

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

**FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Green Bay Metropolitan Sewerage District, which comprise the Statements of Net Position as of December 31, 2014 and 2013, and the related statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the years then ended, and the related notes to the financial statements.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 relevant to the entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

Because we were unable to reconcile the cost of capital assets stated at \$283,258,774 and \$275,023,730, accumulated depreciation stated at \$120,908,233 and \$114,805,342 and depreciation expense of \$7,335,722 and \$7,311,851, respectively, as of December 31, 2014 and 2013, we are unable to form an opinion regarding these amounts.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Green Bay Metropolitan Sewerage District as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11 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 opinions on the financial statements that collectively comprise the Green Bay Metropolitan Sewerage District's basic financial statements. The Schedule of Operating Revenues and Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Operating Revenues and Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Revenues and Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Milwaukee, Wisconsin
May 12, 2015

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 and 2013**

As management of the Green Bay Metropolitan Sewerage District (GBMSD), we offer readers of GBMSD's financial statements this narrative overview of the financial activities of GBMSD for the fiscal year ending December 31, 2014. We encourage readers to consider the information presented here in conjunction with GBMSD's financial statements and notes to the financial statements to enhance their understanding of GBMSD's financial performance.

GBMSD has adopted a new brand: NEW Water. GBMSD has proudly served NE Wisconsin for more than 80 years, serving the mission of promoting public health and welfare through the collection, treatment, and reclamation of wastewater. The organization will continue to be known as the Green Bay Metropolitan Sewerage District legally, and will continue to provide the same quality water treatment service customers have come to expect. This new brand complements a new attitude of viewing materials received as a resource to be recovered, rather than as with which to dispose. Further, NEW Water will be working closely with the greater NE Wisconsin community toward a common goal of clean water, an essential part of the quality of life in the watershed area. Clean water from wastewater was one of the greatest innovations of the 20th century. NEW Water looks forward to Watershed Conservation and Stewardship being its signature contribution to the 21st century.

FINANCIAL HIGHLIGHTS

Highlights for 2014 were:

- In 2014, the assets of GBMSD exceed its liabilities at the close of the fiscal year by \$199,729,300. Of this amount, \$10,159,793 may be used to meet GBMSD's ongoing obligations. In 2014, total assets increased \$20,636,511, while total liabilities increased \$15,494,935, resulting in total net position increasing \$5,141,576 over the course of the year's operations.
- GBMSD's operating expenses increased by \$287,175 in 2014.
- User fee revenues from municipal waste increased by \$3,458,933, while mill waste increased by \$191,957 in 2014. Other operating revenues increased \$1,037,641.
- Investment income increased by \$340,164 or 103% in 2014.

Highlights for 2013 were:

- In 2013, the assets of GBMSD exceed its liabilities at the close of the fiscal year by \$194,587,724. Of this amount, \$10,711,957 may be used to meet GBMSD's ongoing obligations. In 2013, total assets increased \$24,897,821, while total liabilities increased \$17,602,736, resulting in total net position increasing \$7,295,085 over the course of the year's operations.
- GBMSD's operating expenses increased by \$1,857,353 in 2013, after a decrease of \$401,478 in 2012.
- User fee revenues from municipal waste increased by \$2,861,490, while mill waste decreased by \$104,257 in 2013.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 and 2013**

- Investment income decreased by \$499,137 or 60% in 2013, and decreased by \$420,347 or 33% in 2012. This decrease is reflective of the lower interest rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS OF GBMSD

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about GBMSD's financial activities for the years ending December 31, 2014 and 2013. These statements report the year-end balances of net position as well as the changes in net position from one year to the next. The balance of net position – the difference between assets and liabilities – measures GBMSD's financial health or financial position. Over time, increases or decreases in GBMSD's net position indicate whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and changes in governmental regulations must also be considered.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 and 2013**

NET POSITION

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

	Condensed Summary of Net Position			Variance of 2014 to 2013	
	December 31			Increase (decrease)	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Dollars</u>	<u>%</u>
Capital assets:					
Net plant in service	\$ 162,350,541	\$ 160,218,388	\$ 163,415,718	\$ 2,132,153	1.3 %
Construction in progress	36,783,303	26,856,759	15,670,127	9,926,544	37.0
Current, restricted and other assets	<u>102,673,333</u>	<u>94,095,519</u>	<u>77,187,000</u>	<u>8,577,814</u>	<u>9.1</u>
Total assets	<u>301,807,177</u>	<u>281,170,666</u>	<u>256,272,845</u>	<u>20,636,511</u>	<u>7.3</u>
Current liabilities	12,091,475	8,581,405	10,910,281	3,510,070	40.9
Long-term liabilities	<u>89,986,402</u>	<u>78,001,537</u>	<u>58,069,925</u>	<u>11,984,865</u>	<u>15.4</u>
Total liabilities	<u>102,077,877</u>	<u>86,582,942</u>	<u>68,980,206</u>	<u>15,494,935</u>	<u>17.9</u>
Net position:					
Net investment in capital assets	125,047,860	121,642,132	117,316,685	3,405,728	2.8
Restricted	64,521,647	62,233,635	63,287,468	2,288,012	3.7
Unrestricted	<u>10,159,793</u>	<u>10,711,957</u>	<u>6,688,486</u>	<u>(552,164)</u>	<u>(5.2)</u>
Total net position	<u>\$ 199,729,300</u>	<u>\$ 194,587,724</u>	<u>\$ 187,292,639</u>	<u>\$ 5,141,576</u>	<u>2.6 %</u>

Net position increased \$5.1 million to \$199.7 million in 2014 from \$194.5 million in 2013. Significant changes in net position included a \$10.3 million increase in outstanding long-term debt and a \$12.0 million increase in capital assets.

Net position increased \$7.3 million to \$194.6 million in 2013 from \$187.3 million in 2012. Significant changes in net position included a \$19.9 million increase in outstanding long-term debt and an \$11.2 million increase in capital assets.

