

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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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, 2015 and 2014, 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 audit opinion.

Opinion

In our opinion, 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, 2015 and 2014, 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.

Emphasis of a Matter

During fiscal year ended December 31, 2015, Green Bay Metropolitan Sewerage District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, Green Bay Metropolitan Sewerage District reported a restatement for the change in accounting principal (see note 12). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension schedules on pages 4-12 and 40-41, respectively, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
June 3, 2016

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015 and 2014**

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, 2015. 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, GBMSD 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. GBMSD looks forward to Watershed Conservation and Stewardship being its signature contribution to the 21st century.

FINANCIAL HIGHLIGHTS

Highlights for 2015 were:

- In 2015, the assets and deferred outflows of GBMSD exceed its liabilities and deferred inflows at the close of the fiscal year by \$210,655,657. Of this amount, \$14,504,261 may be used to meet GBMSD's ongoing obligations. In 2015, total assets and deferred outflows increased \$11,467,677, while total liabilities and deferred inflows increased \$541,320, resulting in total net position increasing \$10,926,357 over the course of the year's operations.
- GBMSD's operating expenses decreased by \$3,115 in 2015.
- User fee revenues from municipal waste increased by \$1,703,581, while mill waste decreased by \$103,713 in 2015. Other operating revenues increased \$500,864.
- Investment income increased by \$36,970 in 2015.

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.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015 and 2014**

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, deferred outflows, liabilities and deferred inflows, 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, 2015 and 2014. 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 deferred outflows and liabilities and deferred inflows – 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, 2015 and 2014**

NET POSITION

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

| | Condensed Summary of Net Position | | | Variance of 2015 to 2014 | |
|--------------------------------------|--|-----------------------|-----------------------|---------------------------------|-----------------|
| | December 31 | | | Increase (decrease) | |
| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>Dollars</u> | <u>%</u> |
| Capital assets: | | | | | |
| Net plant in service | \$ 153,471,885 | \$ 159,656,848 | \$ 160,218,388 | \$ (6,184,963) | (3.9) % |
| Construction in progress | 50,383,212 | 39,476,996 | 26,856,759 | 10,906,216 | 27.6 |
| Current, restricted and other assets | <u>108,235,531</u> | <u>102,673,333</u> | <u>94,095,519</u> | <u>5,562,198</u> | <u>5.4</u> |
| Total assets | <u>312,090,628</u> | <u>301,807,177</u> | <u>281,170,666</u> | <u>10,283,451</u> | <u>3.4</u> |
| Deferred outflows of resources | <u>1,184,226</u> | <u>-</u> | <u>-</u> | <u>1,184,226</u> | <u>n/a</u> |
| Current liabilities | 12,285,397 | 12,091,475 | 8,581,405 | 193,922 | 1.6 |
| Long-term liabilities | <u>90,326,317</u> | <u>89,986,402</u> | <u>78,001,537</u> | <u>339,915</u> | <u>0.4</u> |
| Total liabilities | <u>102,611,714</u> | <u>102,077,877</u> | <u>86,582,942</u> | <u>533,837</u> | <u>0.5</u> |
| Deferred inflows of resources | <u>7,483</u> | <u>-</u> | <u>-</u> | <u>7,483</u> | <u>n/a</u> |
| Net position: | | | | | |
| Net investment in capital assets | 121,746,874 | 120,935,734 | 121,642,132 | 811,140 | 0.7 |
| Restricted | 70,456,102 | 64,521,647 | 62,233,635 | 5,934,455 | 9.2 |
| Unrestricted | <u>18,452,681</u> | <u>14,271,919</u> | <u>10,711,957</u> | <u>4,180,762</u> | <u>29.3</u> |
| Total net position | <u>\$ 210,655,657</u> | <u>\$ 199,729,300</u> | <u>\$ 194,587,724</u> | <u>\$ 10,926,357</u> | <u>5.5 %</u> |

Net position increased \$10.9 million to \$210.7 million in 2015 from \$199.7 million in 2014. Significant changes in net position included a \$1.3 million decrease in outstanding long-term debt and a \$4.7 million increase in capital assets.

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.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015 and 2014**

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:

Condensed Summary of Revenues, Expenses and Changes in Fund Net Position

| | Year ended December 31 | | | Variance of 2015 to 2014 Increase (decrease) | |
|--|------------------------|-----------------------|-----------------------|---|---------------|
| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>Dollars</u> | <u>%</u> |
| Revenues: | | | | | |
| Operating revenues | \$ 36,221,714 | \$ 33,999,051 | \$ 29,321,544 | \$ 2,222,663 | 6.5 % |
| Non-operating revenues | <u>705,892</u> | <u>668,922</u> | <u>328,759</u> | <u>36,970</u> | <u>5.5</u> |
| Total Revenues | <u>36,927,606</u> | <u>34,667,973</u> | <u>29,650,303</u> | <u>2,259,633</u> | <u>6.5</u> |
| Expenses: | | | | | |
| Depreciation expense | 7,421,951 | 7,335,722 | 7,311,851 | 86,229 | 1.2 |
| Other operating expense | <u>18,524,398</u> | <u>18,613,742</u> | <u>18,350,438</u> | <u>(89,344)</u> | <u>(0.5)</u> |
| | 25,946,349 | 25,949,464 | 25,662,289 | (3,115) | |
| Non-operating expense | <u>2,729,133</u> | <u>4,283,078</u> | <u>2,321,118</u> | <u>(1,553,945)</u> | <u>(36.3)</u> |
| Total Expenses | <u>28,675,482</u> | <u>30,232,542</u> | <u>27,983,407</u> | <u>(1,557,060)</u> | <u>(5.2)</u> |
| Decrease in net position, before capital contributions and transfers | 8,252,124 | 4,435,431 | 1,666,896 | 3,816,693 | 86.1 |
| Capital contributions | <u>360,696</u> | <u>706,145</u> | <u>5,628,189</u> | <u>(345,449)</u> | <u>(48.9)</u> |
| Change in Net Position | 8,612,820 | 5,141,576 | 7,295,085 | 3,471,244 | 67.5 |
| Net position at beginning of year | <u>199,729,300</u> | <u>194,587,724</u> | <u>187,292,639</u> | <u>5,141,576</u> | <u>2.6</u> |
| Restatement - implementation of GASB 68 and 71 | <u>2,313,537</u> | - | - | <u>2,313,537</u> | N/A |
| Net position at end of year | <u>\$ 210,655,657</u> | <u>\$ 199,729,300</u> | <u>\$ 194,587,724</u> | <u>\$ 8,612,820</u> | <u>4.3 %</u> |

