



2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2022 AND 2021

**MILWAUKEE METROPOLITAN
SEWERAGE DISTRICT**



MMSD'S MISSION

MMSD PROTECTS PUBLIC HEALTH AND THE ENVIRONMENT
THROUGH WORLD-CLASS, COST-EFFECTIVE, WATER RESOURCE
MANAGEMENT, LEADERSHIP AND PARTNERSHIP.

2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2022 AND 2021

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

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

TABLE OF CONTENTS

MMSD'S MISSION..... 2

INTRODUCTORY SECTION

COMMISSION ORGANIZATION CHART8

COMMISSIONERS OF THE MMSD9

2022 LETTER FROM THE MMSD CHAIR10

DISTRICT MAP11

LETTER OF TRANSMITTAL.....12-15

GFOA CERTIFICATE OF ACHIEVEMENT16

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT..... 18-20

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....21-27

BASIC FINANCIAL STATEMENTS

EXHIBIT

A-1 STATEMENTS OF NET POSITION AS OF DECEMBER 31, 2022 AND 202128-29

A-2 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2022 AND 2021..... 30

A-3 STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021.....31-32

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 202133-54

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY - ERS 55

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - ERS 55

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION 55

HEALTH INSURANCE SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS 56

HEALTH INSURANCE NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS57

STATISTICAL SECTION

FINANCIAL TRENDS

EXHIBIT

B-1 NET POSITION BY COMPONENTS YEARS ENDED DECEMBER 31, 2013 THROUGH 2022.....60-61

B-2 CHANGE IN NET POSITION YEARS ENDED DECEMBER 31, 2013 THROUGH 2022 62

REVENUE CAPACITY

EXHIBIT

B-3 OPERATING REVENUE BY SOURCE YEARS ENDED DECEMBER 31, 2013 THROUGH 2022..... 63

B-4 OPERATING EXPENSES YEARS ENDED DECEMBER 31, 2013 THROUGH 2022 64

REVENUE CAPACITY CONT.

EXHIBIT

B-5 NON-OPERATING REVENUE AND EXPENSES

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022..... 65

B-6 USER CHARGE REVENUE BY MUNICIPALITY WITHIN THE DISTRICT

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022..... 66-67

B-7 USER CHARGE REVENUE BY MUNICIPALITY OUTSIDE THE DISTRICT

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022..... 68-69

B-8 USER CHARGE RATES

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022.....70-71

B-9 WASTEWATER LOADINGS BY CUSTOMER CLASS

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022.....72-73

B-10 TEN LARGEST SEWER USERS

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022.....74

B-11 PROPERTY TAX INFORMATION

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022.....75

DEBT CAPACITY

EXHIBIT

B-12 BONDED DEBT LIMIT AND RATIO OF BONDED DEBT TO EQUALIZED VALUE

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022.....76-77

B-13 PER CAPITA DEBT, PERSONAL INCOME AND UNEMPLOYMENT RATE

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022..... 78

B-14 COMPUTATION OF OVERLAPPING DEBT

YEARS ENDED DECEMBER 31, 2022 79

B-15 TEN LARGEST TAXPAYERS FOR MILWAUKEE COUNTY

YEARS ENDED DECEMBER 31, 2013 AND 2022.....80-81

DEMOGRAPHIC & ECONOMIC INFORMATION

EXHIBIT

B-16 POPULATION BY MUNICIPALITY

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022.....82-83

B-17 PRINCIPAL PRIVATE SECTOR EMPLOYERS

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022..... 84

OPERATING INFORMATION

EXHIBIT

B-18 NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022..... 85

B-19 OPERATING AND CAPITAL INDICATORS

YEARS ENDED DECEMBER 31, 2013 THROUGH 2022..... 86-87



INTRODUCTORY SECTION

CONTENTS

[Commission Organization Chart](#)

[Commissioners of the MMSD](#)

[2022 Letter from the Commission Chair](#)

[District Map](#)

[Letter of Transmittal](#)

[GFOA Certificate of Achievement](#)

COMMISSION ORGANIZATION CHART



COMMISSIONERS OF THE MILWAUKEE METROPOLITAN SEWERAGE DISTRICT



EUGENE MANZANET, PH.D.,
Commission Chair,
Senior Director Diverse Business Development,
Wisconsin Economic Development Corporation