Net position increased \$3.7 million to \$187.3 million in 2012 from \$183.6 million in 2011. Significant changes in net position included a \$2.7 million decrease in outstanding long-term debt and a \$4.9 million increase in capital assets.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 and 2013**

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

	<u>Year ended December 31</u>			<u>Variance of 2014 to 2013</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Dollars</u>	<u>%</u>
Revenues:					
Operating revenues	\$ 33,999,051	\$ 29,321,544	\$ 25,816,455	\$ 4,677,507	16.0 %
Non-operating revenues	<u>668,923</u>	<u>328,759</u>	<u>1,248,244</u>	<u>340,164</u>	<u>103.5</u>
Total Revenues	<u>34,667,974</u>	<u>29,650,303</u>	<u>27,064,699</u>	<u>5,017,671</u>	<u>16.9</u>
Expenses:					
Depreciation expense	7,335,722	7,311,851	6,451,996	23,871	0.3
Other operating expense	<u>18,613,742</u>	<u>18,350,438</u>	<u>17,754,418</u>	<u>263,304</u>	1.4
	25,949,464	25,662,289	24,206,414	287,175	
Non-operating expense	<u>4,283,079</u>	<u>2,321,118</u>	<u>1,835,184</u>	<u>1,961,961</u>	<u>84.5</u>
Total Expenses	<u>30,232,543</u>	<u>27,983,407</u>	<u>26,041,598</u>	<u>2,249,136</u>	<u>8.0</u>
Decrease in net position, before capital contributions and transfers	4,435,431	1,666,896	1,023,101	2,768,535	166.1
Capital contributions	<u>706,145</u>	<u>5,628,189</u>	<u>4,763,740</u>	<u>(4,922,044)</u>	<u>(87.5)</u>
Change in Net Position	5,141,576	7,295,085	5,786,841	(2,153,509)	(29.5)
Net position at beginning of year	<u>194,587,724</u>	<u>187,292,639</u>	<u>177,772,007</u>	<u>7,295,085</u>	<u>3.9</u>
Net position at end of year	<u>\$199,729,300</u>	<u>\$194,587,724</u>	<u>\$183,558,848</u>	<u>\$ 5,141,576</u>	<u>2.6 %</u>

GBMSD's operating revenues increased by \$4,677,507 to \$33,999,051 in 2014 with amounts charged to GBMSD's municipal customers increasing \$3,458,933 and industrial customers increasing \$191,957. Other operating revenues increased \$1,037,641 to \$2,464,172 in 2014. Also, the non-operating revenues which represent investment earnings increased by \$340,164 to \$668,923 in 2014. This decrease is primarily due to the change in interest rates during 2014.

GBMSD's operating revenues increased by \$3,351,321 to \$29,321,544 in 2013 with rates charged to GBMSD's municipal customers increasing \$2,861,488 and industrial customers decreasing \$104,257. Also, the non-operating revenues which represent investment earnings decreased by \$499,137 to \$328,760 in 2013 from \$827,897 in 2012. This decrease is primarily due to the general decrease in interest rates during 2013.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 and 2013**

GBMSD's operating revenues increased by \$153,768 to \$25,970,223 in 2012 with rates charged to GBMSD's municipal customers increasing \$407,162 and industrial customers decreasing \$176,246. Also, the non-operating revenues, which represent investment earnings decreased by \$420,347 to \$827,897 in 2012 from \$1,248,244 in 2011. This decrease is primarily due to the general decrease in interest rates during 2012 and a reduction in funds available for investment.

BUDGETARY HIGHLIGHTS

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

The following is a summary of the 2014 budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 30,804,349	\$ 33,999,051	\$ 3,194,702
Expenses:			
Salaries and benefits	9,707,252	9,508,000	199,252
Power	2,551,181	2,376,454	174,727
Contracted services	2,012,441	1,910,472	101,969
Maintenance - plant	1,405,697	1,256,578	149,119
Chemicals	753,710	631,725	121,985
Natural gas and fuel oil	1,339,318	1,412,686	(73,368)
Solid waste disposal	276,028	224,172	51,856
Maintenance - Interceptors	326,014	232,741	93,273
Office related expenses	368,390	345,878	22,512
Insurance	207,597	203,472	4,125
Supplementary expenses	399,269	347,881	51,388
Employee development	126,323	114,595	11,728
Travel and meetings	76,094	49,088	27,006
Total Expenses	<u>19,549,314</u>	<u>18,613,742</u>	<u>935,572</u>
Net change	<u>\$ 11,255,035</u>	<u>\$ 15,385,309</u>	<u>\$ 4,130,274</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following is a summary of the 2013 budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 29,452,327	\$ 29,321,544	\$ (130,783)
Expenses:			
Salaries and benefits	9,744,846	9,484,595	260,251
Power	2,668,664	2,375,660	293,004
Contracted services	1,977,714	1,723,366	254,348
Maintenance - plant	1,382,271	1,423,234	(40,963)
Chemicals	946,371	479,758	466,613
Natural gas and fuel oil	1,325,095	1,310,263	14,832
Solid waste disposal	385,638	245,786	139,852
Maintenance - Interceptors	318,442	295,949	22,493
Office related expenses	336,360	303,639	32,721
Insurance	175,692	193,419	(17,727)
Supplementary expenses	411,555	346,144	65,411
Employee development	122,577	108,919	13,658
Travel and meetings	92,550	59,706	32,844
Total Expenses	<u>19,887,775</u>	<u>18,350,438</u>	<u>1,537,337</u>
Net change	<u>\$ 9,564,552</u>	<u>\$ 10,971,106</u>	<u>\$ 1,406,554</u>