GBMSD's operating revenues increased by \$2,222,663 to \$36,221,714 in 2015 with amounts charged to GBMSD's municipal customers increasing \$1,703,581 and industrial customers decreasing \$103,713. Other operating revenues increased \$500,864 to \$2,965,036 in 2015. Also, the non-operating revenues which represent investment earnings increased by \$36,970 to \$705,892 in 2015. This increase is primarily due to the change in interest rates during 2015.

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.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015 and 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.

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 2015 budget:

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|----------------------|----------------------|---------------------|
| Revenues | \$ 32,558,861 | \$ 36,221,714 | \$ 3,662,853 |
| Expenses: | | | |
| Salaries and benefits | 9,708,341 | 9,565,430 | 142,911 |
| Power | 2,379,882 | 2,411,083 | (31,201) |
| Contracted services | 1,959,477 | 1,746,549 | 212,928 |
| Maintenance - plant | 1,303,545 | 1,506,683 | (203,138) |
| Chemicals | 688,896 | 502,937 | 185,959 |
| Natural gas and fuel oil | 1,229,221 | 1,064,850 | 164,371 |
| Solid waste disposal | 273,702 | 169,058 | 104,644 |
| Maintenance - interceptors | 366,457 | 376,651 | (10,194) |
| Office related expenses | 361,277 | 432,598 | (71,321) |
| Insurance | 208,270 | 200,413 | 7,857 |
| Supplementary expenses | 415,797 | 378,752 | 37,045 |
| Employee development | 123,913 | 108,638 | 15,275 |
| Travel and meetings | 73,684 | 60,756 | 12,928 |
| Total Expenses | <u>19,092,462</u> | <u>18,524,398</u> | <u>568,064</u> |
| Net change | <u>\$ 13,466,399</u> | <u>\$ 17,697,316</u> | <u>\$ 4,230,917</u> |

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015 and 2014**

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 | 1,902,404 | 110,037 |
| 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 | 355,949 | 43,320 |
| 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> |

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> |

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015 and 2014**

CAPITAL ASSETS

At the end of 2015, GBMSD had \$329.2 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 2015. In addition, GBMSD completed the 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 2014, GBMSD had \$320.0 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.

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.

| | CAPITAL ASSETS | | |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Land and land improvements | \$ 3,886,764 | \$ 3,886,764 | \$ 3,886,764 |
| Structures | 101,782,099 | 102,110,447 | 102,716,026 |
| Machinery and equipment | 90,646,307 | 92,211,920 | 90,450,100 |
| Furniture and fixtures | 450,027 | 480,966 | 509,310 |
| Autos and trucks | 1,082,753 | 1,099,298 | 1,099,298 |
| Interceptors | 79,394,122 | 79,351,257 | 75,135,270 |
| Amortizable assets | 1,559,465 | 1,424,429 | 1,226,962 |
| Construction in process | <u>50,383,212</u> | <u>39,476,996</u> | <u>26,856,759</u> |
| Sub-totals | 329,184,749 | 320,042,077 | 301,880,489 |
| Less: Accumulated depreciation | <u>125,329,652</u> | <u>120,908,233</u> | <u>114,805,342</u> |
| Net Property & Equipment | <u>\$ 203,855,097</u> | <u>\$ 199,133,844</u> | <u>\$ 187,075,147</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
December 31, 2015 and 2014**

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 its contractual plant capacity.

Indebtedness outstanding at December 31, 2015, 2014, and 2013 amounted to \$90.7 million, \$92.0 million, and \$81.6 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 2015 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 2.061%. 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 GBMSD 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 |
| 2015 | 0.80448 | 0.39331 | 0.34822 | 0.56768 | 0.65358 | 0.52659 |

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015 and 2014**

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 |
| 2015 | 0.52549 | 0.26270 | 0.19420 | 0.40750 | 0.50956 |

