	-	-	19,549
Buildings	803,028	9,912	-	-	812,940
Aeration and clarifier tanks	86,242	-	-	-	86,242
Machinery and equipment	884,280	12,206	428	-	896,058
Intercepting sewer system	2,454,256	22,195	-	-	2,476,451
Interceptor rights	24,589	-	-	-	24,589
Watercourse improvements	349,075	7,133	-	-	356,208
Total Capital Assets Being Depreciated	4,639,595	52,488	428	-	4,691,655
Less accumulated depreciation:					
Land easements	3,524	424	-	-	3,948
Land improvements	12,262	412	-	-	12,674
Buildings	362,198	15,559	-	-	377,757
Aeration and clarifier tanks	39,374	1,168	-	-	40,542
Machinery and equipment	427,406	31,982	428	-	458,960
Intercepting sewer system	589,265	34,931	-	-	624,196
Interceptor rights	738	491	-	-	1,229
Watercourse improvements	50,285	4,938	-	-	55,223
Total Accumulated Depreciation	1,485,052	89,905	428	-	1,574,529
Total Capital Assets Being Depreciated, Net	3,154,543	(37,417)	-	-	3,117,126
Total Capital Assets, Net	\$ 3,448,177	\$ 26,280	\$ 52,488	\$ (15)	\$ 3,421,954

Capital assets activity for the year ended December 31, 2014 was as follows:

	Balance, Beginning of Year	Additions	Deductions (in Thousands)	Adjustments	Balance, End of Year
Capital assets not being depreciated:					
Land	\$ 72,591	\$ 511	\$ -	\$ -	\$ 73,102
Construction in progress	280,215	73,109	131,442	(1,350)	220,532
Total Capital Assets Not Being Depreciated	352,806	73,620	131,442	(1,350)	293,634
Capital assets being depreciated:					
Land easements	18,546	30	-	-	18,576
Land improvements	19,537	12	-	-	19,549
Buildings	802,701	327	-	-	803,028
Aeration and clarifier tanks	85,249	993	-	-	86,242
Machinery and equipment	786,344	99,813	1,877	-	884,280
Intercepting sewer system	2,438,585	15,671	-	-	2,454,256
Interceptor rights	24,565	24	-	-	24,589
Watercourse improvements	342,415	6,660	-	-	349,075
Total Capital Assets Being Depreciated	4,517,942	123,530	1,877	-	4,639,595
Less accumulated depreciation:					
Land easements	3,153	371	-	-	3,524
Land improvements	11,750	512	-	-	12,262
Buildings	346,864	15,334	-	-	362,198
Aeration and clarifier tanks	38,253	1,121	-	-	39,374
Machinery and equipment	398,133	30,318	1,045	-	427,406
Intercepting sewer system	554,621	34,644	-	-	589,265
Interceptor rights	246	492	-	-	738
Watercourse improvements	45,430	4,855	-	-	50,285
Total Accumulated Depreciation	1,398,450	87,647	1,045	-	1,485,052
Total Capital Assets Being Depreciated, Net	3,119,492	35,883	832	-	3,154,543
Total Capital Assets, Net	\$ 3,472,298	\$ 109,503	\$ 132,274	\$ (1,350)	\$ 3,448,177

The District had construction contract commitments of approximately \$7,666,000 and \$10,715,000 as of December 31, 2015 and 2014, respectively.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2015 were as follows:

	Beginning Balance	Additions	Reductions (in Thousands)	Ending Balance	Due within One Year
General obligation bonds	\$ 233,835	\$ 147,765	\$ (75,985)	\$ 305,615	\$ 35,575
Plus unamortized premium	4,121	8,053	(2,121)	10,053	-
Total Bonds Payable	237,956	155,818	(78,106)	315,668	35,575
State of Wisconsin Clean Water Fund	689,893	19,402	(54,911)	654,384	56,275
Subtotal	927,849	175,220	(133,017)	970,052	91,850
Intergovernmental loan	24,589	-	(1,129)	23,460	1,157
Other long term debt	3,484	-	(778)	2,706	2,706
Other postretirement benefits	41,906	9,344	(5,124)	46,126	-
Net Pension liability	-	2,189	-	2,189	-
Vested sick pay	955	-	(60)	895	350
Total	\$ 998,783	\$ 186,753	\$ (140,108)	\$ 1,045,428	\$ 96,063

Changes in long-term obligations for the year ended December 31, 2014 were as follows:

	Beginning balance	Additions	Reductions (in Thousands)	Ending balance	Due within one year
General obligation bonds	\$ 265,665	\$ -	\$ (31,830)	\$ 233,835	\$ 33,265
Plus unamortized premium	5,373	-	(1,252)	4,121	-
Total Bonds Payable	271,038	-	(33,082)	237,956	33,265
State of Wisconsin Clean Water Fund	704,591	37,193	(51,891)	689,893	54,349
Subtotal	975,629	37,193	(84,973)	927,849	87,614
Intergovernmental loan	24,565	24	-	24,589	1,129
Other long term debt	4,261	-	(777)	3,484	777
Other postretirement benefits	36,910	9,561	(4,565)	41,906	-
Vested sick pay	1,115	-	(160)	955	400
Total	\$ 1,042,480	\$ 46,778	\$ (90,475)	\$ 998,783	\$ 89,920

The District has issued general obligations bonds to provide funds for the acquisition and construction of major capital assets. All general obligation bonds are backed by the full faith and credit of the District. Interest on these bonds is payable semiannually at varying interest rates ranging from 2.94% to 4.45% (effective interest rate of 3.91%). Debt service requirements are as follows:

Year	Principal	Interest	Subsidy*	Total
				(in Thousands)
2016	\$ 35,575	\$ 12,643	\$ -	\$ 48,218
2017	37,100	11,020	(646)	47,474
2018	20,725	9,225	(620)	29,330
2019	21,410	8,307	(590)	29,127
2020	22,275	7,439	(557)	29,157
2021-2025	78,140	25,077	(2,238)	100,979
2025-2030	61,255	11,989	(1,131)	72,113
2031-2034	29,135	2,601	(62)	31,674
Total	\$ 305,615	\$ 88,301	\$ (5,844)	\$ 388,072

*The subsidy is based on the original 35% federal interest subsidy provided by the federal government. During fiscal year 2015 interest subsidies received were reduced by 7.3% and during federal fiscal year 2016, the subsidy payments have been reduced by 6.8%. This amount may continue to change based on sequestration.

The District has received funds through the State of Wisconsin Clean Water Fund Loan Program. Interest on these loans is payable semiannually at varying interest rates

Notes to Financial Statements Continued

ranging from 2.20% to 4.95% (effective interest rate of 2.55%). Principal is payable annually in varying amounts. Debt service requirements are as follows:

Year	Principal	Interest (In Thousands)	Total
2016	\$ 56,275	\$ 15,742	\$ 72,017
2017	56,107	14,288	70,395
2018	56,634	12,828	69,462
2019	57,644	11,349	68,993
2020	58,147	9,853	68,000
2021-2025	229,394	30,574	259,968
2026-2030	125,316	8,129	133,445
2031-2035	14,868	458	15,326
Total	\$ 654,385	\$ 103,221	\$ 757,606

The District has outstanding loan commitments available of \$25,780,700 and \$40,925,000 at December 31, 2015 and 2014, respectively, from the State of Wisconsin Clean Water Fund Loan Program. These commitments will be utilized for future construction of wastewater treatment facilities.

In 2010, the District entered into an intergovernmental loan agreement with the City of Franklin to finance the Ryan Interceptor (project). The City of Franklin is constructing the project which will ultimately become an asset of the District. The City of Franklin has obtained Clean Water Fund Loan financing for this project at 2.46%. The District's obligation will equal the total principal and interest payments on that loan. The District has agreed to make payments to the City of Franklin beginning in 2015 and the debt is anticipated to be paid off in 2031. On January 3, 2017, the District will make a payment to the City of Franklin to reimburse the City for the sums paid toward the loan through 2014. The outstanding amount at December 31, 2015 is \$23,459,388. Debt service requirements are as follows:

Year	Principal	Interest (In Thousands)	Total
2016	\$ 1,157	\$ 536	\$ 1,693
2017	2,288	1,878	4,166
2018	1,215	478	1,693
2019	1,245	448	1,693
2020	1,275	417	1,692
2021-2025	6,863	1,590	8,453
2026-2030	7,751	691	8,442
2031	1,666	21	1,687
Total	\$ 23,460	\$ 6,059	\$ 29,519

On December 15, 2003, the District issued \$38,105,000 General Obligation Capital Purpose Refunding Bonds, Series 2003I. The proceeds were used to purchase state and local government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Capital Purpose Bonds, Series 2001A, and Series 2003D. Neither the defeased debt nor the funds held in trust are recorded on the District's statement of net position. The difference between the reacquisition price and the net carrying amount of the old debt was a loss of \$1,981,000, which is reported in the accompanying financial statements as a reduction to long-term obligations and is being amortized as a component of interest expense through 2018. The unamortized refunding loss was \$368,000 as of December 31, 2015. The remaining balance on the Series 2003I Bonds at December 31, 2015 and 2014, included in general obligation bonds, is \$17,640,000 and \$22,980,000 respectively.