The following is a summary of the 2012 budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 28,125,668	\$ 25,970,223	\$ (2,155,445)
Expenses:			
Salaries and benefits	9,228,664	9,187,942	40,722
Power	2,912,339	2,277,045	635,294
Contracted services	2,032,124	1,458,657	573,467
Maintenance - plant	1,133,352	1,282,110	(148,758)
Chemicals	991,888	687,749	304,139
Natural gas and fuel oil	1,463,540	1,116,351	347,189
Solid waste disposal	566,196	164,283	401,913
Maintenance - Interceptors	446,990	395,981	51,009
Office related expenses	311,715	277,199	34,516
Insurance	172,386	162,946	9,440
Supplementary expenses	393,383	345,514	47,869
Employee development	137,058	87,051	50,007
Travel and meetings	84,350	49,751	34,599
Total Expenses	<u>19,873,985</u>	<u>17,492,579</u>	<u>2,381,406</u>
Net change	<u>\$ 8,251,683</u>	<u>\$ 8,477,644</u>	<u>\$ 225,961</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL ASSETS

At the end of 2014, GBMSD had \$309.9 million invested in capital assets including two treatment plants and interceptors. The increase in construction in process is reflective of the multiple capital projects in process during 2014. In addition, GBMSD continues to make progress on reconciliation of its capital asset data base to the general ledger and accordingly, the classification and capitalization of assets improved during the year.

At the end of 2013, GBMSD had \$301.9 million invested in capital assets including two treatment plants and interceptors. The increase in construction in process is reflective of the multiple capital projects initiated during 2013. In addition, GBMSD continues to make progress on reconciliation of its capital asset data base to the general ledger and accordingly, the classification and capitalization of assets improved during the year.

At the end of 2012, GBMSD had \$287.9 million invested in capital assets including two treatment plants and interceptors. The decrease in construction in process is reflective of the multiple capital projects capitalized during 2012.

	CAPITAL ASSETS		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 3,886,764	\$ 3,886,764	\$ 3,886,764
Structures	105,037,225	102,716,026	102,360,674
Machinery and equipment	92,192,211	90,450,101	88,473,183
Furniture and fixtures	480,966	509,309	527,133
Autos and trucks	1,099,298	1,099,298	1,111,119
Interceptors	79,137,881	75,135,270	75,030,005
Amortizable assets	1,424,429	1,226,962	793,441
Construction in process	<u>36,783,303</u>	<u>26,856,759</u>	<u>15,670,127</u>
Sub-totals	320,042,077	301,880,489	287,852,446
Less: Accumulated depreciation	<u>120,908,233</u>	<u>114,805,342</u>	<u>108,766,601</u>
Net Property & Equipment	<u>\$ 199,133,844</u>	<u>\$ 187,075,147</u>	<u>\$ 179,085,845</u>

More detailed information about GBMSD's capital assets is presented in Note 4 of the financial statements. The capital asset information above has been presented as it is recorded in GBMSD's general ledger.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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DEBT ADMINISTRATION

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

Indebtedness outstanding at December 31, 2014, 2013, and 2012 amounted to \$92.0 million, \$81.6 million, and \$61.8 million, respectively. This balance includes funds received by GBMSD through the State of Wisconsin Clean Water Fund Loan program, which has replaced grant funding for the construction of wastewater treatment facilities. In addition, GBMSD issued clean water fund loans during 2014 to finance a portion of the Resource Recovery and Electrical Energy (R2E2) project. Interest on these loans is payable semi-annually at a rate of 2.625%. More detailed information about GBMSD's long-term liabilities is presented in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Municipal Rate History

<u>Fiscal Year</u>	<u>Volume (Per 1,000 gals)</u>	<u>BOD (Per Lb.)</u>	<u>Suspended Solids (Per Lb.)</u>	<u>Phosphorus (Per Lb.)</u>	<u>TKN (Per Lb.)</u>	<u>Fixed Charge</u>
2009	0.53679	0.21044	0.20719	0.85349	0.53473	N/A
2010	0.61640	0.20704	0.23233	0.82987	0.67116	N/A
2011	0.71112	0.23857	0.26360	0.70698	0.87221	N/A
2012	0.84274	0.26511	0.29365	0.48596	0.76667	N/A
2013	0.85682	0.30901	0.34795	0.62393	0.78995	N/A
2014	0.76333	0.33466	0.29867	0.62124	0.68741	0.46763

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Mill Rate History

<u>Fiscal Year</u>	<u>Volume (Per 1,000 gals)</u>	<u>BOD (Per Lb.)</u>	<u>Suspended Solids (Per Lb.)</u>	<u>Phosphorus (Per Lb.)</u>	<u>TKN (Per Lb.)</u>
2009	0.40517	0.18287	0.20402	0.84653	0.51832
2010	0.42111	0.16810	0.21243	0.78548	0.56928
2011	0.43660	0.17744	0.22522	0.61497	0.66935
2012	0.47128	0.18786	0.20413	0.36372	0.55581
2013	0.50944	0.20116	0.19775	0.44714	0.57453
2014	0.51836	0.24896	0.19362	0.50636	0.56970

GBMSD is currently in the process of building a new solids handling facility which has an estimated project budget of \$157 million. GBMSD embarked on this project, known as R2E2 for three main reasons: to replace aging infrastructure; to comply with stricter environmental standards, and to meet needs for increased capacity. R2E2's project concept was agreed upon through a community-wide effort, and represents a new attitude, of viewing what is sent as a resource to be recovered, rather than a waste with which to dispose. This project involves building two anaerobic digesters, which break down biodegradable material in the absence of oxygen, and reduce the volume of material to be processed. In addition, the digesters will produce a methane gas, which will be captured and processed into a biofuel and used to produce electricity. It is estimated that energy costs will be halved during the first year. Currently in the technical design phase, R2E2 is expected to go online in 2018.