JEFF STONE
Vice Chair,
Vice President, Kapur & Associates

ROBERT BAUMAN
Alderman, City of Milwaukee

DAN BUKIEWICZ
Mayor, City of Oak Creek

MICHAEL D'AMATO
Citizen Member

DAN DEVINE
Mayor, City of West Allis

KALAN HAYWOOD, II
State Representative

BRYAN L. KENNEDY, PH.D.
Mayor, City of Glendale

JOHN SWAN, III
Business Agent, LIUNA Local 113

JOCASTA ZAMARRIPA
Alderdwoman, City of Milwaukee

COREY ZETTS
Executive Director,
Menomonee Valley Partners

DISTRICT STAFF

KEVIN L. SHAFER, P.E.
Executive Director

ANNA KETTLEWELL
Commission Secretary

KATHERINE LAZARSKI
Director of Legal Services

MICHAEL MARTIN
Director of Technical Services

FINANCE MANAGING STAFF

DON NEHMER
Director of Finance/Treasurer

APRIL HILLIARD
Accounting Manager

CONTRIBUTING STAFF

KRISTEN VICTORY
Accounting Supervisor

BASHAUN WRAY
Accountant II

CHRIS LENHART
Accountant II

PRINCIPAL ADVISORS

BAKER TILLY US, LLP
Independent Auditors

**FOLEY & LARDNER AND
MWH LAW GROUP**
Co-Bond Counsel

ROBERT W. BAIRD & CO.
Financial Advisor

2022 LETTER FROM THE COMMISSION CHAIR



EUGENE MANZANET, PH.D.,
Commission Chair,
Senior Director Diverse Business
Development, Wisconsin
Economic Development
Corporation

THE DISTRICT
CAPTURED AND
FULLY TREATED
99.3% OF ALL
THE WATER THAT
ENTERED THE
SEWER SYSTEM,
WHICH IS ABOVE
AND BEYOND
THE FEDERAL
REQUIREMENT
OF 85%.

I am grateful and beyond pleased with all the extraordinary work from staff and fellow Commissioners that went into another successful year at the Milwaukee Metropolitan Sewerage District (MMSD) in 2022. Our focus and investments continued to support the mission of protecting public health and the environment through world-class, cost-effective water resource management, leadership, and partnership. 2022 budgets continued to protect and build infrastructure that is resilient and operates effectively.

Of all the water and wastewater that entered the regional sewer system in 2022, MMSD captured and cleaned 98.8% with the remaining 1.2% going to area waterways untreated to reduce the risk of basement backups. The goal nationally is to capture and clean 85% of annual flows, which some cities do not accomplish.