On April 21, 2005, the District issued \$57,115,000 of General Sewerage System Refunding Bonds, Series 2005A. The proceeds were used to purchase state and local government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Sewerage System Bonds, Series 2001A. Neither the defeased debt nor the funds held in trust are recorded on the District's statement of net position. The difference between the acquisition price and the net carrying amount of the old debt was a loss of \$217,000, which is reported in the accompanying financial statements as a reduction to long-term obligations and is being amortized as a component of interest expense through 2022. The unamortized refunding loss was \$83,000 as of December 31, 2015. The remaining balance on the Series 2005A Bonds at December 31, 2015 and 2014, included in general obligation bonds, is \$50,105,000 and \$53,675,000 respectively. As of December 31, 2015 and 2014, \$38,660,000 of the 2003D bonds remain defeased from this transaction.

On July 3, 2007, the District issued \$97,095,000 of General Sewerage System Refunding Bonds, Series 2007A, to refund \$103,715,000 of outstanding bonds, Series 1997A. The 1997A bonds have been paid in full. The difference between the acquisition price and the net carrying amount of the old debt was a gain of \$2,594,000, which is reported in the accompanying financial statements as a gain to long-term obligations and is being amortized as a component of interest expense through 2017. The unamortized refunding gain was \$443,000 as of December 31, 2015. The remaining balance on the Series 2007A Bonds at December 31, 2015 and 2014, included in general obligation bonds, is \$41,770,000 and \$61,105,000, respectively.

On August 4, 2008, the District issued \$70,000,000 of General Sewerage System Bonds, Series 2008F, with an average interest rate of 4.9 percent. The proceeds are being used to fund district capital improvements. On October 21, 2015, \$42,725,000 of callable maturities of the 2008F bonds were funded with the issuance of the 2015C General Sewerage System Bonds. The new service life of the remaining debt is through 2018. The remaining balance on the Series 2007F Bonds at December 31, 2015 and 2014, included in general obligation bonds, is \$9,275,000 and \$54,845,000, respectively.

On December 23, 2010, the District issued \$50,000,000 of General Obligation Sewerage System Bonds, Series 2010L with an average interest rate of 3.9 percent. Included in the proceeds is a subsidy from the Build America Bonds program of \$9,186,000 which will reduce the payment over the life of the bonds until 2030. This amount may change based on sequestration. The proceeds are being used to fund district capital improvements. The remaining balance on the series 2010L Bonds at

December 31, 2015 and 2014 included in general obligation bonds is \$39,060,000 and \$41,230,000, respectively.

On May 6, 2015, the District issued \$100,000,000 of General Obligation Sewerage System Bonds, Series 2015A with an average interest rate of 3.7 percent. The proceeds are being used to fund district capital improvements. The remaining balance on the Series 2015A Bonds at December 31, 2015, included in general obligation bonds, is \$100,000,000.

On October 21, 2015, the District issued \$47,765,000 of General Sewer System Refunding Bonds, Series 2015C, with an average interest rate of 2.16 percent to advance refund \$42,720,000 of outstanding bonds, Series 2008F, with an average interest rate of 4.76 percent. The net proceeds of \$48,369,000 (including premium of \$683,000 after payment of \$257,000 in underwriting fees and other issuance costs) were used to purchase U.S. government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Sewerage System Bonds, Series 2008F. As a result, the old bonds are considered to be defeased and the liability for the old bonds has been removed from the statement of net assets. Neither the defeased debt nor the funds held in trust are recorded on the District's statement of net assets. The difference between the acquisition price and the net carrying amount of the old debt was a loss of \$4,443,000, which is reported in the accompanying financial statements as a loss to long-term obligations and is being amortized as a component of interest expense through 2028. The unamortized refunding loss was \$4,299,000 as of December 31, 2015. The remaining balance on the Series 2008F Bonds at December 31, 2015 and 2014, included in general obligation bonds, is \$9,275,000 and \$12,125,000, respectively. The remaining balance on the Series 2015C Bonds at December 31, 2015, included in general obligation bonds, is \$47,765,000. The cash flow requirements on the old bonds prior to the refunding was \$61,442,000 from 2008 through 2028. The cash flow requirements on the new bonds are \$58,017,000 from 2015 through 2028. The refunding resulted in an economic gain of \$3,380,000.

The District issued a promissory note to the Department of Commerce for \$5,000,000 on October 1, 2010, which was amended on March 1, 2012 for an additional \$945,000 of principal. The loan is secured by the equipment purchased with the loan proceeds. This is a zero interest loan for the first five years from the original due date of first payment and accrues interest on the unpaid balance at 6%, thereafter, starting on the payment due June 1, 2016. A standard payment of \$64,790 is due every month until the last payment occurs on October 1, 2017. Payments began on May 1, 2012, with a six-month deferral of payment following the addition of principal with a deferral period from May 1, 2011 to November 1, 2012. The remaining balance at December 31, 2015 and 2014, included in the other long term debt is \$2,706,000 and \$3,483,000, respectively. In order to avoid paying interest accruing at 6% annually, the District intends to pay off the outstanding loan balance by May 1, 2016.

Interest incurred to finance the construction of capital projects were capitalized as additional costs of capital projects. Such costs capitalized, net of related interest income, amounted to \$5,627,000 and \$5,017,000 in 2015 and 2014, respectively.

A computation of the legal debt margin, as defined by Wisconsin Statute, as of December 31 follows:

	2015 (In Thousands)	2014
2015 equalized valuation as determined by the Supervisor of Assessments of the Wisconsin Department of Revenue	57,445,674	\$57,151,739
Statutory debt limit rate - Wisconsin Statutes Section 67.03	5%	5%
Statutory debt limit	2,872,284	2,857,587
General obligation indebtedness:		
Outstanding bonds issued by the District	(305,615)	(233,835)
Clean Water Fund Program loans	(654,385)	(689,893)
Legal debt margin	<u>\$1,912,284</u>	<u>\$1,933,859</u>

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. The District carries policies of insurance with respect to its property, vessels, equipment, and passenger and commercial vehicles (including comprehensive liability), environmental site liability, contractor's pollution liability, owner's professional liability, excess workers' compensation and health benefits. The District carries no insurance coverage for general liability. Settled claims have not exceeded the commercial coverage in any of the past three years. There has been no reduction in insurance coverage from that of prior years.

The District is self-insured for workers' compensation and employer liability claims subject to certain limits of coverage. In addition, the District retains the risk for all comprehensive general liability claims. 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 liability for claims payable included with accounts payable in the statements of net position includes claims incurred but not reported (IBNR) totaling approximately \$140,000 and \$6,176,000 as of December 31, 2015 and 2014, respectively.

	2015 (In Thousands)	2014	2013
Unpaid claims, beginning of year	\$6,176	\$1,425	\$265
Claim payments	(6,174)	(461)	(570)
Current year claims and changes in estimates	138	5,212	1,730
Unpaid claims, end of year	<u>\$140</u>	<u>\$6,176</u>	<u>\$1,425</u>

In addition, the District retains a certain level of risk related to employee health insurance, and uses commercial insurance for stop-loss purposes. A liability for claims incurred but not reported (IBNR) is estimated at year end based on a review of the historical data. As of December 31, 2015 and 2014, the IBNR is \$440,000, respectively.

	2015 (In Thousands)	2014	2013
Unpaid claims, beginning of year	\$440	\$410	\$460
Claims and premiums paid	(8,062)	(8,289)	(7,451)
Current year claims and changes in estimates	8,062	8,319	7,401
Unpaid claims, end of year	<u>\$440</u>	<u>\$440</u>	<u>\$410</u>

Notes to Financial Statements Continued

The District does not allocate overhead costs or other nonincremental costs to the claims liabilities.

NOTE 9 - CONTINGENCIES AND COMMITMENTS

LITIGATION

The District is involved in various legal proceedings, claims, and administrative actions arising in the normal course of business. In the opinion of management, the District's liability, if any, will not materially affect its financial condition.

Provision has been reflected in the accompanying financial statements if deemed appropriate by the District, for the following major lawsuits and administrative actions:

BOSTCO, LLC and Parisian, Inc. v. MMSD

Milwaukee County Circuit Court, Case No. 03-CV-005040

Suit was filed in 2003 for damages to the foundation of the Boston Store property. The matter was resolved in January 2015 by agreement of the parties and the case was dismissed. The Stipulation required the District to pay plaintiffs \$3 million in January 2015, with a subsequent payment of \$3 million by year end 2015. These payments were accrued as of December 31, 2014 and paid in 2015.