GBMSD is currently in the process of building a new solids handling facility which has an estimated project cost of \$169 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 methane-containing biogas, which will be captured and used to produce electricity. It is estimated that energy costs will be halved during the first year. Currently under construction, 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, 2015 and 2014

| | 2015 | 2014 |
|---|--------------------|--------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 12,661,167 | \$ 10,882,460 |
| Receivables | | |
| Sewage treatment service | 5,293,916 | 4,192,222 |
| Other, net of allowance for uncollectible accounts | 466,965 | 233,330 |
| Inventories | 945,937 | 885,359 |
| Prepaid items | 179,499 | 187,120 |
| Total current assets | 19,547,484 | 16,380,491 |
| RESTRICTED ASSETS | | |
| Cash and cash equivalents | 47,312,932 | 40,045,135 |
| Investments | 35,070,663 | 40,211,288 |
| Accrued interest receivable | 257,820 | 300,287 |
| Accounts receivable - construction | 718,846 | 696,971 |
| Interceptor cost recovery receivable, current portion | 602,854 | 799,940 |
| Interceptor cost recovery receivable, long-term portion | 3,565,227 | 4,239,221 |
| Pension asset - WRS | 1,159,705 | - |
| Total restricted assets | 88,688,047 | 86,292,842 |
| CAPITAL ASSETS | | |
| Wastewater treatment facilities | 195,753,920 | 197,560,329 |
| Interceptor sewers | 83,047,617 | 83,004,752 |
| Total, at cost | 278,801,537 | 280,565,081 |
| Accumulated depreciation | 125,329,652 | 120,908,233 |
| Construction in progress | 50,383,212 | 39,476,996 |
| Total capital assets | 203,855,097 | 199,133,844 |
| TOTAL ASSETS | 312,090,628 | 301,807,177 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred pension resources | 1,184,226 | - |

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 992,787 | \$ 907,949 |
| Accrued salaries | 248,873 | 217,610 |
| Unearned revenue, current portion | 465,014 | 465,014 |
| Accrued compensated absences, current portion | 372,879 | 357,216 |
| Other accrued liabilities | 118,062 | 98,393 |
| Total current liabilities | 2,197,615 | 2,046,182 |
| LIABILITIES PAYABLE FROM RESTRICTED ASSETS | | |
| Accounts payable | 3,985,591 | 4,112,126 |
| Current maturities of long-term debt | 5,621,971 | 5,439,809 |
| Accrued interest payable | 480,220 | 493,358 |
| Total current liabilities payable from restricted assets | 10,087,782 | 10,045,293 |
| LONG-TERM LIABILITIES | | |
| General obligation long-term debt, less current maturities | 85,099,492 | 86,536,488 |
| Unearned revenue, less current portion | 3,968,787 | 2,225,539 |
| Compensated absences, less current portion | 1,258,038 | 1,224,375 |
| Total long-term liabilities | 90,326,317 | 89,986,402 |
| TOTAL LIABILITIES | 102,611,714 | 102,077,877 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred pension obligations | 7,483 | - |
| NET POSITION | | |
| Net investment in capital assets | 121,746,874 | 120,935,734 |
| Restricted for | | |
| Equipment and interceptor replacement | 43,303,828 | 45,467,637 |
| Debt retirement | 25,992,569 | 19,054,010 |
| Pension | 1,159,705 | - |
| Unrestricted | 18,452,681 | 14,271,919 |
| TOTAL NET POSITION | \$ 210,655,657 | \$ 199,729,300 |

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, 2015 and 2014**

| | 2015 | 2014 |
|---|----------------|----------------|
| OPERATING REVENUES | \$ 36,221,714 | \$ 33,999,051 |
| OPERATING EXPENSES | 25,946,349 | 25,949,464 |
| Operating income | 10,275,365 | 8,049,587 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Investment earnings | 705,892 | 668,922 |
| Loss on disposal of capital assets | (919,509) | (1,363,837) |
| Interest expense | (1,809,624) | (2,919,241) |
| Total non-operating revenues (expenses) | (2,023,241) | (3,614,156) |
| Income (loss) before capital contributions | 8,252,124 | 4,435,431 |
| CAPITAL CONTRIBUTIONS | 360,696 | 706,145 |
| CHANGE IN NET POSITION | 8,612,820 | 5,141,576 |
| NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED | 199,729,300 | 194,587,724 |
| RESTATEMENT - IMPLEMENTATION OF GASB 68 AND 71 | 2,313,537 | - |
| NET POSITION, END OF YEAR (RESTATED) | 202,042,837 | 194,587,724 |
| NET POSITION, END OF YEAR | \$ 210,655,657 | \$ 199,729,300 |

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Received from customers | \$ 36,629,633 | \$ 37,902,633 |
| Paid to suppliers | (8,927,087) | (8,776,932) |
| Payments to employees | (9,488,083) | (9,430,738) |
| Net cash provided by operating activities | 18,214,463 | 19,694,963 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from long-term debt | 4,307,128 | 15,302,219 |
| Payments on long-term debt | (5,561,962) | (4,970,222) |
| Interest paid on long-term debt | (1,822,762) | (2,975,385) |
| Acquisition and construction of capital assets | (13,189,248) | (18,557,847) |
| Proceeds from sale of capital assets | - | 3,707 |
| Interceptor cost recovery income | 871,080 | 990,630 |
| Capital contributions received | 338,821 | 1,496,047 |
| Net cash provided by (used in) capital and related financing activities | (15,056,943) | (8,710,851) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 1,027,047 | 735,661 |
| Purchase of investments | (8,138,063) | (19,279,598) |
| Proceeds from sales and maturities of investments | 13,000,000 | 14,461,971 |
| Net cash provided by (used in) investing activities | 5,888,984 | (4,081,966) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 9,046,504 | 6,902,146 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 50,927,595 | 44,025,449 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 59,974,099 | \$ 50,927,595 |