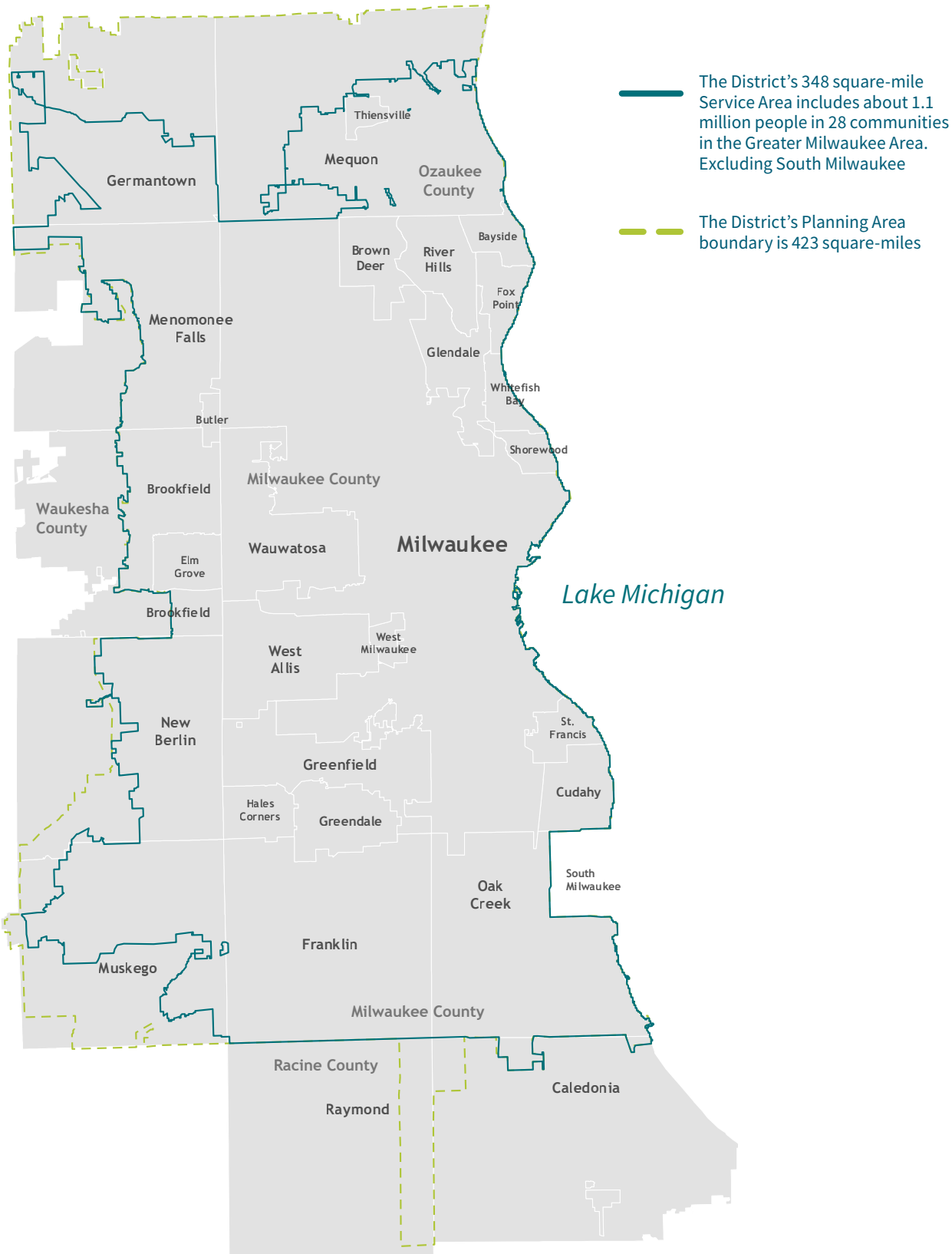
The District advanced operational energy efficiency during the year, climate change adaptation, and Diversity, Equity, Inclusion, and Anti-Racism (DEIAR) efforts. We continue exploring workforce development options for under-represented populations in the water industry and increasing opportunities for youth to learn about careers in the water industry.

Final design is underway on a Dredged Materials Management Facility (DMMF) that MMSD will build on Jones Island to permanently store contaminated sediments from Milwaukee’s Area Of Concern (AOC), a \$400 million effort with dozens of partners, including the U.S. Environmental Protection Agency (EPA) and the Wisconsin Department of Natural Resources (DNR). Cleanup efforts will remove decades of toxic chemicals in the sediment of area rivers and portions of near-shore Lake Michigan.

Flood management efforts realized a major milestone with total Greenseams properties surpassing 5,000 acres, land that will permanently protect sponge-like, hydric soils that, combined, are capable of managing/storing more than 2.8 billion gallons of water. MMSD and partners finished 2022 just a few gallons shy of being able to capture 100 million gallons of rain with green infrastructure in the region, such as rain barrels, rain gardens, bioswales, green roofs, and porous pavement.

Sincerely,
EUGENE MANZANET, PH.D.,
Commission Chair

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT



LETTER OF TRANSMITTAL



June, 8, 2023

The Commissioners
Milwaukee Metropolitan Sewerage District

Dear Commissioners:

State law requires that the Milwaukee Metropolitan Sewerage District (District) publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of independent licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the District for the fiscal year ended December 31, 2022.