G&D Development Corporation, et al. v. MMSD and City of Milwaukee

Milwaukee County Circuit Court Case No. 13-CV-0850

This case was filed January 25, 2013, based on an allegation of water damage from the July 22, 2010 rain event. Plaintiffs are all owners or tenants of property located at 4044 North 31st Street in Milwaukee and allege that MMSD and the City of Milwaukee caused recurring flooding to property. Plaintiffs allege the District failed to account for capacity limitations in area sewer pipes and claim combined losses of \$2,333,438 resulting from the event. The District was granted summary judgment on July 29, 2015. The plaintiffs appealed and the appeal has been briefed. A decision on the appeal is expected in summer of 2016. The District has assessed the likelihood of a negative outcome as less than probable.

Metropolitan Interceptor Sewer Contamination with PCB's

Polychlorinated biphenyl (PCB) contamination has been identified in the District's Basin H sewer near Capitol Drive and directly proximate to an abandoned die casting facility with heavy PCB contamination. PCBs are present in the sewer at levels greater than 50 parts per million, causing the District to be regulated by the United States Environmental Protection Agency ("U.S. EPA") under the Toxic Substances Control Act ("TSCA"). The area for proposed remediation extends from Capitol Drive to downtown. The District submitted a Risk Based Work Plan to the U.S. EPA for the remediation of Basin H, which was approved in December 2015. The cost to implement this Work Plan is estimated to be between \$2.5 million and \$3.9 million.

PCB contamination has also been identified in a sewer running under Mitchell Park at levels exceeding 50 parts per million. The PCB contamination at this site is limited to a length of sewer less than 1000 feet in length. The District does not have an estimated cost for remediation, but anticipates that it will be less than the cost to remediate the Basin H site. The District has notified its insurance carrier of this liability.

Claim by MMSD against Advance Disposal Services Emerald Park Landfill, LLC under a Landfill Gas Purchase Agreement

The District has asserted \$1.79 million in claims against Advance Disposal Services Emerald Park Landfill, LLC ("Landfill") for the breach of the Agreement by the Landfill due to the Landfill's failure to supply to the District during 2014 and 2015 the guaranteed volume of landfill gas. The District and the Landfill are in the process of negotiating a settlement of these claims. On May 9, 2016, the Commission authorized the Executive Director to resolve this claim by executing an amendment to the Landfill Gas Purchase Agreement that provides a credit to MMSD from Advanced Disposal.

NATURAL GAS PURCHASING COMMITMENT

On March 1, 2008 the District entered into an operating contract with Veolia Water for operations of the wastewater treatment facilities. As part of the contract the District became directly responsible for 75% of the natural gas costs at the plants. During 2008 management and the Commission determined it to be prudent to enter into forward transactions with a supplier to purchase natural gas for future periods. At December 31, 2015 the District had commitments to purchase \$8,333,817 in natural gas during the future year, of which 75% will be paid for by the District and 25% will be paid for by Veolia. At December 31, 2014, the District had commitments to purchase \$4,304,045 in natural gas during the future year, of which 75% will be paid for by the District and 25% will be paid for by Veolia. These purchases will be recorded as expenses and liabilities in the period in which the gas is delivered.

NOTE 10 - RETIREMENT SYSTEM

The District implemented GASB No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015. The prior year balances for deferred outflows of resources and the net pension liability were not restated due to the measurement date used for the calculation of the balances and the timing of information received from the Employees' Retirement System. For this reason, prior year pension footnote disclosures are included under GASB No. 27.

General Information About the Pension Plan

Plan description. All full-time and other eligible employees of the District are members of the Employees' Retirement System of the City of Milwaukee (the System), a cost-sharing multiple employer defined benefit pension plan. The System provides retirement, disability, and death benefits to plan members and beneficiaries.

The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the City of Milwaukee. Detailed information about the pension plan's fiduciary net position is available in these separately issued financial statements. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 603, Milwaukee, WI 53202.

Plan members are required by charter ordinance of the City of Milwaukee to contribute, or have contributed on their behalf, 5.5% of their salary or wages to the System. The District is required to contribute the remaining amounts necessary to fund the System. In 1970, the District began contributing the 5.5% on behalf of the employees. However, as a result of Wisconsin Act 10, the management/non-represented employees were required to begin making the 5.5% employee contribution in 2011. Effective, October, 2011, the management/non-represented employees began

to make the 5.5% employee contribution. The represented employees were not required to begin the contribution at that time since they were covered by a labor agreement that expired on April 30, 2012. Beginning the first pay period in May, 2012, the represented employees began making the 5.5% employee contribution.

During the reporting period, the System recognized \$1,517,102 in contributions from the District.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the District reported a liability (asset) of \$2,189,000 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2014 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 1.9287%, which was an increase of 0.6707% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the District recognized pension expense of \$1,512,480. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan	2,464,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,000	-
Employer contributions subsequent to the measurement date	2,855,818	-
Total	\$5,333,818	\$ -

Deferred outflows related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in future periods. The District reported \$2,855,818 in contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 620,531	\$ -
2017	620,531	-
2018	620,531	-
2019	616,407	-
2020	-	-
Thereafter	-	-
Total	\$ 2,478,000	\$ -

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2014
Measurement date of net pension liability (asset)	December 31, 2014
Actuarial cost method	Entry Age Normal – Level Percentage of Pay
Asset valuation method	Market Value
Investment Rate of Return	8.25% for calendar years through 2017, and 8.50% thereafter
Discount rate	8.49%
Inflation	3.00%
Salary increases	
General City	3.0% - 7.5%
Police & Fire	3.0% - 14.4%
Mortality	For regular retirees and for survivors, the RP-2000 Combined Mortality Table projected nine years using Scale AA. Future generational rates are projected from 2009 based on Scale AA. For duty and ordinary disability retirees, use the RP-2000 Disability Mortality Table. For death in active service, the rates are similar to those used for regular retirees and survivors with a 6-year setback.

Actuarial assumptions are based on an experience study for the period January 1, 2007 – December 31, 2011.

Long-term Expected Rate of Return. The long term expected rate of return on pension plan investments was determined using Callan Associates' 10 year geometric capital market projections. Projected long term rates of return for each major asset class in the Retirement System's target asset allocation as of December 31, 2014, are summarized in the following table:

Asset Class	Policy	Actual	Long-term Expected Rate of Return
Domestic Equity	28.0%	30.1%	7.60%
International Equity	20.0%	20.8%	7.80%
Global Equity	10.0%	7.1%	7.70%
Fixed Income/Cash	28.0%	26.8%	3.60%
Real Estate	7.0%	7.6%	8.00%
Private Equity	2.0%	2.4%	8.50%
Absolute Return	5.0%	5.2%	5.25%
	100.0%	100.0%	

Discount rate The discount rate used to measure the total pension liability was 8.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was

Notes to Financial Statements Continued

projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the utility's proportionate share of the net pension liability (asset) to changes in the discount rate The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 8.49 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.49 percent) or 1-percentage-point higher (9.49 percent) than the current rate:

	1% Decrease (7.49%)	Current Discount Rate (8.49%)	1% Increase (9.49%)
District's proportionate share of the net pension liability (asset)	\$13,035,000	\$2,189,000	\$(6,948,000)

Required Disclosures Under GASB No. 27

During 2014, the District was required to contribute an additional \$1,401,000 to fully fund the plan as the value of the Plan assets decreased during the year. The District's additional contribution was determined based on the actuarial valuation performed in 2014. Contribution for the District and its employees (which equals both required and actual contributions) are as follows:

	2014	2013	2012
Contribution rate:			
Employee requirement	5.5%	5.5%	5.5%
Employer's contribution	-	-	-
	<u>5.5%</u>	<u>5.5%</u>	<u>5.5%</u>
Contribution amount (in thousands):			
Employee requirement (employees)	\$ 916	\$ 870	\$ 740
Employee requirement (District)	-	-	122
Employers requirement (District)	1,401	1,414	1,432
	<u>\$ 2,317</u>	<u>\$ 2,284</u>	<u>\$ 2,294</u>

NOTE 11 - OTHER POSTRETIREMENT BENEFITS

The District provides postretirement health and life insurance in accordance with union contracts and Commission policy. Represented employees hired prior to December 1, 2004, who retired from the District on or after attaining age 55 with at least 10 years of creditable service, or who left employment prior to age 55 with at least 20 years of creditable service, are eligible for postretirement health insurance at age 55 and a pension benefit. For represented employees hired on or after December 1, 2004, the employee must have at least 20 years of service and reach age 55 in order to be eligible for the postretirement health insurance.

Management/nonrepresented employees hired prior to August 1, 2002, covered by Commission policy, who retire from the District on or after attaining age 60 with at least 10 years of creditable service, or with at least 15 years of creditable service who are under the age of 60, are eligible for postretirement health insurance. Management/nonrepresented employees hired after August 1, 2002, covered by Commission policy, with at least 15 years of creditable service, will be entitled to the following pre-Medicare health insurance benefits:

Years of Service	Premium Paid by District
15 - 19	30%
20 - 24	40%
25 or more	50%

The District no longer pays for supplemental health insurance upon becoming Medicare eligible for management/nonrepresented employees hired after August 1, 2002.