GBMSD CONTACT INFORMATION

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,882,460	\$ 8,824,184
Receivables		
Sewage treatment service	4,192,222	3,928,518
Other, net of allowance for uncollectible accounts	233,330	308,860
Inventories	885,359	953,972
Prepaid items	187,120	200,167
Total current assets	16,380,491	14,215,701
RESTRICTED ASSETS		
Cash and cash equivalents	40,045,135	35,201,265
Investments	40,211,288	35,393,661
Accrued interest receivable	300,287	367,025
Accounts receivable - debt	-	1,401,203
Accounts receivable - construction	696,971	918,685
Interceptor cost recovery receivable, current portion	799,940	955,758
Interceptor cost recovery receivable, long-term portion	4,239,221	5,074,033
Industrial contributions receivable	-	568,188
Total restricted assets	86,292,842	79,879,818
CAPITAL ASSETS		
Wastewater treatment facilities	200,254,022	196,086,780
Interceptor sewers	83,004,752	78,936,950
Total, at cost	283,258,774	275,023,730
Accumulated depreciation	120,908,233	114,805,342
Construction in progress	36,783,303	26,856,759
Total capital assets	199,133,844	187,075,147
TOTAL ASSETS	301,807,177	281,170,666

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 907,949	\$ 660,799
Accrued salaries	217,610	192,799
Unearned revenue	465,014	-
Accrued compensated absences, current portion	357,216	316,909
Other accrued liabilities	98,393	91,423
Total current liabilities	2,046,182	1,261,930
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts payable	4,112,126	1,941,298
Current maturities of long-term debt	5,439,809	4,861,964
Accrued interest payable	493,358	516,213
Total current liabilities payable from restricted assets	10,045,293	7,319,475
LONG-TERM LIABILITIES		
General obligation long-term debt, less current maturities	86,536,488	76,782,336
Unearned revenue	2,225,539	-
Compensated absences	1,224,375	1,219,201
Total long-term liabilities	89,986,402	78,001,537
TOTAL LIABILITIES	102,077,877	86,582,942
NET POSITION		
Net investment in capital assets	125,047,860	121,642,132
Restricted for		
Equipment and interceptor replacement	45,467,637	47,743,356
Debt retirement	19,054,010	14,490,279
Unrestricted	10,159,793	10,711,957
TOTAL NET POSITION	\$ 199,729,300	\$ 194,587,724

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	\$ 33,999,051	\$ 29,321,544
OPERATING EXPENSES	<u>25,949,464</u>	<u>25,662,289</u>
Operating income	<u>8,049,587</u>	<u>3,659,255</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	668,923	328,759
Loss on disposal of capital assets	(1,363,838)	(281,112)
Interest expense	<u>(2,919,241)</u>	<u>(2,040,006)</u>
Total non-operating revenues (expenses)	<u>(3,614,156)</u>	<u>(1,992,359)</u>
Income (loss) before capital contributions	4,435,431	1,666,896
CAPITAL CONTRIBUTIONS	<u>706,145</u>	<u>5,628,189</u>
CHANGE IN NET POSITION	5,141,576	7,295,085
NET POSITION, BEGINNING OF YEAR	<u>194,587,724</u>	<u>187,292,639</u>
NET POSITION, END OF YEAR	<u>\$ 199,729,300</u>	<u>\$ 194,587,724</u>

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 37,902,633	\$ 28,365,862
Paid to suppliers	(8,776,932)	(8,892,410)
Payments to employees	(9,430,738)	(9,502,563)
Net cash provided by operating activities	19,694,963	9,970,889
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt	15,302,219	24,817,540
Payments on long-term debt	(4,970,222)	(4,942,400)
Interest paid on long-term debt	(2,975,385)	(1,927,688)
Acquisition and construction of capital assets	(18,557,847)	(17,846,600)
Proceeds from sale of capital assets	3,707	-
Interceptor cost recovery income	990,630	6,880,125
Capital contributions received	1,496,047	6,978,124
Net cash provided by (used in) capital and related financing activities	(8,710,851)	13,959,101
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	735,661	242,655
Purchase of investments	(19,279,598)	(4,520,119)
Proceeds from sales and maturities of investments	14,461,971	1,416
Net cash provided by (used in) investing activities	(4,081,966)	(4,276,048)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,902,146	19,653,942
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	44,025,449	24,371,507
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 50,927,595	\$ 44,025,449

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Unrestricted	\$ 10,882,460	\$ 8,824,184
Restricted	40,045,135	35,201,265
TOTAL CASH AND CASH EQUIVALENTS	\$ 50,927,595	\$ 44,025,449
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 8,049,587	\$ 3,659,255
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	7,335,722	7,311,851
Effects of changes in operating assets and liabilities		
Accounts receivable	1,213,029	(955,682)
Inventories	68,613	65,278
Prepaid items	13,047	10,574
Accounts payable	247,150	(102,419)
Accrued salaries and other liabilities	31,781	3,871
Unearned revenue	2,690,553	-
Compensated absences	45,481	(21,839)
Net cash provided by operating activities	\$ 19,694,963	\$ 9,970,889

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Green Bay Metropolitan Sewerage District (GBMSD) was organized in December 1931, under Section 66.20 of the Wisconsin Statutes, to construct intercepting sewers, including rights-of-way and appurtenances, and construct and operate a sewage disposal plant. GBMSD's service area includes all of the Cities of Green Bay, De Pere; Villages of Allouez, Ashwaubenon, Bellevue, Hobart, Howard, Luxemburg, Pulaski, Suamico; Town of Ledgeview Sanitary District #2; Town of Lawrence Utility District; Pittsfield Sanitary District #1; Town of Scott Sanitary District #1; Dyckesville Sanitary District; New Franken Sanitary District; Royal Scot Sanitary District; Bayshore Sanitary District. GBMSD, the City of Green Bay, and two paper mills located within the Green Bay city limits (Georgia-Pacific Consumer Products LP and Procter & Gamble Paper Products Company) have entered into a tripartite agreement setting forth the distribution of the total cost of construction and operation of the wastewater treatment facilities. Pursuant to the agreements, the two paper mills share proportionately in the principal and interest payments falling due during the fiscal year, thus reducing the amount assessable to the various municipalities within GBMSD. Each entity utilizing GBMSD's services is billed for the actual units of volume and strength of its sewage treated. Georgia Pacific Consumer Products LP has discontinued discharging into the GBMSD system. In 2014, Georgia Pacific Consumer Products LP also prepaid its remaining portion of outstanding debt. GBMSD is a municipal corporation governed by a five member commission, appointed by the Brown County Executive, and operates under the jurisdiction of the Wisconsin State Statutes.