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

Baker Tilly US, LLP, a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal years ended December 31, 2022 and 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. An audit

includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, Baker Tilly US, LLP expresses no such opinion. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal years ended December 31, 2022 and 2021 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE DISTRICT

GENERAL

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

LEGAL BOUNDARY

The District's legal boundary presently includes all of Milwaukee County with the exclusion of the City of South Milwaukee. The legal boundary also includes the portion

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

SERVICE AREA

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

SERVICE RESPONSIBILITIES AND POWERS

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

GOVERNANCE

The District's governing body is the Milwaukee Metropolitan Sewerage Commission, which is composed of eleven members. Seven of the eleven members are appointees of the Mayor of the City of Milwaukee. Three of the appointees of the Mayor of the City of Milwaukee must be elected officials. Four of the eleven members are appointees of a body comprised of the elected executive officer of each city or village other than the City of Milwaukee within the District's boundary. Of these four appointees, three must be elected officials. All appointees have terms of three years, except the elected official appointees of the Mayor of the City of Milwaukee, who serve for one year. The Commission elects a Chairperson and Vice

Chairperson from its membership. Most major financing decisions of the District require an approving vote of two-thirds of all Commissioners.

BUDGETS

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

FACTORS AFFECTING FINANCIAL CONDITION

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

IMPACT OF THE SPREAD OF COVID-19

In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declared a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries took measures to limit social interactions in an effort to limit the spread of COVID-19. On March 25, 2021, Wisconsin Governor Tony Evers' "safer-at-home" order went into effect, which orders the closure of all non-essential business and operations until April 24, 2021. A full re-opening of the Milwaukee region began in summer 2022.

COVID-19 caused significant disruptions to the global, national and State economies. The pandemic and the emergency responses resulted in closures of restaurants, bars, malls, theatres, and other businesses, reductions in travel, and cancellations of numerous events as well as reduced business demand, worker

continued on next page →

layoffs, furloughs, and reductions in hours, and supply shortages – all of which impacts the amount and type of customer use of the waste loads. The District had reductions to waste loads from industrial and commercial users due to closures related to the pandemic and related user charge billings had an unfavorable variance of approximately \$2 million in 2021; however, by the end of 2022 the District recovered from closures that were ongoing through spring so that there was no material unfavorable variance in 2022 due to the pandemic.

LOCAL ECONOMY

In 2022 and despite the COVID-19 pandemic, the Milwaukee metropolitan area continues to reflect a solid economic base and diversification. After five straight years of declining property values, for the fifth consecutive year, taxable valuations in 2022 increased, with a 12.48% increase within the District and 12.09% in the District’s total service area. The District’s ten largest taxpayers make up only 4.7% of the total tax base. Six of these taxpayers are commercial real estate developers whose projects include shopping malls, office buildings, and hotels.

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

Wisconsin’s unemployment rate had been consistently below the national rate from 2008 to 2021. In 2022 Wisconsin’s unemployment rate was 2.9% while the national rate was 3.6%. The unemployment rate in Milwaukee County was 3.7% in 2022 compared to 5.2% in 2021.

LONG-RANGE FINANCIAL PLANNING

The District maintains long-range financing plans for its Operation and Maintenance (O&M) and Capital budgets. The District’s operating budget utilizes a user charge stabilization fund and an equipment replacement fund to help stabilize user charge rates while improving customer service and the efficiency of operations. Items of note in the 2023 operating budget include:

- \$95.2 million in budgeted sewer user charge billings for 2023, a 5.8% increase from 2022. The annual average District household charge of \$159.81 in 2023 represents an increase of \$7.92 or 9.6% from the 2022 amount of \$151.89.

- Total O&M expenditures were budgeted at \$117.7 million, 6.9% higher than in 2022. O&M expenditures increase \$7.6 million in 2023. The increase is due to an increase for the cost of employee health insurance, an increase for the operating contract, and a grant-funded construction project to improve a fish passage. The expenses for the grant funded project are off-set in Other Income.

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

- 20% cash financing for capital projects, and
- Maintaining outstanding debt at no more than 2.5% of total equalized property value (i.e., 50% of the statutory limit of 5%).

The ten-year plan provides for \$2,141.0 million in capital project and program expenditures from 2023 through 2032, primarily for rehabilitation, upgrade or replacement of assets at the District’s two water reclamation facilities, structural and hydraulic upgrades to the Metropolitan Interceptor Sewer system, watercourse and flood management projects, private property infiltration and inflow reduction, and development of green infrastructure solutions.

The District’s tax levy increased 3% when compared to last year’s levy and is projected to increase 3% annually from 2023 through 2027 and 5% from 2028 through 2032.