Currently, 496 retirees meet those eligibility requirements. The District provides the same health coverage as offered active employees. This insurance provides approximately 100% coverage; certain health coverage options involving deductibles; and co-pays. The Commission has the authority to establish and revise the funding policy for the plan. Currently the plan is funded on a pay-as-you-go basis.

Effective March 1, 1998 the District curtailed the plans as a result of the transfer of 290 employees to a private contractor in conjunction with the privatization of the District's operations (see note 4).

As of January 1, 2015 and 2014 the District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the plan:

	2015	2014
	(In Thousands)	
Annual required contribution	\$ 10,362	\$ 10,489
Interest on net OPEB obligation	829	657
Adjustment to annual required contribution	(1,847)	(1,584)
Annual OPEB cost	9,344	9,562
Contributions made	(5,124)	(4,566)
Increase in Net OPEB Obligation	4,220	4,996
Net OPEB Obligation - Beginning of Year	41,906	36,910
Net OPEB Obligation - End of Year	<u>\$ 46,126</u>	<u>\$ 41,906</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	(In Thousands)		
2015	\$ 9,344	54.8%	\$ 46,126
2014	9,561	47.8%	41,906
2013	9,380	53.6%	36,910

The funded status of the plan as of December 31, 2015 and 2014, the most recent actuarial valuation dates, was as follows:

	2015	2014
	(In Thousands)	
Actuarial accrued liability (AAL)	\$ 190,520	\$ 178,564
Actuarial value of plan assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 190,520</u>	<u>\$ 178,564</u>
Funded ratio (actuarial value of plan assets / AAL)	-	-
Covered payroll (active plan members)	\$ 19,900	\$ 20,043
UAAL as a percentage of covered payroll	957%	891%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the entry age actuarial cost method was used. The 2015 Annual OPEB Cost was calculated using the actuarial assumptions of 1.84% investment rate of return and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5% after five years. The 2014 Annual OPEB Cost was calculated using the actuarial assumptions of 1.78% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after five years. Both rates include a 2.5% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount. The amortization period is open and is 30 years.

NOTE 12 - LEASES

The District's primary source of lease revenue was derived from the City of Milwaukee for use of the District's 25th and Canal location and from Alterra Coffee for space within the District's Milwaukee River Flushing Station. The City of Milwaukee lease terminated in 2013. The Alterra Coffee lease terminates in 2017, with a five year option to extend. The District has one long term, through 2058, lease with Pt. Loomis Associates Limited Partnership related to an enclosed channel. The remaining leases involve seasonal crop land agreements on land from the District's Conservation Easement Program.

Future minimum lease receipts under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2015 are as follows:

Year ending December 31:	
2016	\$ 174,268
2017	125,705
2018	15,241
2019	15,241
2020	14,241
2021 through 2025	56,205
2026 through 2030	56,205
2031 through 2035	56,205
2036 through 2040	56,205
2041 through 2045	56,205
2046 through 2050	56,205
2051 through 2055	56,205
2056 through 2058	33,723
Total Minimum Lease Receipts	\$ 771,854

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2015 are:

Year ending December 31:	
2016	\$ 55,211
2017	26,874
2018	2,800
Total Minimum Lease Payments	84,885
Less current installments of obligations under operating leases	(55,211)
Obligations under Operating Leases, Excluding Current Installments	\$ 29,674

The District has five lease agreements for antenna space on towers or buildings in the Milwaukee area. The antennas serve as hubs for the District's radio communication system that is used to send and receive data from the District's remote facilities, which are located throughout the service area. Each lease agreement is for 10 years.

NOTE 13 - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The District adopted GASB Statement No. 68 effective January 1, 2015. The cumulative effect of implementation is reflected as a change in net position as follows:

	(In Thousands)
Net pension assets January 1, 2015	\$400
Deferred outflows January 1, 2015	1,401
Cumulative Effect of Change in Accounting Principle	<u>\$1,801</u>

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
(In Thousands)						
12/31/2015	\$ -	\$ 190,520	\$ 190,520	0%	\$ 19,900	957%
12/31/2014	-	178,564	178,564	0%	20,043	891%
12/31/2013	-	178,605	178,605	0%	20,864	856%

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) Employee's Retirement System

	2015
Employer's proportion of the net pension liability (asset)	1.928696500%
Employer's proportionate share of the net pension liability (asset)	\$ 2,189,000
Employer's covered-employee payroll (calendar 2014)	\$ 16,655,000
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.14%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.76%

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS Employee's Retirement System

	2015
Contractually required contributions	\$ 1,517,102
Contributions in relation to the contractually required contributions	\$ 1,517,102
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll (calendar 2015)	\$ 17,030,000
Contributions as a percentage of covered-employee payroll	8.91%

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

Changes of benefit terms: There were no changes in benefit terms.

Changes of assumption: There were no changes in assumptions.

[See accompanying independent auditors' report.](#)

Statistical Section

This part of the Milwaukee Metropolitan Sewerage District's (District) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

B-1, B-2

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue sources.

**B-3, B-4, B-5, B-6,
B-7, B-8, B-9,
B-10, B-11**

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the government's ability to issue additional debt in the future.

**B-12, B-13, B-14,
B-15**

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

B-16, B-17

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the government provides and the activities it performs.

B-18, B-19

Exhibit B-1

Net Position By Components

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

	Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(In Thousands)				
Investment in Capital Assets	\$2,471,795	\$2,486,416	\$2,464,531	\$2,466,406	\$2,505,430
Restricted - Capital Projects and Programs	50,887	34,527	46,210	37,633	21,158
Restricted - Equipment Replacement	14,509	14,411	14,411	14,411	14,916
Restricted - Debt Service	31,130	25,541	26,518	24,829	5,801
Unrestricted	<u>(3,887)</u>	<u>(4,382)</u>	<u>4,131</u>	<u>10,905</u>	<u>14,488</u>
	<u>\$2,564,434</u>	<u>\$2,556,513</u>	<u>\$2,555,801</u>	<u>\$2,554,184</u>	<u>\$2,561,793</u>

Fiscal Year				
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
(In Thousands)				
\$2,481,000	\$2,436,462	\$2,343,490	\$2,363,207	\$2,307,119
17,781	46,899	105,391	60,236	88,704
16,066	16,066	17,116	19,181	22,678
16,568	11,650	10,745	5,539	6,631
<u>17,288</u>	<u>20,726</u>	<u>26,813</u>	<u>33,427</u>	<u>(25,045)</u>
<u>\$2,548,703</u>	<u>\$2,531,803</u>	<u>\$2,503,555</u>	<u>\$2,481,590</u>	<u>\$2,400,087</u>

Exhibit B-2

Change In Net Position

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Year</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Operating Income/(Loss)</u>	<u>Total Nonoperating Revenues/(Expenses)</u> (In Thousands)	<u>Income/(Loss) Before Capital Contributions</u>	<u>Capital Contributions</u>	<u>Change In Net Position</u>
2015	\$ 83,609	\$ 175,417	\$(91,808)	\$ 94,858	\$ 3,050	\$ 3,070	\$ 6,120
2014	78,806	175,605	(96,799)	91,507	(5,292)	6,004	712
2013	78,397	167,921	(89,524)	88,125	(1,399)	3,016	1,617
2012	78,634	162,924	(84,290)	72,440	(11,850)	4,241	(7,609)
2011	78,515	158,675	(80,160)	91,201	11,041	2,049	13,090
2010	77,783	153,985	(76,202)	91,374	15,172	1,728	16,900
2009	76,858	152,909	(76,051)	102,305	26,254	1,994	28,248
2008	70,589	148,024	(77,435)	98,800	21,365	600	21,965
2007	53,757	134,114	(80,357)	93,215	12,858	455	13,313
2006	53,539	128,942	(75,403)	89,733	14,330	13,916	28,246

Exhibit B-3

Operating Revenue by Source

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Year</u>	<u>Total Operating Revenue</u>	<u>Sewer User Charge</u> (In Thousands)	<u>Fertilizer</u>	<u>Other</u>
2015	\$ 83,609	\$ 73,940	\$ 8,603	\$ 1,066
2014	78,806	70,029	7,993	784
2013	78,397	69,572	7,667	1,158
2012	78,634	69,578	7,827	1,229
2011	78,515	69,570	7,252	1,693
2010	77,783	70,355	7,004	424
2009	76,858	68,460	7,957	441
2008	70,589	62,430	7,272	887
2007	53,757	49,232	4,301	224
2006	53,539	48,005	5,194	340