A summary of significant accounting policies follows:

Basis of Accounting

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

Use of Estimates

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash equivalents

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

Investments

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

Accounts Receivable

Accounts receivable is composed of charges to customers for wastewater services and debt service. Receivables are reported net of an allowance for uncollectible accounts of \$7,000 and \$100,000 at December 31, 2014 and 2013, respectively. The collectability of receivables is evaluated based on aging and specific customer information.

Inventories

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

Prepaid Items

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

Restricted Assets

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

Capital assets of GBMSD are recorded at cost or the fair market value at the time of contribution to GBMSD. Major outlays for plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested debt proceeds over the same period. Capitalized interest was \$33,289 and \$79,087 for 2014 and 2013, respectively.

Expenses for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

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

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

Compensated Absences

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

Unearned Revenues

Unearned revenues are reported for amounts received prior to GBMSD earning the funds.

Long-Term Obligations

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

When both restricted and unrestricted resources are available for debt service, it is GBMSD's policy to use restricted resources first, then unrestricted resources.

Revenues and Expenses

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

Capital Contributions

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of December 31, 2014 and 2013, cash, cash equivalents, and investments included the following:

	<u>2014</u>	<u>2013</u>
Petty cash	\$ 50	\$ 75
Demand deposits		
Checking account	6,010,946	4,537,660
Money market accounts	33,396,713	25,338,404
Money market fund	11,472,737	14,102,202
Local Government Investment Pool	47,149	47,108
U.S. Agency securities	8,965,110	2,213,756
Municipal bonds	17,894,715	19,620,145
Corporate bonds	<u>13,351,463</u>	<u>13,559,760</u>
Total cash, cash equivalents, and investments	<u>\$ 91,138,883</u>	<u>\$ 79,419,110</u>
Reconciliation to the financial statements:		
Cash and cash equivalents		
Unrestricted	\$ 10,882,460	\$ 8,824,184
Restricted	40,045,135	35,201,265
Investments		
Restricted	<u>40,211,288</u>	<u>35,393,661</u>
Total cash, cash equivalents, and investments	<u>\$ 91,138,883</u>	<u>\$ 79,419,110</u>

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2014, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

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

Investment Policy

Investment of GBMSD funds is restricted by Wisconsin Statutes to:

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

GBMSD's investment policy requires the following:

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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

Interest Rate Risk

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2014, GBMSD had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity in Years</u>		
		<u>< 1</u>	<u>1-5</u>	<u>6-10</u>
Money market fund	\$ 11,472,737	\$ 11,472,737	\$ -	\$ -
LGIP	47,149	47,149	-	-
U.S. Agencies	8,965,110	-	8,965,110	-
Municipal Bonds	17,894,715	6,674,474	11,220,241	-
Corporate Bonds	<u>13,351,463</u>	<u>2,118,493</u>	<u>11,232,970</u>	<u>-</u>
	<u>\$ 51,731,174</u>	<u>\$ 20,312,853</u>	<u>\$ 31,418,321</u>	<u>\$ -</u>

As of December 31, 2013, GBMSD had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity in Years</u>		
		<u>< 1</u>	<u>1-5</u>	<u>6-10</u>
Money market fund	\$ 14,102,202	\$ 14,102,202	\$ -	\$ -
LGIP	47,108	47,108	-	-
U.S. Agencies	2,213,756	22,204	2,191,552	-
Municipal Bonds	19,620,145	3,807,000	15,813,145	-
Corporate Bonds	<u>13,559,760</u>	<u>6,072,020</u>	<u>7,487,740</u>	<u>-</u>
	<u>\$ 49,542,971</u>	<u>\$ 24,050,534</u>	<u>\$ 25,492,437</u>	<u>\$ -</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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

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

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2014 and 2013, GBMSD's investments in corporate bonds were rated as follows:

Rating		Fair Value	
Agency	Rating	2014	2013
Moody's	AA3	\$ 3,140,200	\$ 3,160,020
Moody's	AA2	2,025,620	2,000,460
Moody's	AA1	2,109,423	
S&P	AA	2,044,660	2,127,000
Moody's	A1	4,031,560	6,272,280
		<u>\$ 13,351,463</u>	<u>\$ 13,559,760</u>

GBMSD's investment in municipal bonds was rated as follows:

Rating		Fair Value	
Agency	Rating	2014	2013
Moody's	AAA	\$ 4,011,051	\$ 5,724,538
Moody's	AA3	4,557,950	3,574,110
Moody's	AA2	5,349,584	4,342,147
Moody's	AA1	3,976,130	5,979,350
		<u>\$ 17,894,715</u>	<u>\$ 19,620,145</u>

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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

Concentration of Credit Risk

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

As of December 31, 2014, GBMSD held the following security which represented over 5% in a single issuer.

<u>Issuer</u>	<u>% of Investments</u>
Massachusetts DOT Turnpike Taxable Bonds	6%

As of December 31, 2013, GBMSD held the following security which represented over 5% in a single issuer.

<u>Issuer</u>	<u>% of Investments</u>
Massachusetts DOT Turnpike Taxable Bonds	7%

Custodial Credit Risk

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

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

GBMSD had no deposits subject to custodial credit risk at December 31, 2014 or 2013.

GBMSD's investment policy requires that all security transactions are conducted on a delivery-versus-payment basis and that all securities are held by a third party custodian in GBMSD's name evidenced by safekeeping receipts. GBMSD does not have any investments exposed to custodial credit risk at either December 31, 2014 or 2013.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 - RESTRICTED ASSETS

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

Cash, cash equivalents, and investments

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

Receivables

- Accrued interest receivable on the restricted investments is also reported as a restricted asset.
- Accounts receivable for debt represents amounts due from parties to the Tripartite Agreement for debt service.
- Interceptor cost recovery receivables represent amounts due from municipal customers for the construction of interceptor sewers.
- Accounts receivable for industrial contributions represents amounts due from an industrial customer for the construction of a force main.