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|--|----------------------|----------------------|
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION | | |
| Unrestricted | \$ 12,661,167 | \$ 10,882,460 |
| Restricted | 47,312,932 | 40,045,135 |
| TOTAL CASH AND CASH EQUIVALENTS | \$ 59,974,099 | \$ 50,927,595 |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 10,275,365 | \$ 8,049,587 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 7,421,951 | 7,335,722 |
| Effects of changes in operating assets and liabilities | | |
| Accounts receivable | (1,335,329) | 1,213,029 |
| Inventories | (60,578) | 68,613 |
| Prepaid items | 7,621 | 13,047 |
| Pension asset-WRS | 700,100 | - |
| Deferred pension resources | (730,494) | - |
| Accounts payable | 84,838 | 247,150 |
| Accrued salaries and other liabilities | 50,932 | 31,781 |
| Unearned revenue | 1,743,248 | 2,690,553 |
| Compensated absences | 49,326 | 45,481 |
| Deferred pension obligations | 7,483 | - |
| Net cash provided by operating activities | \$ 18,214,463 | \$ 19,694,963 |
| Non-cash disclosures | | |
| Unrealized gain/(loss) on investments | (278,688) | - |

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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 interceptor 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, 2015 and 2014

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 \$-0- and \$7,000 at December 31, 2015 and 2014, 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, 2015 and 2014

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 \$1,171,136 and \$33,289 for 2015 and 2014, 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 |

Deferred Outflows of Resources

GBMSD reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. GBMSD reports deferred outflows of resources for pension related items.

Deferred Inflows of Resources

GBMSD reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position. GBMSD reports deferred inflows of resources for pension related items.

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.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Wisconsin Retirement System Pension Plan Benefits

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, 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.

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.

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, it is GBMSD's policy to use restricted resources first, then unrestricted resources.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of December 31, 2015 and 2014, cash, cash equivalents, and investments included the following:

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| Petty cash | \$ 50 | \$ 50 |
| Demand deposits | | |
| Checking account | 5,508,332 | 6,010,946 |
| Money market accounts | 35,334,150 | 33,396,713 |
| Money market fund | 19,084,356 | 11,472,737 |
| Local Government Investment Pool | 47,211 | 47,149 |
| U.S. Agency securities | 8,018,340 | 8,965,110 |
| Municipal bonds | 17,773,045 | 17,894,715 |
| Corporate bonds | <u>9,279,278</u> | <u>13,351,463</u> |
| Total cash, cash equivalents, and investments | <u>\$ 95,044,762</u> | <u>\$ 91,138,883</u> |
| Reconciliation to the financial statements: | | |
| Cash and cash equivalents | | |
| Unrestricted | \$ 12,661,167 | \$ 10,882,460 |
| Restricted | 47,312,932 | 40,045,135 |
| Investments | | |
| Restricted | <u>35,070,663</u> | <u>40,211,288</u> |
| Total cash, cash equivalents, and investments | <u>\$ 95,044,762</u> | <u>\$ 91,138,883</u> |

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

Deposits

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. GBMSD investment policy does not address custodial credit risk for deposits.

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, 2015, 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.

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.

As of December 31, 2015 and 2014, GBMSD had uninsured and uncollateralized deposits of \$40,349,898 and \$0, respectively.

Investments

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.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

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

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, 2015 and 2014**

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, 2015, 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 | \$ 19,084,356 | \$ 19,084,356 | \$ - | \$ - |
| LGIP | 47,211 | 47,211 | - | - |
| U.S. Agencies | 8,018,340 | - | 8,018,340 | - |
| Municipal Bonds | 17,773,045 | 10,265,525 | 7,507,520 | - |
| Corporate Bonds | 9,279,278 | 2,104,518 | 7,174,760 | - |
| | <u>\$ 54,202,230</u> | <u>\$ 31,501,610</u> | <u>\$ 22,700,620</u> | <u>\$ -</u> |

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 | 13,351,463 | 2,118,493 | 11,232,970 | - |
| | <u>\$ 51,731,174</u> | <u>\$ 20,312,853</u> | <u>\$ 31,418,321</u> | <u>\$ -</u> |

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.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

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

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, 2015 and 2014, GBMSD's investments in corporate bonds were rated as follows:

| Rating | | Fair Value | |
|---------|--------|---------------------|----------------------|
| Agency | Rating | 2015 | 2014 |
| Moody's | AA3 | \$ 4,085,830 | \$ 3,140,200 |
| Moody's | AA2 | 2,079,550 | 2,025,620 |
| Moody's | AA1 | 3,113,898 | 2,109,423 |
| S&P | AA | - | 2,044,660 |
| Moody's | A1 | - | 4,031,560 |
| | | <u>\$ 9,279,278</u> | <u>\$ 13,351,463</u> |

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

| Rating | | Fair Value | |
|---------|--------|----------------------|----------------------|
| Agency | Rating | 2015 | 2014 |
| Moody's | AAA | \$ 5,310,343 | \$ 4,011,051 |
| S&P | AAA | 701,211 | 4,557,950 |
| Moody's | AA3 | 3,500,000 | 5,349,584 |
| Moody's | AA2 | 5,255,261 | |
| Moody's | AA1 | <u>3,006,230</u> | <u>3,976,130</u> |
| | | <u>\$ 17,773,045</u> | <u>\$ 17,894,715</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.

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.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

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

As of December 31, 2015, 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, 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% |

Custodial Credit Risk

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'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, 2015 or 2014.

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.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 3 - RESTRICTED ASSETS (CONTINUED)

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.

Pension Asset

- GBMSD's portion of the net pension asset or liability of the multi-employer defined benefit pension plan (WRS) that GBMSD employees participate in.