Exhibit B-4

Operating Expenses

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Year</u>	<u>Total Operating Expenses</u>	<u>System-Operation & Maintenance</u>	<u>Laboratory & Research Services</u>	<u>Industrial Waste & Conveyance Monitoring</u>	<u>Finance, Engineering & Administration</u>	<u>Depreciation</u>
				(In Thousands)		
2015	\$ 175,417	\$ 57,618	\$ 2,388	\$ 3,274	\$ 22,231	\$ 89,906
2014	175,605	58,754	2,449	3,444	23,311	87,647
2013	167,921	57,130	2,448	3,227	22,331	82,785
2012	162,924	55,177	2,511	3,458	21,803	79,975
2011	158,675	56,896	2,170	3,280	20,121	76,208
2010	153,985	55,218	2,115	3,794	21,310	71,548
2009	152,909	58,055	2,339	3,774	19,610	69,131
2008	148,024	55,267	2,463	3,745	18,298	68,251
2007	134,114	43,627	2,375	3,818	17,418	66,876
2006	128,942	41,166	2,341	3,524	16,292	65,619

Exhibit B-5

Nonoperating Revenue and Expenses

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Year</u>	<u>Total Non-Operating Revenues (Expenses)</u>	<u>Property Taxes</u>	<u>Capital Charges Municipalities Outside the District</u>	<u>Investment Income and Change in Fair Value of Investments (In Thousands)</u>	<u>Interest Expenses</u>	<u>Gain (Loss) on Disposal of Capital Assets</u>	<u>Land Contributed to Municipalities</u>	<u>Capital Program Expenditures and Other</u>
2015	\$ 94,858	\$ 93,239	\$ 28,433	\$ 402	\$(23,450)	\$ (791)	\$ (515)	\$ (2,460)
2014	91,507	90,919	29,396	437	(24,260)	(2,110)	(722)	(2,153)
2013	88,125	88,626	28,424	(53)	(24,293)	(1,582)	(176)	(2,821)
2012	72,440	86,485	27,562	491	(22,663)	(5,033)	(8,782)	(5,620)
2011	91,201	85,212	24,864	736	(21,783)	87	-	2,085
2010	91,374	82,390	22,445	919	(13,333)	(2,134)	-	1,087
2009	102,305	82,332	22,757	2,176	(11,725)	6,053	-	712
2008	98,800	80,729	23,642	5,509	(12,430)	152	-	1,198
2007	93,215	78,359	21,561	10,302	(15,195)	(1,150)	(1,506)	844
2006	89,733	76,086	21,428	9,821	(17,309)	(987)	(874)	1,568

Exhibit B-6

User Charge Revenue by Municipality Within the District

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

Municipality	Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
City of Cudahy	\$ 1,804,675	\$ 1,618,550	\$ 1,507,280	\$ 1,613,522	\$ 1,656,103
City of Franklin	2,143,999	2,040,662	2,006,441	1,914,760	1,925,628
City of Glendale	953,839	900,806	934,241	923,834	931,804
City of Greenfield	2,036,361	1,945,286	1,944,800	1,964,108	1,962,998
City of Milwaukee	42,484,064	40,235,500	40,211,422	40,081,180	40,329,654
City of Oak Creek	2,222,514	2,133,231	2,069,149	1,991,631	2,005,209
City of St. Francis	561,119	540,392	540,870	555,621	496,818
City of Wauwatosa	3,178,030	2,961,982	2,997,566	3,115,200	3,088,718
City of West Allis	3,896,350	3,726,150	3,717,622	3,716,622	3,721,541
Village of Bayside	234,505	239,170	230,494	240,845	240,213
Village of Brown Deer	777,074	735,633	721,924	731,400	719,455
Village of Fox Point	372,582	363,849	361,777	359,258	369,485
Village of Greendale	796,170	788,101	742,539	715,631	733,597
Village of Hales Corners	456,334	436,428	434,642	428,409	433,212
Village of River Hills	88,063	84,893	84,355	85,807	89,742
Village of Shorewood	691,074	676,706	662,621	673,288	678,964
Village of West Milwaukee	961,138	917,770	971,000	1,105,930	1,006,938
Village of Whitefish Bay	<u>724,679</u>	<u>697,095</u>	<u>687,053</u>	<u>694,737</u>	<u>698,033</u>
Total Within the District	<u>\$64,382,570</u>	<u>\$61,042,204</u>	<u>\$60,825,796</u>	<u>\$60,911,783</u>	<u>\$61,088,112</u>

Fiscal Year				
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,805,096	\$ 1,855,515	\$ 1,648,318	\$ 1,164,578	\$ 1,095,397
1,931,327	1,800,766	1,634,272	1,298,726	1,208,857
912,462	875,951	813,768	632,667	606,614
1,957,031	1,872,833	1,710,028	1,389,123	1,326,295
41,323,722	40,763,430	36,321,630	28,697,714	28,197,896
2,052,065	1,905,558	1,729,957	1,372,215	1,312,991
368,714	365,919	355,315	348,830	338,693
3,144,526	2,924,523	2,727,814	2,128,407	2,090,334
3,679,178	3,443,449	3,166,204	2,579,476	2,510,275
229,068	216,064	201,819	162,826	162,669
710,976	679,053	639,618	502,707	501,852
363,502	346,870	323,564	252,475	252,911
720,827	705,538	628,698	511,200	496,549
429,876	413,923	383,953	310,346	300,626
88,543	83,757	77,198	61,807	61,787
659,074	658,519	581,999	463,811	445,837
895,309	1,062,403	1,074,960	830,606	673,454
<u>682,223</u>	<u>449,142</u>	<u>742,922</u>	<u>429,466</u>	<u>483,864</u>
<u>\$61,953,519</u>	<u>\$60,423,213</u>	<u>\$54,762,037</u>	<u>\$43,136,980</u>	<u>\$42,066,901</u>

Exhibit B-7

User Charge Revenue by Municipality Outside the District

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

Municipality	Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
City of Brookfield	\$ 969,822	\$ 917,553	\$ 898,795	\$ 897,586	\$ 956,248
City of Mequon	1,234,929	1,206,940	1,094,553	1,119,264	1,077,743
City of Muskego	1,132,336	1,092,905	1,054,548	1,041,072	1,024,359
City of New Berlin	1,978,663	1,859,908	1,818,911	1,827,310	1,764,458
City of South Milwaukee*	25,146	30,496	28,042	27,588	25,225
Village of Butler	224,889	175,348	174,544	171,463	182,373
Village of Caledonia	27,062	26,174	25,528	25,639	26,407
Village of Elm Grove	337,445	325,919	310,463	297,649	301,897
Village of Germantown	1,536,335	1,387,769	1,413,618	1,278,930	1,190,224
Village of Menomonee Falls	1,897,058	1,777,329	1,745,112	1,799,637	1,750,504
Village of Thiensville	<u>193,249</u>	<u>186,370</u>	<u>181,708</u>	<u>180,254</u>	<u>182,594</u>
Total Outside the District	<u>\$ 9,556,934</u>	<u>\$ 8,986,711</u>	<u>\$ 8,745,822</u>	<u>\$ 8,666,392</u>	<u>\$8,482,032</u>

* Household Hazardous Waste Program Charges Only

Fiscal Year				
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 935,751	\$ 903,262	\$ 838,566	\$ 664,314	\$ 662,935
1,056,814	1,018,547	940,919	742,754	727,680
1,004,530	969,988	890,734	690,680	678,645
1,776,161	1,717,723	1,604,871	1,259,612	1,249,252
27,456	26,594	25,121	26,673	25,927
177,528	183,573	163,199	130,138	124,323
25,047	25,597	24,837	18,795	18,986
308,781	300,991	277,573	220,216	215,078
1,185,985	1,046,395	1,196,558	988,965	911,293
1,721,685	1,670,983	1,546,221	1,227,280	1,198,371
<u>181,356</u>	<u>172,849</u>	<u>159,329</u>	<u>125,486</u>	<u>125,536</u>
<u>\$8,401,094</u>	<u>\$ 8,036,502</u>	<u>\$ 7,667,928</u>	<u>\$ 6,094,913</u>	<u>\$ 5,938,026</u>

Exhibit B-8

User Charge Rates

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Year</u>	<u>Flow (Cents Per 1000 Gallons)</u>	<u>Biochemical Oxygen Demand (BOD) (Cents Per Pound)</u>	<u>Total Suspended Solids (TSS) (Cents Per Pound)</u>	<u>Connection Charge (Dollars Per Year)</u>
2015	\$0.96079	\$0.11781	\$0.15807	\$30.21
2014	0.88437	0.10061	0.15815	30.68
2013	0.86507	0.09992	0.15924	29.84
2012	0.81173	0.09910	0.15803	31.78
2011	0.81861	0.09120	0.16142	33.45
2010	0.82846	0.12689	0.14968	23.49
2009	0.80385	0.13323	0.13372	20.51
2008	0.67553	0.11212	0.12725	22.90
2007	0.48028	0.08904	0.09831	21.11
2006	0.42361	0.08679	0.09753	23.99

Volumetric rate computed for domestic strength sewage using the equivalencies of 310 mg/l BOD equals 2.585 pounds per thousand gallons and 370 mg/l TSS equals 3.086 pounds per thousand gallons.

This rate is applicable to the entire residential class and noncertified commercial users located within the District's Service Area.