OPERATING CONTRACT

In June of 2016, the District’s Commission approved a 10-year extension agreement between the District and Veolia Water Milwaukee, LLC (Veolia) as the operator of the District’s two water reclamation facilities, biosolids management and field operations, with the terms of the extension beginning on March 1, 2018. This extension agreement follows a 10-year contract that expired February 28, 2018, in which Veolia replaced United Water Services (UWS) as the operator of the District’s two water reclamation facilities. Biosolids management and field operations.

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended December 31, 2021. This award was the 43rd consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both GAAP and applicable legal requirements.

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

The District received the GFOA’s Distinguished Budget Presentation Award for its 2023 annual budget

document with special recognition for its capital section. To qualify for the distinguished Budget Presentation Award, the District’s budget document was judged to be proficient in several categories. These categories include presentation as a policy document, financial plan, operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Accounting Department. Staff diligently and faithfully contributed to the continued improvement of the District’s accounting function and preparation of this report. Their professional expertise, experience and judgment have been invaluable to us and to the overall efficiency of the District. We would like to thank the members of the Communications and Graphics staffs, for without their efficient and dedicated services, the preparation of this report could not have been accomplished on a timely basis. We would also like to thank the Commission for providing the policy direction that allows us to pursue sound financial management practices.

Kevin L. Shafer, P.E.
Executive Director

Donald R. Nehmer
Director of Finance/Treasurer

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

260 W. Seeboth Street, Milwaukee, WI 53204-1446
(414) 272-5100 | mmsd.com

THE GFOA CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Milwaukee Metropolitan Sewerage District
Wisconsin**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill
Executive Director/CEO

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Milwaukee Metropolitan Sewerage District for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021. This was the 44th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



FINANCIAL SECTION

CONTENTS

Independent Auditors' Report

Management's Discussion and Analysis (Unaudited)

Basic Financial Statements

Statements of Net Position,
December 31, 2022 and 2021

EXHIBIT A-1

Statements of Revenues, Expenses, and Changes
in Net Position, years ended December 31, 2022
and 2021

EXHIBIT A-2

Statements of Cash Flows, years ended
December 31, 2022 and 2021

EXHIBIT A-3

Notes to Financial Statements

As of and for the years ended December 31, 2022
and 2021

Required Supplemental Information

Schedule of Proportionate Share
of the Net Pension (Asset) Liability - ERS

Schedule of Employer's Contributions - ERS

Notes to Required Supplementary Information

Health Insurance Schedule of Changes in
Total OPEB Liability and Related Ratios

Health Insurance Notes to Schedule of Changes in
Total OPEB Liability and Related Ratios

INDEPENDENT AUDITORS' REPORT



Independent Auditors' Report

To the Commissioners of
Milwaukee Metropolitan Sewerage District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Milwaukee Metropolitan Sewerage District (the District), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

continued on next page →

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The introductory section and statistical section comprises the other information included in the annual comprehensive financial report but does not include the basic financial statements and our auditors’ report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
June 8, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Milwaukee Metropolitan Sewerage District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2022 and December 31, 2021. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 12 - 15 of this report.

FINANCIAL HIGHLIGHTS

- The District’s net position of \$2.5 billion remained unchanged over the course of this year’s operation.
- The District has a deficit balance of \$37.7 million for its unrestricted net position. This represents an decrease of \$22.3 million from the deficit balance of \$60 million at December 31, 2021. In accordance with GASB Statement 75, at December 31, 2022, the District has recorded a total Other Postemployment Benefits (OPEB) liability of \$97.7 million. The District has elected to fund its liability related to postretirement benefits other than pensions as it comes due rather than when it is incurred. At January 1, 2022 the total OPEB liability was \$130.9 million, and at December 31, 2022 the net OPEB liability decreased \$33.2 million to \$97.7 million using actuarial valuations for each respective year. See note 11 to the financial statements for further details.
- During 2022 the District received \$21 million in loan proceeds from the State of Wisconsin Clean Water Fund Loan Program. The issuance of this new debt, along with the other general obligation debt, brings the District’s outstanding bonded debt at December 31, 2022 to \$728.2 million. This is a decrease of \$3.3 million over the balance at December 31, 2021. The District’s debt limit rate decreased from 0.96% to 0.85%, well below the statutory limit rate of 5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT

NET POSITION

As previously noted, net position may serve over time as a useful indicator of an entity’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$2.5 billion at the close of the most recent fiscal year.