The following accounts are reported as restricted assets:

| | Equipment and Interceptor Replacement | Debt Retirement | Construction | Pension Asset | Total |
|--|---|----------------------|----------------------|---------------------|----------------------|
| Cash, cash equivalents and investments | \$ 41,109,339 | \$ 28,675,425 | \$ 12,598,831 | \$ - | \$ 82,383,595 |
| Receivables | | | | - | - |
| Accrued interest receivable | 234,670 | 22,903 | 247 | - | 257,820 |
| Accounts receivable | - | - | 718,846 | - | 718,846 |
| Interceptor cost recovery | 4,168,081 | - | - | - | 4,168,081 |
| Industrial contributions receivable | - | - | - | - | - |
| Pension asset-WRS | - | - | - | 1,159,705 | 1,159,705 |
| Total restricted assets | \$ 45,512,090 | \$ 28,698,328 | \$ 13,317,924 | \$ 1,159,705 | \$ 88,688,047 |
| 2014 | | | | | |
| | Equipment and Interceptor Replacement | Debt Retirement | Construction | Pension Asset | Total |
| 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 | - | - | - | - | - |
| Pension asset-WRS | - | - | - | - | - |
| Total restricted assets | \$ 45,467,637 | \$ 22,237,921 | \$ 18,587,284 | \$ - | \$ 86,292,842 |

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 4 - CAPITAL ASSETS

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

| | Beginning Balance | Additions | Construction in Progress Reclassifications | Retirements | Ending Balance |
|--|----------------------|---------------|--|-------------|-------------------|
| Construction in Progress | \$ 39,476,996 | \$ 13,062,713 | \$ (2,156,497) | \$ - | \$ 50,383,212 |
| 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 | 98,473,662 | - | 836,944 | 1,165,292 | 98,145,314 |
| Machinery and equipment | 92,195,210 | - | 1,059,231 | 2,624,844 | 90,629,597 |
| Furniture and fixtures | 480,966 | - | - | 30,939 | 450,027 |
| Autos and trucks | 1,099,298 | - | 46,763 | 63,308 | 1,082,753 |
| Amortizable assets | 1,424,429 | - | 163,223 | 28,187 | 1,559,465 |
| Total capital assets being depreciated | 196,853,472 | - | 2,106,161 | 3,912,570 | 195,047,063 |
| Accumulated depreciation | | | | | |
| Land improvements | 2,549,782 | 64,795 | - | - | 2,614,577 |
| Structures and equipment | 45,829,929 | 2,916,245 | - | 816,639 | 47,929,535 |
| Machinery and equipment | 52,765,272 | 3,113,959 | - | 2,059,205 | 53,820,026 |
| Furniture and fixtures | 302,327 | 1,662 | - | 26,245 | 277,744 |
| Autos and trucks | 485,601 | 71,653 | - | 63,308 | 493,946 |
| Amortizable assets | 919,462 | 115,317 | - | 28,187 | 1,006,592 |
| Total accumulated depreciation | 102,852,373 | 6,283,631 | - | 2,993,584 | 106,142,420 |
| Total capital assets being depreciated, net | 94,001,099 | (6,283,631) | 2,106,161 | 918,986 | 88,904,643 |
| Total wastewater treatment facilities capital assets | 94,707,956 | (6,283,631) | 2,106,161 | 918,986 | 89,611,500 |
| Interceptor Sewers | | | | | |
| Capital assets being depreciated | | | | | |
| Structures | 3,636,785 | - | - | - | 3,636,785 |
| Machinery and equipment | 16,710 | - | - | - | 16,710 |
| Interceptors | 79,351,257 | - | 50,336 | 7,471 | 79,394,122 |
| Total capital assets being depreciated | 83,004,752 | - | 50,336 | 7,471 | 83,047,617 |
| Accumulated depreciation | | | | | |
| Structures | 1,690,771 | 103,600 | - | - | 1,794,371 |
| Machinery and equipment | - | - | - | - | - |
| Interceptors | 16,365,089 | 1,034,720 | - | 6,948 | 17,392,861 |
| Total accumulated depreciation | 18,055,860 | 1,138,320 | - | 6,948 | 19,187,232 |
| Total interceptor sewers capital assets | 64,948,892 | (1,138,320) | 50,336 | 523 | 63,860,385 |
| Net capital assets | \$ 199,133,844 | \$ 5,640,762 | \$ - | \$ 919,509 | \$ 203,855,097 |