<u>Volumetric</u> (Dollars Per 1,000 Gallons)	<u>Average</u> Household (Dollars Per Year)	<u>Million of Gallons</u> of Sewage <u>Treated</u>
\$1.753133	\$125.17	67,100
1.632498	120.68	68,480
1.614778	118.20	73,900
1.555585	117.97	60,100
1.552504	121.17	74,100
1.618383	118.26	71,300
1.560910	113.65	72,200
1.358054	105.18	77,600
1.013833	83.36	67,400
0.948940	83.84	69,440

Exhibit B-9

Wastewater Loadings by Customer Class

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

PARAMETER	Fiscal Year				
	2015	2014	2013	2012	2011
<u>Billable Flow (1,000 Gallons)</u>					
RESIDENTIAL	17,640,483	17,769,153	17,613,063	17,879,709	18,320,590
NON-CERTIFIED COMMERCIAL	10,297,948	10,399,901	10,353,855	10,833,579	10,536,191
CERTIFIED COMMERCIAL	1,602,378	1,684,463	1,710,422	1,819,600	1,703,993
CERTIFIED INDUSTRIAL	<u>3,754,697</u>	<u>3,675,147</u>	<u>3,936,045</u>	<u>4,199,362</u>	<u>4,281,621</u>
TOTALS	<u>33,295,507</u>	<u>33,528,663</u>	<u>33,613,385</u>	<u>34,732,250</u>	<u>34,842,396</u>
<u>Biochemical Oxygen Demand (Pounds)</u>					
RESIDENTIAL	45,600,648	45,940,473	45,536,920	46,226,302	47,366,157
NON-CERTIFIED COMMERCIAL	26,620,196	26,888,015	26,768,965	28,009,249	27,240,384
CERTIFIED COMMERCIAL	3,550,589	3,673,331	3,663,473	3,855,902	3,657,812
CERTIFIED INDUSTRIAL	<u>38,786,074</u>	<u>39,320,945</u>	<u>43,583,211</u>	<u>41,248,840</u>	<u>40,762,360</u>
TOTALS	<u>114,557,507</u>	<u>115,822,764</u>	<u>119,552,569</u>	<u>119,340,293</u>	<u>119,026,713</u>
<u>Total Suspended Solids (Pounds)</u>					
RESIDENTIAL	54,438,534	54,832,149	54,350,489	55,173,312	56,533,775
NON-CERTIFIED COMMERCIAL	31,779,465	32,092,121	31,950,040	33,430,370	32,512,699
CERTIFIED COMMERCIAL	4,244,553	4,380,708	4,366,923	4,544,170	4,297,500
CERTIFIED INDUSTRIAL	<u>18,590,657</u>	<u>18,622,057</u>	<u>18,653,681</u>	<u>19,999,548</u>	<u>19,664,094</u>
TOTALS	<u>109,053,209</u>	<u>109,927,035</u>	<u>109,321,133</u>	<u>113,147,400</u>	<u>113,008,068</u>
<u>Connections</u>					
RESIDENTIAL	264,492	264,015	264,034	264,013	263,867
NON-CERTIFIED COMMERCIAL	37,137	37,160	37,164	37,483	37,104
CERTIFIED COMMERCIAL	1,995	2,000	2,030	2,014	1,991
CERTIFIED INDUSTRIAL	<u>694</u>	<u>699</u>	<u>721</u>	<u>715</u>	<u>718</u>
TOTALS	<u>304,318</u>	<u>303,874</u>	<u>303,949</u>	<u>304,225</u>	<u>303,679</u>

Fiscal Year				
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
18,967,992	19,320,420	19,698,689	20,026,541	20,533,243
10,446,335	10,630,049	11,023,024	11,287,080	11,402,418
1,727,538	1,719,087	1,811,252	1,831,139	1,817,212
<u>4,233,640</u>	<u>4,428,295</u>	<u>4,949,082</u>	<u>4,940,546</u>	<u>4,990,285</u>
<u>35,375,505</u>	<u>36,097,851</u>	<u>37,482,047</u>	<u>38,085,306</u>	<u>38,743,158</u>
49,039,952	49,951,014	50,928,990	51,776,620	53,086,645
27,008,069	27,482,929	28,498,927	29,181,616	29,479,812
3,700,567	3,708,026	3,782,908	3,846,072	3,813,845
<u>36,817,277</u>	<u>37,344,665</u>	<u>33,061,583</u>	<u>32,762,861</u>	<u>31,931,705</u>
<u>116,565,865</u>	<u>118,486,634</u>	<u>116,272,408</u>	<u>117,567,169</u>	<u>118,312,007</u>
58,531,540	59,618,952	60,786,216	61,797,902	63,361,480
32,235,413	32,802,206	34,014,850	34,829,671	35,185,582
4,344,976	4,342,935	4,425,570	4,496,269	4,459,543
<u>19,073,819</u>	<u>18,840,371</u>	<u>18,401,146</u>	<u>19,091,693</u>	<u>18,711,208</u>
<u>114,185,748</u>	<u>115,604,464</u>	<u>117,627,782</u>	<u>120,215,535</u>	<u>121,717,813</u>
264,190	263,862	264,212	264,518	264,193
37,168	37,286	37,245	37,005	36,656
1,937	1,980	2,075	2,078	2,034
<u>742</u>	<u>746</u>	<u>760</u>	<u>760</u>	<u>816</u>
<u>304,037</u>	<u>303,873</u>	<u>304,292</u>	<u>304,361</u>	<u>303,699</u>

Exhibit B-10

Ten Largest Sewer Users

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

Customer	Type of Business	2015		2006	
		Sewer Revenue Amount	%	Sewer Revenue Amount	%
MillerCoors	Brewery	\$ 3,123,940	4.2%	\$ 1,883,301	3.9%
D.R. Diedrich & Co.	Leather tanning and finishing	718,329	1.0%	439,347	0.9%
Patrick Cudahy	Process meat products	635,140	0.9%	218,335	0.5%
Milwaukee Water Works	Water utility	496,064	0.7%	330,703	0.7%
Malteurop North America	Malt manufacturing	491,243	0.7%		
Wisconsin Paperboard	Paperboard mill	435,426	0.6%		
Gehl Guernsey Farms Inc.	Food preparation	429,916	0.6%	282,739	0.6%
Chris Hansen/Maple	Food preparation	365,543	0.5%	197,882	0.4%
Milwaukee County DHHS	Health services	300,964	0.4%	155,782	0.3%
Marquette University	University	247,789	0.3%		
Campbell Soup Supply Company	Food preparation			308,259	0.6%
International Malting Corporation	a Malt manufacturing			386,390	0.8%
Cargil Meat Solutions	b Meat packing plants			319,542	0.7%
Subtotal (10 largest)		\$ 7,244,354	9.8%	\$ 4,522,280	9.4%
Balance from other customers		66,695,150	90.2%	43,482,647	90.6%
Grand Totals		\$ 73,939,504	100.0%	\$ 48,004,927	100.0%

a Consolidated to Malteurop North America

b Closed Milwaukee Operations

Exhibit B-11

Property Tax Information

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Year</u>	<u>Equalized Value of Taxable Property</u>	<u>Tax Levies</u>	<u>Tax Rate Per \$1,000 Equalized Value</u>
2015	\$ 55,010,987,700	\$ 95,980,000	\$ 1.74
2014	54,607,126,500	93,639,000	1.71
2013	53,567,657,800	91,222,000	1.70
2012	54,435,721,000	88,694,000	1.63
2011	57,252,275,690	86,531,000	1.51
2010	59,383,339,276	85,674,000	1.44
2009	62,267,788,363	82,458,000	1.32
2008	63,866,836,566	82,458,000	1.29
2007	63,086,040,141	80,841,000	1.28
2006	60,345,510,236	78,486,000	1.30

Due to varying assessment policies in the municipalities of the District, the District uses equalized value of taxable property for tax rate purposes.

Equalized valuations are net of the Tax Incremental District valuations.

Equalized valuations amounts provided by Department of Revenue - State of Wisconsin.

Exhibit B-12

Bonded Debt Limit and Ratio of Bonded Debt to Equalized Value

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

	Fiscal Year			
	2015	2014	2013	2012
Equalized Value ⁽¹⁾	\$ 57,445,674,300	\$ 57,151,739,300	\$ 56,031,757,800	\$ 56,637,438,900
Debt Limit (5% of equalized value) ⁽²⁾	<u>\$ 2,872,283,715</u>	<u>\$ 2,857,586,965</u>	<u>\$ 2,801,587,890</u>	<u>\$ 2,831,871,945</u>
Outstanding Bonds Issued by the District	\$ 305,615,000	\$ 233,835,000	\$ 265,665,000	\$ 296,380,000
Clean Water Fund Program Loans	<u>654,385,332</u>	<u>689,893,418</u>	<u>704,591,497</u>	<u>712,633,839</u>
Total General Obligation Debt ⁽³⁾	<u>\$ 960,000,332</u>	<u>\$ 923,728,418</u>	<u>\$ 970,256,497</u>	<u>\$ 1,009,013,839</u>
Legal Debt Margin	<u>\$ 1,912,283,383</u>	<u>\$ 1,933,858,547</u>	<u>\$ 1,831,331,393</u>	<u>\$ 1,822,858,106</u>
Percentage of Bonded Debt to Equalized Value	1.67%	1.62%	1.73%	1.78%

(1) Includes Tax Increment District valuation reported by State of Wisconsin, Department of Revenue.