As can be seen in Table A-1 below, the District’s net position at December 31, 2022 reflects its investment in capital assets (e.g., sewers, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide sewerage treatment services, provide flood management and to maintain and improve watercourses for the entire District service area; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) CONT. →

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) CONT.

TABLE A-1 CONDENSED SUMMARY OF NET POSITION (IN THOUSANDS)

	2020	2021	2022	\$ Change 2022 over 2021	Percentage Increase (Decrease) 2022 versus 2021
Current and Other Assets	214,153	201,122	201,139	\$17	0.0%
Noncurrent Assets	122,760	120,550	139,796	\$19,246	16.0%
Capital Assets	\$3,285,241	\$3,276,204	\$3,282,171	\$5,967	0.2%
Total Assets	\$3,622,155	\$3,597,876	\$3,623,106	\$25,230	0.7%
Deferred Outflows of Resources	\$19,199	\$15,174	\$9,544	(\$5,630)	-37.1%
Current Liabilities	\$ 136,289	120,045	127,021	\$6,976	5.8%
Noncurrent Liabilities	\$849,835	843,309	795,927	(\$47,382)	-5.6%
Total Liabilities	\$986,124	\$963,354	\$922,948	(\$40,406)	-4.2%
Deferred Inflows of Resources	\$146,749	\$139,595	\$172,677	\$33,082	23.7%
Investment in Capital Assets	\$2,523,541	\$2,547,876	\$2,552,510	\$4,634	0.2%
Restricted	30,813	22,223	22,223	\$0	0.0%
Unrestricted	(\$45,873)	(59,998)	(37,708)	\$22,290	-37.2%
Total Net Position	\$2,508,481	\$2,510,101	\$2,537,025	\$26,924	1.1%

As shown in Table A-1, current, other assets and noncurrent assets increased \$19.3 million or 726.0% from 2022 compared to 2021. The primary reason for the increase is noncurrent assets increasing \$19.2 million at December 31, 2022. The District had \$30.3 million in unused proceeds from the General Obligation Promissory Notes, Bonds 2021A remaining at December 31, 2022. The district issued \$50 million in new General Obligation debt in 2022 to finance portions of the capital improvement program.

The Deferred Outflow of Resources decreased \$5.6 million or 37.1% in 2022 compared to 2021. The primary reason for the decrease is the pension deferred outflows decreasing \$2.1 million to \$5.5 million at December 31, 2022 from \$7.6 million at December 31, 2021. This is in accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, at December 31, 2022 (see note 10 to the financial statements for additional details). The OPEB deferred outflows also decreased \$3.2 million to \$2.1 million at December 31, 2022 from \$5.3 million at December 31, 2021. This is in accordance with GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The remaining \$343,000 is due to the unamortized loss on refunding.

As can be seen from Table A-1, total liabilities decreased \$40.4 million or a 4.2% in 2022 compared to 2021. The primary reason for the decrease is the total OPEB liability and the total Pension liability had a combined decrease of \$45 million at December 31, 2022. In addition, there is a decrease of \$2.4 million in long-term obligations due within one year. The District received \$71.0 million in new debt proceeds during 2022 which was offset by \$74.2 million in principal pay down. The principal payoff was for existing District general obligation issued debt and Clean Water Fund Program loans.

The Deferred Inflow of Resources increased \$33.1 million or 23.7%. \$17.1 million of the increase is related to a decrease

in OPEB deferred inflows and \$9.5 million is related to an increase in pension deferred inflows. \$3.3 million of the increase at December 31, 2022, is related to capital charges to municipalities outside the District. There is also an increase in the tax levy of \$3.2 million.

As can be seen from Table A-1, investment in capital assets increased \$4.6 million, or 0.2% at December 31, 2022 compared to December 31, 2021. The restricted net position is \$22.2 million at December 31, 2022 so there was no change when compared to December 31, 2021. The primary reason for the increase in capital assets is due to the addition of assets increasing by \$108 million exceeding the \$102.1 million increase in accumulated depreciation in 2022. The deficit in the District’s unrestricted net position decreased by \$22.3 million to \$37.7 million. The deficit in the unrestricted net position is the result of the District electing to fund its long-term liability related to postretirement health and life insurance as it comes due rather than when it is incurred. As mentioned above, the District implemented GASB 75 in 2018. The total long-term OPEB liability related to this benefit was \$97.7 million at December 31, 2022 compared to \$130.9 million at December 31, 2021.