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

| | Beginning Balance | Additions | Reclassifications | Retirements | Ending Balance |
|--|----------------------|---------------|-------------------|--------------|-------------------|
| Construction in Progress | \$ 26,856,759 | \$ 20,761,964 | \$ (10,835,420) | \$ - | \$ 36,783,303 |
| 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 | 1,226,962 | - | 227,761 | 30,294 | 1,424,429 |
| Total capital assets being depreciated | 195,379,923 | - | 4,848,390 | 681,148 | 199,547,165 |
| 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 | 857,396 | 92,360 | - | 30,294 | 919,462 |
| Total accumulated depreciation | 96,934,073 | 6,325,779 | - | 407,479 | 102,852,373 |
| Total capital assets being depreciated, net | 98,445,850 | (6,325,779) | 4,848,390 | 273,669 | 96,694,792 |
| Total wastewater treatment facilities capital assets | 99,152,707 | (6,325,779) | 4,848,390 | 273,669 | 97,401,649 |
| Interceptor Sewers | | | | | |
| Capital assets being depreciated | | | | | |
| Structures | 3,784,970 | - | - | 148,185 | 3,636,785 |
| Machinery and equipment | 16,710 | - | - | - | 16,710 |
| Interceptors | 75,135,270 | - | 5,987,030 | 1,771,043 | 79,351,257 |
| Total capital assets being depreciated | 78,936,950 | - | 5,987,030 | 1,919,228 | 83,004,752 |
| Accumulated depreciation | | | | | |
| Structures | 1,645,407 | 93,164 | - | 47,800 | 1,690,771 |
| Machinery and equipment | - | - | - | - | - |
| Interceptors | 16,225,862 | 916,779 | - | 777,552 | 16,365,089 |
| Total accumulated depreciation | 17,871,269 | 1,009,943 | - | 825,352 | 18,055,860 |
| Total interceptor sewers capital assets | 61,065,681 | (1,009,943) | 5,987,030 | 1,093,876 | 64,948,892 |
| Net capital assets | \$ 187,075,147 | \$ 13,426,242 | \$ - | \$ 1,367,545 | \$ 199,133,844 |

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, 2015 are as follows:

| Year | Total |
|-----------|--------------|
| 2016 | \$ 602,854 |
| 2017 | 611,954 |
| 2018 | 563,920 |
| 2019 | 553,025 |
| 2020 | 715,290 |
| 2021-2025 | 1,121,038 |
| Total | \$ 4,168,081 |

NOTE 6 - LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2015 was as follows:

| | 2015 | | | | |
|--------------------------------|----------------------|---------------|--------------|-------------------|--------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Due in One Year |
| Long-term Debt | | | | | |
| General obligation bonds/notes | \$ 34,038,867 | \$ 95,079 | \$ 1,364,860 | \$ 32,769,086 | \$ 1,090,000 |
| Promissory note | 1,507,530 | - | 85,109 | 1,422,421 | 89,364 |
| Clean Water Fund Loans | 56,429,900 | 4,212,049 | 4,111,993 | 56,529,956 | 4,442,607 |
| Total long-term debt | 91,976,297 | 4,307,128 | 5,561,962 | 90,721,463 | 5,621,971 |
| Unearned revenues | 2,690,553 | 2,208,262 | 465,014 | 4,433,801 | 465,014 |
| Compensated absences | 1,581,591 | 49,326 | - | 1,630,917 | 372,879 |
| Total long-term liabilities | \$ 96,248,441 | \$ 6,564,716 | \$ 6,026,976 | \$ 96,786,181 | \$ 6,459,864 |
| | | | | | |
| | 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 |
| Unearned revenues | - | 2,690,553 | - | 2,690,553 | 465,014 |
| Compensated absences | 1,536,110 | 45,481 | - | 1,581,591 | 357,216 |
| Total long-term liabilities | \$ 83,180,410 | \$ 18,038,253 | \$ 4,970,222 | \$ 96,248,441 | \$ 6,262,039 |

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following issues are outstanding as of December 31, 2015 and 2014:

| | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance 12/31/15 | Balance 12/31/14 |
|-------------------------|------------------|-------------------|-------------------|--------------------------|----------------------|----------------------|
| General Obligation Bond | 1/1/2002 | 5/1/2016 | 3.25 - 4.60% | \$ 7,000,000 | \$ 615,000 | \$ 1,200,000 |
| General Obligation Bond | 9/15/2008 | 5/1/2028 | 4.339% | 10,000,000 | 8,270,000 | 8,725,000 |
| 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 | 1,422,421 | 1,507,530 |
| General Obligation Note | 5/29/2009 | 5/1/2014 | 3.500% | 1,703,308 | - | 146,937 |
| Note Payable | 2/1/1995 | 3/15/2015 | 3.540% | 339,221 | - | 10,739 |
| Clean Water Fund loans | 11/26/1996 | 5/1/2016 | 3.080% | 5,185,113 | 341,755 | 673,298 |
| Clean Water Fund loans | 4/25/1999 | 5/1/2018 | 2.640% | 2,737,735 | 527,201 | 693,973 |
| Clean Water Fund loans | 10/25/2000 | 5/1/2020 | 3.432% | 1,924,428 | 608,776 | 718,684 |
| Clean Water Fund loans | 12/13/2000 | 5/1/2020 | 2.970% | 2,147,480 | 663,900 | 785,415 |
| Clean Water Fund loans | 7/11/2001 | 5/1/2021 | 3.175% | 2,051,291 | 550,366 | 632,471 |
| Clean Water Fund loans | 7/11/2001 | 5/1/2021 | 3.355% | 1,430,306 | 351,792 | 403,945 |
| Clean Water Fund loans | 2/28/2002 | 5/1/2021 | 2.881% | 647,809 | 252,168 | 290,174 |
| Clean Water Fund loans | 12/8/2004 | 5/1/2024 | 2.365% | 5,043,088 | 2,857,904 | 3,139,909 |
| Clean Water Fund loans | 4/13/2005 | 5/1/2024 | 2.365% | 2,561,833 | 1,482,168 | 1,628,421 |
| Clean Water Fund loans | 12/31/2007 | 5/1/2017 | 3.173% | 513,964 | 116,020 | 171,368 |
| Clean Water Fund loans | 12/31/2007 | 5/1/2021 | 2.933% | 2,964,669 | 1,418,412 | 1,631,805 |
| Clean Water Fund loans | 12/31/2007 | 5/1/2020 | 3.150% | 2,323,581 | 1,005,909 | 1,189,041 |
| Clean Water Fund loans | 2/23/2009 | 5/1/2028 | 2.668% | 10,460,782 | 7,279,560 | 7,743,019 |
| Clean Water Fund loans | 12/9/2009 | 5/1/2029 | 2.910% | 4,603,511 | 3,455,210 | 3,652,914 |
| Clean Water Fund loans | 12/9/2009 | 5/1/2029 | 2.910% | 12,821,922 | 10,124,374 | 10,703,681 |
| Clean Water Fund loans | 11/10/2010 | 5/1/2030 | 2.400% | 176,648 | 2,721,956 | 2,871,275 |
| Clean Water Fund loans | 12/22/2010 | 5/1/2030 | 2.400% | 1,799,331 | 2,622,055 | 2,765,893 |
| Clean Water Fund loans | 12/12/2012 | 5/1/2032 | 2.625% | 3,146,593 | 2,559,689 | 2,677,984 |
| Clean Water Fund loans | 4/10/2013 | 5/1/2032 | 2.625% | 3,081,498 | 2,828,232 | 2,958,937 |
| Clean Water Fund loans | 1/8/2014 | 5/1/2033 | 2.625% | 3,956,192 | 3,884,088 | 3,956,192 |
| Clean Water Fund loans | 8/13/2014 | 5/1/2034 | 2.625% | 11,097,692 | 14,506,041 | 11,097,692 |
| Clean Water Fund loans | 10/14/2015 | 5/1/2035 | 2.060% | 63,022 | 63,022 | - |
| Clean Water Fund loans | 12/23/2015 | 5/1/2035 | 2.275% | 193,444 | 193,444 | - |
| Total long-term debt | | | | | <u>\$ 90,721,463</u> | <u>\$ 91,976,297</u> |