(2) Per Wisconsin Statutes Section 67.03

(3) In accordance with GASB 44 the debt applicable to the limit may be offset only by amounts that the applicable law expressly allows. Wisconsin Statute 67.03 states that the aggregate indebtedness of the entity is subject to the debt limit.



Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 59,760,633,490	\$ 61,995,778,776	\$ 65,340,474,863	\$ 66,735,584,066	\$ 65,642,217,041	\$ 62,260,061,536
<u>\$ 2,988,031,675</u>	<u>\$ 3,099,788,939</u>	<u>\$ 3,267,023,743</u>	<u>\$ 3,336,779,203</u>	<u>\$ 3,282,110,852</u>	<u>\$ 3,113,003,077</u>
\$ 309,080,000	\$ 321,635,000	\$ 281,440,000	\$ 301,145,000	\$ 247,735,000	\$ 270,170,000
<u>661,199,044</u>	<u>662,150,024</u>	<u>611,285,569</u>	<u>605,575,697</u>	<u>520,824,326</u>	<u>471,824,272</u>
<u>\$ 970,279,044</u>	<u>\$ 983,785,024</u>	<u>\$ 892,725,569</u>	<u>\$ 906,720,697</u>	<u>\$ 768,559,326</u>	<u>\$ 741,994,272</u>
<u>\$ 2,017,752,631</u>	<u>\$ 2,116,003,915</u>	<u>\$ 2,374,298,174</u>	<u>\$ 2,430,058,506</u>	<u>\$ 2,513,551,526</u>	<u>\$ 2,371,008,805</u>
1.62%	1.59%	1.37%	1.36%	1.17%	1.19%

Exhibit B-13

Per Capita Debt, Personal Income and Unemployment Rate

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

Year	Outstanding General Obligation Debt	District Population	Milwaukee County Personal Income (Thousands)	District Personal Income Per Capita	Outstanding Debt		Milwaukee County Unemployment Rate
					Per Capita	Percentage of Personal Income	
2015	\$ 960,000,332	928,743	Not Available	-	\$1,033.66	-	5.8%
2014	923,728,418	928,689	\$ 39,697,233	\$ 42,745	994.66	2.33%	7.0%
2013	970,256,497	929,373	39,213,035	42,193	1,043.99	2.47%	8.3%
2012	1,009,013,839	927,307	38,808,170	41,850	1,088.11	2.60%	8.4%
2011	970,279,044	927,321	37,035,130	39,938	1,046.32	2.62%	9.0%
2010	983,785,024	926,579	35,893,702	38,738	1,061.74	2.74%	9.6%
2009	892,725,569	910,698	35,586,784	39,076	980.27	2.51%	9.3%
2008	906,720,697	917,296	35,182,312	38,354	988.47	2.58%	5.5%
2007	768,559,326	916,144	34,107,037	37,229	838.91	2.25%	5.9%
2006	741,994,272	915,696	32,500,267	35,492	810.31	2.28%	5.7%

Note:

Personal income for Milwaukee County includes City of South Milwaukee. Data for current year not yet available.
District population excludes City of South Milwaukee and includes portion of Village of Bayside outside Milwaukee County.

Sources:

District population from U.S. Bureau of the Census and Wisconsin Department of Administration.
Milwaukee County personal income from U.S. Bureau of Economic Analysis.
Milwaukee County unemployment rate from Wisconsin Department of Workforce Development.

Exhibit B-14

Computation of Overlapping Debt

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Name of Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage of Debt Within District Boundary</u>	<u>Amount of Debt Within District Boundary</u>
Villages & Cities:			
Village of Bayside	\$ 11,514,766	100.00%	\$ 11,514,766
Village of Brown Deer	23,545,164	100.00%	23,545,164
Village of Fox Point	12,590,375	100.00%	12,590,375
Village of Greendale	16,190,000	100.00%	16,190,000
Village of Hales Corners	7,045,895	100.00%	7,045,895
Village of River Hills	3,295,911	100.00%	3,295,911
Village of Shorewood	49,450,255	100.00%	49,450,255
Village of West Milwaukee	10,405,000	100.00%	10,405,000
Village of Whitefish Bay	51,895,213	100.00%	51,895,213
City of Cudahy	33,662,206	100.00%	33,662,206
City of Franklin	35,912,278	100.00%	35,912,278
City of Glendale	33,340,000	100.00%	33,340,000
City of Greenfield	63,124,535	100.00%	63,124,535
City of Milwaukee	794,600,432	100.00%	794,600,432
City of Oak Creek	90,105,000	100.00%	90,105,000
City of Saint Francis	10,405,000	100.00%	10,405,000
City of Wauwatosa	103,970,000	100.00%	103,970,000
City of West Allis	73,813,952	100.00%	73,813,952
Total Cities and Villages	\$ 1,424,865,982		\$ 1,424,865,982
School Districts:			
Brown Deer	\$ 26,275,994	100.00%	\$ 26,275,994
Cudahy	15,017,000	100.00%	15,017,000
Fox Point-Bayside	4,305,000	100.00%	4,305,000
Franklin	31,360,000	100.00%	31,360,000
Glendale-River Hills	3,587,852	100.00%	3,587,852
Greendale	25,020,000	100.00%	25,020,000
Greenfield	49,327,005	100.00%	49,327,005
Maple Dale-Indian Hill	3,457,938	100.00%	3,457,938
Milwaukee Area Technical College	152,570,000	78.69%	120,057,333
Milwaukee Public	97,620,747	100.00%	97,620,747
Nicolet High School	6,690,000	100.00%	6,690,000
Oak Creek-Franklin	99,520,000	100.00%	99,520,000
Shorewood	23,005,000	100.00%	23,005,000
Saint Francis	11,390,000	100.00%	11,390,000
Wauwatosa	-	-	-
West Allis-West Milwaukee	22,268,517	93.17%	20,747,577
Whitefish Bay	14,610,000	100.00%	14,610,000
Whitnall	225,000	100.00%	225,000
Total School Districts	\$ 586,250,053		\$ 552,216,446
Milwaukee County	\$ 662,419,246	98.06%	\$ 649,568,313
Total Overlapping Debt	\$ 2,673,535,281		\$ 2,626,650,741

Sources:

Equalized value used to determine percentage of debt within District boundary from Wisconsin Department of Revenue.

Net debt outstanding provided by the Milwaukee County Department of Administration.

Exhibit B-15

Ten Largest Taxpayers for Milwaukee County

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Name of Business</u>	<u>Type of Business</u>
Mayfair Mall LLC	Shopping Mall
Bayshore Town Center LLC	Shopping Mall
Northwestern Mutual Life Insurance Co.	Insurance
US Bank Corp	Banking
Mandel Group	Real Estate
Wal-Mart/Sam's Club	Retailer
BRE Southridge Mall LLC	Shopping Mall
Forest County Potawatomi Community	Hotel, Parking Structure
Metropolitan Associates	Real Estate
Marcus Corp./Milw. City Center/Pfister	Hotels, Theaters, Convention Center
Covenant Health Care	Health care
Harley-Davidson	Manufacturer of Motorcycles
M&I Marshall & Ilsley Bank	a Banking
Towne Realty	b Real estate

Total for Ten Largest

a Now BMO Harris Bank

b Divested Holdings

Source:

Largest Industrial Taxpayer - Milwaukee County

Non-Industrial Taxpayer - MMSD

2015		2006	
Equalized Valuation	Percentage of Total Equalized Valuation	Equalized Valuation	Percentage of Total Equalized Valuation
\$ 436,554,142	0.78%	\$ 273,773,653	0.44%
327,259,524	0.58%		
302,520,572	0.54%	263,235,525	0.43%
280,866,252	0.50%	253,712,257	0.41%
175,466,110	0.31%		
157,076,414	0.28%		
152,294,913	0.27%	128,615,880	0.21%
128,640,384	0.23%		
127,656,453	0.23%	139,448,818	0.23%
120,131,694	0.21%	126,301,080	0.20%
		136,118,065	0.22%
		129,616,700	0.21%
		130,600,131	0.21%
		132,481,521	0.21%
<u>\$2,208,466,459</u>	3.94%	<u>\$ 1,713,903,630</u>	2.78%