When comparing 2021 to 2020, Table A-1 indicates current, other assets and noncurrent assets decreased \$15.2 million or 4.5% from 2021 compared to 2020. The primary reason for the decrease is noncurrent assets decreasing \$25.7 million at December 31, 2021. The District had \$34.4 million in unused proceeds from the General Obligation Promissory Notes, Bonds 2021A remaining at December 31, 2021. The district issued \$46 million in new General Obligation debt in 2021 to finance portions of the capital improvement program.

The Deferred Outflow of Resources decreased 4.0 million or 21.0% in 2021 compared to 2020. The primary reason for the decrease is the pension deferred outflows decreasing \$3.4 million to \$7.6 million at December 31, 2021 from \$11.0



Harley Davidson Museum party

million at December 31, 2020. This is in accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, at December 31, 2021 (see note 10 to the financial statements for additional details). The OPEB deferred outflows also decreased \$227,000 to \$5.3 million at December 31, 2021 from \$5.7 million at December 31, 2020. This is in accordance with GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The remaining \$350,000 is due to the unamortized loss on refunding.

As can be seen from Table A-1, total liabilities decreased \$22.8 million or a 2.3% in 2021 compared to 2020. Of this, a decrease of \$19.9 million in long-term obligations due within one year. The District received \$64.9 million in new debt proceeds during 2021 which was offset by \$94.2 million in principal pay down. The principal payoff was for existing District general obligation issued debt and Clean Water Fund Program loans. Offsetting these is \$20.5 million increase in unamortized debt premium at December 31, 2021. In addition, the total OPEB liability and the total Pension liability had a combined increase of \$3.8 million at December 31, 2021.

The Deferred Inflow of Resources decreased \$7.2 million or 4.9%. \$5.4 million of the increase at December 31, 2021,

is related to capital charges to municipalities outside the District, \$3.0 million is related to a decrease in OPEB deferred inflows and \$1.8 million is related to a decrease in pension deferred inflows. These amounts are offset by an increase in the tax levy of \$3.0 million.

As can be seen from Table A-1, investment in capital assets increased \$24.3 million, or 1.0% at December 31, 2021 compared to December 31, 2020. The restricted net position decreased to \$61.8 million at December 31, 2021 compared to December 31, 2020. This is primarily due to increase use of debt service reserves for debt service payments and the use of cash for capital expenditures. The deficit in the District’s unrestricted net position increased by \$1.0 million to \$99.5 million. The deficit in the unrestricted net position is the result of the District electing to fund its long-term liability related to postretirement health and life insurance as it comes due rather than when it is incurred. As mentioned above, the District implemented GASB 75 in 2018. The total long-term OPEB liability related to this benefit was \$130.9 million at December 31, 2021 compared to \$128.8 million at December 31, 2020.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) CONT. ➔

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) CONTINUED

TABLE A-2 CONDENSED SUMMARY OF REVENUES, EXPENSES & CHANGES IN NET POSITION (IN THOUSANDS)