In addition to the above restricted assets, GBMSD has set aside \$1,016,830 for rate stabilization purposes and \$1,667,169 for R2E2 rate stabilization purposes. These rate stabilization accounts are included in unrestricted cash.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 - RESTRICTED ASSETS (CONTINUED)

The following accounts are reported as restricted assets:

	2014			Total
	Equipment and Interceptor Replacement	Debt Retirement	Construction	
Cash, cash equivalents and investments	40,176,636	22,189,474	17,890,313	\$ 80,256,423
Receivables				
Accrued interest receivable	251,840	48,447	-	300,287
Accounts receivable	-	-	696,971	696,971
Interceptor cost recovery	5,039,161	-	-	5,039,161
Industrial contributions receivable	-	-	-	-
Total restricted assets	<u>\$ 45,467,637</u>	<u>\$ 22,237,921</u>	<u>\$ 18,587,284</u>	<u>\$ 86,292,842</u>

	2013			Total
	Equipment and Interceptor Replacement	Debt Retirement	Construction	
Cash, cash equivalents and investments	\$ 41,394,987	\$ 12,988,654	\$ 16,211,285	\$ 70,594,926
Receivables				
Accrued interest receivable	318,578	48,447	-	367,025
Accounts receivable	-	1,401,203	918,685	2,319,888
Interceptor cost recovery	6,029,791	-	-	6,029,791
Industrial contributions receivable	-	568,188	-	568,188
Total restricted assets	<u>\$ 47,743,356</u>	<u>\$ 15,006,492</u>	<u>\$ 17,129,970</u>	<u>\$ 79,879,818</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Construction in Progress Reclassifications	Retirements	Ending Balance
Construction in Progress	<u>\$ 26,856,759</u>	<u>\$ 20,761,964</u>	<u>\$ (10,835,420)</u>	<u>\$ -</u>	<u>\$ 36,783,303</u>
Wastewater Treatment Facilities					
Capital assets not being depreciated					
Land	706,857	-	-	-	706,857
Capital assets being depreciated					
Land improvements	3,179,907	-	-	-	3,179,907
Structures and equipment	98,931,056	-	2,522,342	286,043	101,167,355
Machinery and equipment	90,433,390	-	2,098,287	336,467	92,195,210
Furniture and fixtures	509,310	-	-	28,344	480,966
Autos and trucks	1,099,298	-	-	-	1,099,298
Amortizable assets	<u>1,226,962</u>	<u>-</u>	<u>227,761</u>	<u>30,294</u>	<u>1,424,429</u>
Total capital assets being depreciated	<u>195,379,923</u>	<u>-</u>	<u>4,848,390</u>	<u>681,148</u>	<u>199,547,165</u>
Accumulated depreciation					
Land improvements	2,457,242	92,540	-	-	2,549,782
Structures and equipment	42,987,495	2,904,403	-	61,969	45,829,929
Machinery and equipment	49,890,515	3,161,629	-	286,872	52,765,272
Furniture and fixtures	324,622	6,049	-	28,344	302,327
Autos and trucks	416,803	68,798	-	-	485,601
Amortizable assets	<u>857,396</u>	<u>92,360</u>	<u>-</u>	<u>30,294</u>	<u>919,462</u>
Total accumulated depreciation	<u>96,934,073</u>	<u>6,325,779</u>	<u>-</u>	<u>407,479</u>	<u>102,852,373</u>
Total capital assets being depreciated, net	<u>98,445,850</u>	<u>(6,325,779)</u>	<u>4,848,390</u>	<u>273,669</u>	<u>96,694,792</u>
Total wastewater treatment facilities capital assets	<u>99,152,707</u>	<u>(6,325,779)</u>	<u>4,848,390</u>	<u>273,669</u>	<u>97,401,649</u>
Interceptor Sewers					
Capital assets being depreciated					
Structures	3,784,970	-	-	148,185	3,636,785
Machinery and equipment	16,710	-	-	-	16,710
Interceptors	<u>75,135,270</u>	<u>-</u>	<u>5,987,030</u>	<u>1,771,043</u>	<u>79,351,257</u>
Total capital assets being depreciated	<u>78,936,950</u>	<u>-</u>	<u>5,987,030</u>	<u>1,919,228</u>	<u>83,004,752</u>
Accumulated depreciation					
Structures	1,645,407	93,164	-	47,800	1,690,771
Machinery and equipment	-	-	-	-	-
Interceptors	<u>16,225,862</u>	<u>916,779</u>	<u>-</u>	<u>777,552</u>	<u>16,365,089</u>
Total accumulated depreciation	<u>17,871,269</u>	<u>1,009,943</u>	<u>-</u>	<u>825,352</u>	<u>18,055,860</u>
Total interceptor sewers capital assets	<u>61,065,681</u>	<u>(1,009,943)</u>	<u>5,987,030</u>	<u>1,093,876</u>	<u>64,948,892</u>
Net capital assets	<u>\$ 187,075,147</u>	<u>\$ 13,426,242</u>	<u>\$ -</u>	<u>\$ 1,367,545</u>	<u>\$ 199,133,844</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for GBMSD for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Reclassifications	Retirements	Ending Balance
Construction in Progress	\$ 15,670,127	\$15,582,265	\$ (4,395,633)	\$ -	\$ 26,856,759
Wastewater Treatment Facilities					
Capital assets not being depreciated					
Land	706,857	-	-	-	706,857
Capital assets being depreciated					
Land improvements	3,179,907	-	-	-	3,179,907
Structures and equipment	98,575,704	-	987,045	631,693	98,931,056
Machinery and equipment	88,456,473	-	2,780,621	803,704	90,433,390
Furniture and fixtures	527,133	-	-	17,823	509,310
Autos and trucks	1,111,119	-	32,742	44,563	1,099,298
Amortizable assets	793,441	-	447,521	14,000	1,226,962
Total capital assets being depreciated	192,643,777	-	4,247,929	1,511,783	195,379,923
Accumulated depreciation					
Land improvements	2,336,959	120,283	-	-	2,457,242
Structures and equipment	40,481,539	3,000,468	-	494,512	42,987,495
Machinery and equipment	47,372,142	3,182,754	-	664,381	49,890,515
Furniture and fixtures	331,577	9,096	-	16,051	324,622
Autos and trucks	397,116	64,250	-	44,563	416,803
Amortizable assets	815,049	56,347	-	14,000	857,396
Total accumulated depreciation	91,734,382	6,433,198	-	1,233,507	96,934,073
Total capital assets being depreciated, net	100,909,395	(6,433,198)	4,247,929	278,276	98,445,850
Total wastewater treatment facilities capital assets	101,616,252	(6,433,198)	4,247,929	278,276	99,152,707
Interceptor Sewers					
Capital assets being depreciated					
Structures	3,784,970	-	-	-	3,784,970
Machinery and equipment	16,710	-	-	-	16,710
Interceptors	75,030,005	-	147,704	42,439	75,135,270
Total capital assets being depreciated	78,831,685	-	147,704	42,439	78,936,950
Accumulated depreciation					
Structures	1,593,009	52,398	-	-	1,645,407
Machinery and equipment	-	-	-	-	-
Interceptors	15,439,210	826,255	-	39,603	16,225,862
Total accumulated depreciation	17,032,219	878,653	-	39,603	17,871,269
Total interceptor sewers capital assets	61,799,466	(878,653)	147,704	2,836	61,065,681
Net capital assets	\$ 179,085,845	\$ 8,270,414	\$ -	\$ 281,112	\$ 187,075,147