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The debt service requirements for all debt outstanding as of December 31, 2015 are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|---------------------|----------------------|
| 2016 | \$ 5,621,971 | \$ 2,866,577 | \$ 8,488,548 |
| 2017 | 4,802,288 | 2,709,790 | 7,512,078 |
| 2018 | 4,884,846 | 2,568,504 | 7,453,350 |
| 2019 | 4,846,744 | 2,425,563 | 7,272,307 |
| 2020 | 4,992,332 | 2,280,599 | 7,272,931 |
| 2021 - 2025 | 22,154,800 | 9,381,077 | 31,535,877 |
| 2026 - 2030 | 21,325,313 | 6,053,188 | 27,378,501 |
| 2031 - 2035 | 15,793,169 | 2,824,024 | 18,617,193 |
| 2036 - 2038 | <u>6,300,000</u> | <u>425,250</u> | <u>6,725,250</u> |
| Total | <u>\$90,721,463</u> | <u>\$31,534,572</u> | <u>\$122,256,035</u> |

NOTE 7 - NET POSITION

Net position for the years ended December 31, 2015 and 2014 are as follows:

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|
| Net investment in capital assets | | |
| Capital assets, net of accumulated depreciation | \$ 203,855,097 | \$ 199,133,844 |
| Capital related long-term debt outstanding | (90,721,463) | (91,976,297) |
| Unspent debt proceeds | <u>8,613,240</u> | <u>13,778,187</u> |
| | <u>121,746,874</u> | <u>120,935,734</u> |
| Restricted: | | |
| Equipment and interceptor replacement | 43,303,828 | 45,467,637 |
| Debt retirement | 25,992,569 | 19,054,010 |
| Pension | <u>1,159,705</u> | <u>-</u> |
| | <u>70,456,102</u> | <u>64,521,647</u> |
| Unrestricted | <u>18,452,681</u> | <u>10,159,793</u> |
| Total net position | <u>\$ 210,655,657</u> | <u>\$ 195,617,174</u> |

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 8 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

| <u>Year</u> | <u>Core Fund Adjustment</u> | <u>Variable Fund Adjustment</u> |
|-------------|---------------------------------|-------------------------------------|
| 2005 | 2.6 % | 7.0 % |
| 2006 | 0.8 % | 3.0 % |
| 2007 | 3.0 % | 10.0 % |
| 2008 | 6.6 % | - % |
| 2009 | (2.1)% | (42.0)% |
| 2010 | (1.3)% | 22.0 % |
| 2011 | (1.2)% | 11.0 % |
| 2012 | (7.0)% | (7.0)% |
| 2013 | (9.6)% | 9.0 % |
| 2014 | 4.7 % | 25.0 % |

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and 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.

During the reporting period, the WRS recognized \$453,732 in contributions from the employer.

Contribution rates as of December 31, 2015 are:

| <u>Employee Category</u> | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General (including teachers) | 6.8% | 6.8% |
| Executive & Elected Officials | 7.7% | 7.7% |
| Protective with Social Security | 6.8% | 9.5% |
| Protective without Social Security | 6.8% | 13.1% |

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 8 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

At December 31, 2015, GBMSD reported a liability (asset) of (\$1,159,705) 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 December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. GBMSD's proportion of the net pension liability (asset) was based on GBMSD's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, GBMSD's proportion was 0.04721400%, which was an increase of 0.00004074% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, GBMSD recognized pension expense of \$404,320.