Exhibit B-16

Population by Municipality

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

Municipality	Fiscal Year										Percentage Change 2006-2015
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Bayside	4,376	4,376	4,380	4,380	4,383	4,300	4,170	4,172	4,181	4,207	4.0%
Brown Deer	12,217	12,157	12,086	12,065	12,001	11,999	11,720	11,705	11,715	11,750	4.0%
Cudahy	18,250	18,224	18,227	18,247	18,253	18,267	18,650	18,620	18,530	18,430	-1.0%
Fox Point	6,690	6,676	6,630	6,644	6,665	6,701	6,803	6,818	6,821	6,808	-1.7%
Franklin	35,655	35,702	35,810	35,520	35,504	35,451	33,700	33,550	33,380	33,000	8.1%
Glendale	12,753	12,773	12,845	12,808	12,833	12,872	12,980	12,990	12,970	12,935	-1.4%
Greendale	14,135	14,144	14,165	14,123	14,027	14,046	13,950	13,995	14,025	14,040	0.7%
Greenfield	36,473	36,687	36,770	36,740	36,672	36,720	36,300	36,270	36,140	36,150	0.9%
Hales Corners	7,670	7,678	7,691	7,683	7,685	7,692	7,646	7,646	7,640	7,642	0.4%
Milwaukee	595,787	595,993	596,500	595,425	595,525	594,833	584,000	590,870	590,190	590,370	0.9%
Oak Creek	34,791	34,707	34,695	34,530	34,495	34,451	32,600	32,470	32,410	32,104	8.4%
River Hills	1,581	1,584	1,587	1,591	1,593	1,597	1,634	1,641	1,621	1,625	-2.7%
St. Francis	9,475	9,465	9,462	9,452	9,448	9,365	8,936	8,952	8,877	8,808	7.6%
Shorewood	13,178	13,183	13,189	13,174	13,177	13,162	13,360	13,425	13,440	13,470	-2.2%
Wauwatosa	46,947	46,766	46,705	46,320	46,380	46,396	45,800	45,880	45,930	46,120	1.8%
West Allis	60,329	60,272	60,300	60,300	60,365	60,411	60,600	60,370	60,410	60,300	0.1%
West Milwaukee	4,193	4,197	4,205	4,200	4,206	4,206	4,029	4,047	4,034	4,052	3.5%
Whitefish Bay	<u>14,243</u>	<u>14,105</u>	<u>14,126</u>	<u>14,105</u>	<u>14,109</u>	<u>14,110</u>	<u>13,820</u>	<u>13,875</u>	<u>13,830</u>	<u>13,885</u>	2.6%
Total District population	<u>928,743</u>	<u>928,689</u>	<u>929,373</u>	<u>927,307</u>	<u>927,321</u>	<u>926,579</u>	<u>910,698</u>	<u>917,296</u>	<u>916,144</u>	<u>915,696</u>	
Total population served by the District (2)	<u>1,074,811</u>	<u>1,074,101</u>	<u>1,074,130</u>	<u>1,071,835</u>	<u>1,071,622</u>	<u>1,051,876</u>	<u>1,054,725</u>	<u>1,061,180</u>	<u>1,058,440</u>	<u>1,057,992</u>	
2006 = 100%	101.6%	101.5%	101.5%	101.3%	101.3%	99.4%	99.7%	100.3%	100.0%	100.0%	
Total state population	<u>5,753,324</u>	<u>5,732,981</u>	<u>5,717,110</u>	<u>5,703,525</u>	<u>5,694,236</u>	<u>5,686,986</u>	<u>5,688,040</u>	<u>5,675,156</u>	<u>5,648,124</u>	<u>5,617,744</u>	
2006 = 100%	102.4%	102.1%	101.8%	101.5%	101.4%	101.2%	101.3%	101.0%	100.5%	100.0%	

(1) Includes all or parts of the following municipalities outside the District: Brookfield, Butler, Elm Grove, Germantown, Menomonee Falls, Mequon, Muskego, New Berlin, Thiensville and Village of Caledonia.

Sources: U.S. Department of Commerce, Bureau of the Census, Department Service Center, Wisconsin Department of Administration, MMSD Cost Recovery Procedures Manual.

Exhibit B-17

Principal Private Sector Employers

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees</u>	<u>Percentage of Total</u>	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total</u>	<u>Rank</u>
Aurora Health Care Inc.	24,509	5.45%	1	15,054	3.51%	1
Wheaton Franciscan Healthcare	11,281	2.51%	2			
Froedtert & Community Health	9,800	2.18%	3			
Roundy Supermarkets Inc.	8,260	1.84%	4	6,800	1.58%	4
Quad/Graphics Inc.	7,600	1.69%	5	8,000	1.86%	3
Kohl's Corp.	7,500	1.67%	6	6,200	1.45%	7
GE Healthcare	6,000	1.33%	7	6,462	1.51%	5
The Medical College of Wisconsin Inc.	5,170	1.15%	8			
Northwestern Mutual	5,100	1.13%	9			
ProHealth Care	4,729	1.05%	10			
Covenant Healthcare System Inc.				9,000	2.10%	2
Wal-Mart				6,255	1.46%	6
Marshall & Ilsley Corp.				6,139	1.43%	8
AT&T Wisconsin				5,800	1.35%	9
Wisconsin Energy Corp.				<u>5,177</u>	<u>1.21%</u>	10
Total for Ten Largest	<u>89,949</u>	<u>20.00%</u>		<u>74,887</u>	<u>17.45%</u>	
Total Milwaukee County Employment	449,781	100.00%		429,034	100.00%	

Note:

Employee count reflects number of full-time equivalent employees in the Milwaukee area, including Milwaukee, Kenosha, Racine, Waukesha, Ozaukee, Walworth and Washington counties.

Source:

Employee count from Milwaukee Business Journal Book of Lists,
Total County Employment from Wisconsin's Workforce and Labor Market Information System.

Exhibit B-18

Number of Employees by Identifiable Activity

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

	Full-time Equivalent Employees as of December 31,				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Engineering/Inspection/Construction/Water Quality</u>					
Engineering	44	43	46	47	49
Planning	29	32	27	27	27
Operations Compliance	8	7	6	6	7
Lab/Monitoring	60	63	60	60	68
<u>Administration</u>					
Office of the Executive Director	5	5	5	5	6
Legal Services	6	6	7	7	7
Internal Services	<u>63</u>	<u>63</u>	<u>65</u>	<u>65</u>	<u>67</u>
Total Employees	215	219	216	217	231

Source:

Milwaukee Metropolitan Sewerage District Payroll Records and O&M & Capital Budgets.

Full-time Equivalent
Employees as of December 31,
2010 2009 2008 2007 2006

52	54	49	58	58
28	24	25	26	26
6	6	6	6	6
68	70	69	70	70
5	9	8	8	8
8	8	8	7	7
<u>65</u>	<u>67</u>	<u>65</u>	<u>63</u>	<u>64</u>
232	238	230	238	239

Exhibit B-19

Operating and Capital Indicators

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 THROUGH 2015
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

	Fiscal Year			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Wastewater Treatment				
Miles of Sewers	362	362	347	356
Number of Water Reclamation Facilities	2	2	2	2
Treatment Capacity (MGD)	600	600	600	600
Storage Capacity (millions of gallons)	521	521	521	521
Amount Treated Annually (millions of gallons)	67,100	68,300	73,900	60,100
Percentage of Treatment Capacity Utilized	55.71%	56.70%	61.30%	49.90%
Number of Inline Storage System Events	47	47	42	47
Number of Overflows	1	1	2	1
Greenseams Acres Acquired to Date	3,183	3,058	2,682	2,500
Household Hazardous Waste (lbs collected) ¹	832,357	909,919	866,609	977,176
Milorganite® Production (tons)	43,816	45,408	47,954	45,203
Milorganite® Tons Sold	43,284	45,498	47,672	41,378
Average selling price per ton shipped	\$198.52	\$ 178.57	\$ 164.15	\$ 185.89

¹ Does not include medicine collection pounds.

Sources:

MMSD O&M and Capital Budgets, MMSD Annual Capacity, Management, Operation, and Maintenance (CMOM) Program Report, and MMSD real estate records.

Fiscal Year					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
356	321	321	310	310	310
2	2	2	2	2	2
600	600	600	600	600	600
521	521	494	494	494	494
74,100	71,300	72,200	77,600	67,400	69,400
61.50%	59.20%	59.90%	64.40%	56.00%	57.70%
51	40	37	42	44	52
1	8	6	5	6	4
2,348	2,254	2,034	1,848	1,621	1,160
965,804	992,266	1,095,425	998,113	1,306,475	1,326,732
49,376	48,817	45,338	40,786	27,693	33,566
36,073	36,685	39,277	35,792	32,722	41,469
\$ 196.49	\$ 192.71	\$ 189.61	\$ 181.75	\$ 150.24	\$ 144.01

MMSD's Mission

*To cost-effectively protect public health and the environment,
prevent pollution and enhance the quality of area waterways*

Overall responsibility for preparation of this report was provided by:
Mark T. Kaminski, CPA, Director of Finance/Treasurer
Starr M. Pentek-Schuetz, Graphic Designer

Community Outreach



South Shore Water Reclamation Facility





16-047



Milwaukee Metropolitan Sewerage District
260 W. Seeboth Street, Milwaukee, WI 53204
414-272-5100
Visit our website at www.mmsd.com