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 5 - INTERCEPTOR COST RECOVERY RECEIVABLE

GBMSD has agreements with various municipal customers in which the municipalities have agreed to reimburse GBMSD for the cost of interceptors owned by GBMSD whose capacity has been allocated to the municipalities. Annual repayments on the receivables for the year ended December 31, 2014 are as follows:

Year	Total
2015	\$ 799,940
2016	602,854
2017	611,954
2018	563,920
2019	553,025
2020-2025	1,907,468
Total	\$ 5,039,161

NOTE 6 - LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2014 was as follows:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Long-term Debt					
General obligation bonds/notes	\$ 31,402,007	\$ 4,058,419	\$ 1,421,559	\$ 34,038,867	\$ 1,360,936
Promissory note	1,588,586	-	81,056	1,507,530	85,109
Clean Water Fund Loans	48,653,707	11,243,800	3,467,607	56,429,900	3,993,764
Total long-term debt	81,644,300	15,302,219	4,970,222	91,976,297	5,439,809
Compensated absences	1,536,110	45,481	-	1,581,591	357,216
Total long-term liabilities	\$ 83,180,410	\$ 15,347,700	\$ 4,970,222	\$ 93,557,888	\$ 5,797,025
	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Long-term Debt					
General obligation bonds/notes	\$ 12,670,042	\$ 20,000,000	\$ 1,268,035	\$ 31,402,007	\$ 1,319,333
Promissory note	1,665,782	-	77,196	1,588,586	81,056
Clean Water Fund Loans	47,433,336	4,817,540	3,597,169	48,653,707	3,461,575
Total long-term debt	61,769,160	24,817,540	4,942,400	81,644,300	4,861,964
Compensated absences	1,557,949	-	21,839	1,536,110	316,909
Total long-term liabilities	\$ 63,327,109	\$ 24,817,540	\$ 4,964,239	\$ 83,180,410	\$ 5,178,873

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following issues are outstanding as of December 31, 2014 and 2013:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/14	Balance 12/31/13
General Obligation Bond	1/1/2002	5/1/2016	3.25 - 4.60%	\$ 7,000,000	\$ 1,200,000	\$ 1,760,000
General Obligation Bond	9/15/2008	5/1/2028	4.339%	10,000,000	8,725,000	9,165,000
General Obligation Bond	8/30/2013	5/1/2038	4.500%	20,000,000	20,000,000	20,000,000
Promissory Note	12/28/2007	12/28/2027	5.000%	2,000,000	1,507,530	1,588,586
General Obligation Note	5/29/2009	5/1/2014	3.500%	1,703,308	146,937	439,005
Note Payable	2/1/1995	3/15/2015	3.540%	339,221	10,739	38,004
Clean Water Fund loans	6/23/1993	5/1/2013	3.795%	5,007,128	-	-
Clean Water Fund loans	11/26/1996	5/1/2016	3.080%	5,185,113	673,298	994,935
Clean Water Fund loans	4/25/1999	5/1/2018	2.640%	2,737,735	693,973	856,456
Clean Water Fund loans	10/25/2000	5/1/2020	3.432%	1,924,428	718,684	824,945
Clean Water Fund loans	12/13/2000	5/1/2020	2.970%	2,147,480	785,415	903,425
Clean Water Fund loans	7/11/2001	5/1/2021	3.175%	2,051,291	632,471	712,050
Clean Water Fund loans	7/11/2001	5/1/2021	3.355%	1,430,306	403,945	454,406
Clean Water Fund loans	2/28/2002	5/1/2021	2.881%	647,809	290,174	327,116
Clean Water Fund loans	12/8/2004	5/1/2024	2.365%	5,043,088	3,139,909	3,415,399
Clean Water Fund loans	4/13/2005	5/1/2024	2.365%	2,561,833	1,628,421	1,771,296
Clean Water Fund loans	12/31/2007	5/1/2017	3.173%	513,964	171,368	225,014
Clean Water Fund loans	12/31/2007	5/1/2021	2.933%	2,964,669	1,631,805	1,839,118
Clean Water Fund loans	12/31/2007	5/1/2020	3.150%	2,323,581	1,189,041	1,366,580
Clean Water Fund loans	2/23/2009	5/1/2028	2.668%	10,460,782	7,743,019	8,194,433
Clean Water Fund loans	12/9/2009	5/1/2029	2.910%	4,603,511	3,652,914	3,845,027
Clean Water Fund loans	12/9/2009	5/1/2029	2.910%	12,821,922	10,703,681	11,266,607
Clean Water Fund loans	11/10/2010	5/1/2030	2.400%	176,648	2,871,275	3,017,093
Clean Water Fund loans	12/22/2010	5/1/2030	2.400%	1,799,331	2,765,893	2,906,360
Clean Water Fund loans	12/12/2012	5/1/2032	2.625%	3,146,593	2,677,984	2,651,947
Clean Water Fund loans	4/10/2013	5/1/2032	2.625%	3,081,498	2,958,937	3,081,498
Clean Water Fund loans	1/8/2014	5/1/2033	2.625%	3,956,192	3,956,192	-
Clean Water Fund loans	8/13/2014	5/1/2034	2.625%	11,097,692	<u>11,097,692</u>	<u>-</u>
Total long-term debt					<u>\$ 91,976,297</u>	<u>\$ 81,644,300</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The debt service requirements for all debt outstanding as of December 31, 2014 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,439,809	\$ 2,930,954	\$ 8,370,763
2016	5,451,842	2,760,627	8,212,469
2017	4,627,720	2,607,683	7,235,403
2018	4,702,797	2,471,041	7,173,838
2019	4,659,960	2,332,896	6,992,856
2020 - 2024	21,961,330	9,662,377	31,623,707
2025 - 2029	20,347,106	6,473,314	26,820,420
2030 - 2034	16,385,733	3,350,875	19,736,608
2035 - 2038	<u>8,400,000</u>	<u>756,000</u>	<u>9,156,000</u>
Total	<u>\$91,976,297</u>	<u>\$33,345,767</u>	<u>\$ 125,322,064</u>