At December 31, 2015, GBMSD 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 | \$ 168,121 | \$ - |
| Changes in assumptions | - | - |
| Net differences between projected and actual earnings on pension plan investments | 561,585 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 7,483 |
| Employer contributions subsequent to measurement date | 454,520 | - |
| Total | \$ 1,184,226 | \$ 7,483 |

\$454,520 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended December 31: | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------------------|---|--|
| 2016 | \$ 143,530 | \$ 1,389 |
| 2017 | 143,530 | 1,389 |
| 2018 | 143,530 | 1,389 |
| 2019 | 143,530 | 1,389 |
| 2020 | 143,530 | 1,389 |
| Thereafter | 12,056 | 538 |

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 8 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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 | December 31, 2013 |
| Measurement Date of Net Pension Liability (Asset): | December 31, 2014 |
| Actuarial Cost Method: | Entry Age |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 7.2% |
| Discount Rate: | 7.2% |
| Salary Increases | |
| Inflation: | 3.2% |
| Seniority/Merit: | 0.2% - 5.8% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-Retirement Adjustments*: | 2.1% |

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Long-Term Real Rate of Return | Target Allocation |
|----------------------------|----------------------------------|-------------------|
| US Equities | 5.0% | 21% |
| International Equities | 5.7% | 23% |
| Fixed Income | 1.7% | 36% |
| Inflation Sensitive Assets | 2.3% | 20% |
| Real Estate | 4.2% | 7% |
| Private Equity/Debt | 6.9% | 7% |
| Multi-Asset | 3.9% | 6% |
| Cash | 0.9% | -20% |

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 8 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) 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 GBMSD's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents GBMSD's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what GBMSD'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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

| | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase to Discount Rate (8.20%) |
|--|--|-------------------------------------|--|
| GBMSD's proportionate share of the net pension liability (asset) | \$ 3,271,728 | \$ (1,159,705) | \$ (4,659,471) |

NOTE 9 - COMMITMENTS AND CONTINGENCIES

At December 31, 2015 and 2014, 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, 2015 has been accrued in the financial statements. Remaining contract amounts are approximately \$134.5 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.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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.

NOTE 12 - RESTATEMENT

GBMSD has restated beginning net position to recognize the implementation of the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the related GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (GASB 71). GASB 68 and GASB 71 are effective for the fiscal year ending December 31, 2015. These new standards change the way long-term obligations and annual costs associated with pensions benefits are reported. The effect on GBMSD's financial statements is to report a net pension asset and the annual deferred inflows and outflows of resources that are incurred. Beginning net position has been restated as follows:

| | |
|--|-----------------------|
| Ending net position, December 31, 2014, as previously reported | \$ 199,729,300 |
| Restatement to record beginning of the year deferred outflow for contributions made after the measurement date | 453,732 |
| Restatement to record beginning of the year WRS pension asset | <u>1,859,805</u> |
| Net position, January 1, 2015, as restated | <u>\$ 202,042,837</u> |

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
 SCHEDULE OF GBMSD'S PROPORTIONATE SHARE OF THE NET
 PENSION LIABILITY (ASSET) -
 WISCONSIN RETIREMENT SYSTEM (UNAUDITED)
 December 31, 2015**

| | 2015 |
|--|----------------|
| GBMSD's proportion of the net pension liability (asset) | 0.04721400% |
| GBMSD's proportionate share of the net pension liability (asset) | \$ (1,159,705) |
| GBMSD's covered - employee payroll | \$ 6,481,885 |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 102.74% |

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
SCHEDULE OF GBMSD CONTRIBUTIONS -
WISCONSIN RETIREMENT SYSTEM (UNAUDITED)
December 31, 2015**

| | 2015 |
|---|--------------|
| Contractually required contributions | \$ 453,732 |
| Contributions in relation to the contractually required contributions | \$ 453,732 |
| Contribution deficiency (excess) | \$ - |
| GBMSD's covered - employee payroll | \$ 6,481,885 |
| Contributions as a percentage of covered - employee payroll | 7.00% |

SUPPLEMENTARY INFORMATION

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
SCHEDULE OF OPERATING REVENUES AND EXPENSES
Years Ended December 31, 2015 and 2014**

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|----------------------|---------------------|
| OPERATING REVENUES | | |
| User fees - municipal waste | \$ 30,769,420 | \$ 29,065,839 |
| User fees - mill waste | 1,241,092 | 1,344,805 |
| Capital revenue - mills | 1,246,166 | 1,124,235 |
| Other revenues | <u>2,965,036</u> | <u>2,464,172</u> |
| Total operating revenues | <u>36,221,714</u> | <u>33,999,051</u> |
| OPERATING EXPENSES | | |
| Salaries and wages | 6,943,478 | 6,712,940 |
| Fringe benefits | 2,621,952 | 2,795,060 |
| Employee development | 108,638 | 114,595 |
| Travel and meetings | 60,756 | 49,088 |
| Power | 2,411,083 | 2,376,454 |
| Natural gas and fuel oil | 1,064,850 | 1,412,686 |
| Chemicals | 502,937 | 631,725 |
| Maintenance - plant | 1,506,683 | 1,256,578 |
| Maintenance - interceptors | 376,651 | 232,741 |
| Contracted services | 1,746,549 | 1,902,404 |
| Insurance | 200,413 | 203,472 |
| Solid waste disposal | 169,058 | 224,172 |
| Office related expenses | 432,598 | 345,878 |
| Supplementary expenses | <u>378,752</u> | <u>355,949</u> |
| Subtotal | 18,524,398 | 18,613,742 |
| Depreciation | <u>7,421,951</u> | <u>7,335,722</u> |
| Total operating expenses | <u>25,946,349</u> | <u>25,949,464</u> |
| | | |
| Operating income | <u>\$ 10,275,365</u> | <u>\$ 8,049,587</u> |