NOTE 7 - NET POSITION

Net position for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Net investment in capital assets		
Capital assets, net of accumulated depreciation	\$ 199,133,844	\$ 187,075,147
Capital related long-term debt outstanding	(91,976,297)	(81,644,300)
Unspent debt proceeds	<u>17,890,313</u>	<u>16,211,285</u>
	<u>125,047,860</u>	<u>121,642,132</u>
Restricted:		
Equipment and interceptor replacement	45,467,637	47,743,356
Debt retirement	<u>21,744,563</u>	<u>14,490,279</u>
	<u>67,212,200</u>	<u>62,233,635</u>
Unrestricted	<u>7,469,240</u>	<u>10,711,957</u>
Total net position	<u>\$ 199,729,300</u>	<u>\$ 194,587,724</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM

All eligible GBMSD employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from the date of the employee's date of hire are eligible to participate in the System. All employees initially employed by a participating WRS employer subsequent to July 1, 2011, expected to work at least 1,200 hours a year and expected to be employed for at least one year from the date of the employee's date of hire are eligible to participate in the System.

Covered employees are required to contribute one half of the actuarially determined contribution rate for general category employees, executives and elected officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2014 are:

	<u>Employer</u>	<u>Employee</u>
General	7.00%	7.00%
Executives & Elected Officials	7.75%	7.75%
Protective with Social Security	10.10%	7.00%
Protective without Social Security	13.7%	7.00%

Total GBMSD payroll, covered payroll, and contributions for 2014, 2013, and 2012 are as follows:

	Year Ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total GBMSD payroll	\$6,712,940	\$6,574,538	\$6,519,655
Total covered employee payroll	6,481,886	6,467,789	6,419,837
Total required contributions	907,464	834,690	732,954
Total required contributions (%)	14.0%	13.3%	11.8%

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested. For participants hired after July 1, 2011, 5 years of creditable service is required for eligibility.

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

At December 31, 2014 and 2013, GBMSD had commitments under a long-term contract for sewage treatment service with one large industrial customer. The contract payments are based on the customer's usage and a proportionate share of debt service costs for the year.

GBMSD has signed construction contracts that continue into subsequent years. The value of services provided and the corresponding liability as of December 31, 2014 has been accrued in the financial statements. Remaining contract amounts are approximately \$18.0 million.

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

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

NOTE 10 - RISK MANAGEMENT

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 11 - BASIS OF EXISTING RATES

Rates are revised annually based on expected flows and operating and maintenance expenses, and adopted as part of the annual budget. The rate structure is reviewed every five years, and was reviewed in 2013.

SUPPLEMENTARY INFORMATION

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
SCHEDULE OF OPERATING REVENUES AND EXPENSES
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
User fees - municipal waste	\$ 29,065,839	\$ 25,606,906
User fees - mill waste	1,344,805	1,152,848
Capital revenue - mills	1,124,235	1,135,259
Other revenues	<u>2,464,172</u>	<u>1,426,531</u>
Total operating revenues	<u>33,999,051</u>	<u>29,321,544</u>
OPERATING EXPENSES		
Salaries and wages	6,712,940	6,727,915
Fringe benefits	2,795,060	2,756,680
Employee development	114,595	108,919
Travel and meetings	49,088	59,706
Power	2,376,454	2,375,660
Natural gas and fuel oil	1,412,686	1,310,263
Chemicals	631,725	479,758
Maintenance - plant	1,256,578	1,423,234
Maintenance - interceptors	232,741	295,949
Contracted services	1,910,472	1,723,366
Insurance	203,472	193,419
Solid waste disposal	224,172	245,786
Office related expenses	345,878	303,639
Supplementary expenses	<u>347,881</u>	<u>346,144</u>
Subtotal	18,613,742	18,350,438
Depreciation	<u>7,335,722</u>	<u>7,311,851</u>
Total operating expenses	<u>25,949,464</u>	<u>25,662,289</u>
Operating income	<u>\$ 8,049,587</u>	<u>\$ 3,659,255</u>