	2020	2021	2022	\$ Change 2022 over 2021	Percentage Increase (Decrease) 2022 versus 2021
Operating revenues:					
User charges	\$87,055	\$89,625	\$91,354	\$1,729	1.9%
Fertilizer	\$11,359	\$10,828	\$11,295	\$467	4.3%
Other	\$892	\$1,751	\$3,039	\$1,288	73.6%
Total operating revenues	\$99,306	\$102,204	\$105,688	\$3,484	3.4%
Nonoperating revenues:					
Property taxes	\$101,750	\$102,733	\$105,868	\$3,135	3.1%
Capital charges-municipalities outside the District	\$25,073	\$28,066	\$23,074	(\$4,992)	-17.8%
Other	\$2,608	\$2,762	\$3,572	\$810	29.3%
Total nonoperating revenues	\$129,431	\$133,561	\$132,514	(\$1,047)	-0.8%
Total Revenues	\$228,737	\$235,765	\$238,202	\$2,437	1.0%
Operating expenses:					
Systems – operation and maintenance	\$69,173	\$69,231	\$69,089	(\$142)	-0.2%
Laboratory and research services	\$3,114	\$3,031	\$1,805	(\$1,226)	-40.5%
Industrial waste and conveyance monitoring	\$3,333	\$2,821	\$1,122	(\$1,699)	-60.2%
Finance, engineering, and administration	\$31,252	\$28,369	\$18,440	(\$9,929)	-35.0%
Depreciation	\$100,648	\$101,570	\$102,316	\$746	0.7%
Total operating expenses	\$207,520	\$205,022	\$192,771	(\$12,251)	-6.0%
Nonoperating expenses	\$32,279	\$28,643	\$24,746	(\$3,897)	-13.6%
Land Contributed to Municipalities	\$655	\$3,611	\$1,629	(\$1,982)	-54.9%
Total nonoperating expenses	\$32,934	\$32,254	\$26,375	(\$5,879)	-18.2%
Total Expenses	\$240,454	\$237,276	\$219,147	(\$18,129)	-7.6%
Income (Loss) Before Capital Contributions	(\$11,717)	(\$1,511)	19,055	20,566	-1361.1%
Capital Contributions	\$2,095	\$3,131	\$7,869	\$4,738	151.3%
Changes in Net Position	(\$9,622)	\$1,620	\$26,924	\$25,304	1562.0%
Beginning net assets, as restated	\$2,518,103	\$2,508,481	\$2,510,101	\$1,620	0.1%
Cumulative effect of a change In accounting principle	\$0	\$0	\$0	\$0	
Ending Net Position	\$2,508,481	\$2,510,101	\$2,537,025	\$26,924	1.1%

While the Summary of Net Position (Table A-1) shows the change in the District’s financial position the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, for the fiscal year ended 2022, total revenues increased by \$2.4 million or 1.0% and expenses decreased by \$18.1 million or 7.6%. The major factors, which drove these results, include:

- Total user charges increased \$1.7 million or 1.9% from 2021. The primary reason is that the 2022 user charge billings had a budgeted increase in the user chart rates..
- The District’s Milorganite revenue in 2022 is \$11.3 million which is a \$500K increase from 2021. The primary reason

for the increase is in tons sold from 37,237 in 2021 to 46,524 in 2022. However, as the District continues to focus on increasing sales in the retail market, including popular “big box” and warehouse stores that sell to homeowners and gardeners, the average net selling price increased \$4.36 per ton, to \$266.82 in 2022 from \$262.46 in 2021.

- Excluding depreciation, operating expenses in 2022 decreased \$13 million or 12.6% over the amount for 2021. The recording of GASB 75 resulted in a decrease of \$12.8 million related to the OPEB expense in 2022. The 2022 pension expense related to recording GASB 68 resulted in a decrease of \$197K.



Lakefront Park

- Nonoperating revenues decreased by \$1.0 million or 0.8%. The primary reason nonoperating revenues decreased relates to \$5.0 million for the annual reconciliation for the watercourse and green infrastructure billings credits adjustment for 2021 purposes. This was offset by a \$3.1 million increase in property taxes which was a planned and budgeted increase in the tax levy, and an increase of \$811K in other revenues.
- Nonoperating expenses in 2022 decreased by 18.2% or \$5.9 million from 2021. Capital program expenditures decreased by \$3.7 million, donated land decreased by \$2.0 million, and interest expense decreased by \$200K.

For the fiscal year 2021 compared to 2020, as can be seen in Table A-2 above, total revenues increased by \$7.0 million or 3.1% and expenses increased by \$1.5 million or 0.6%. The major factors, which drove these results, include:

- Total user charges increased \$2.6 million or 3.0% from 2020. The primary reason is that the 2020 user charge billings had an unfavorable variance of approximately \$2 million due to COVID-19 pandemic and related business closures. With re-openings in 2021, the user charges billings did not have a related unfavorable variance.
- The District’s Milorganite revenue in 2021 is \$10.8 million which is a \$1 million decrease from 2020. The primary reason for the decrease is in tons sold from

48,679 in 2020 to 37,237 in 2021. However, as the District continues to focus on increasing sales in the retail market, including popular “big box” and warehouse stores that sell to homeowners and gardeners, the average net selling price increased \$3.11 per ton, to \$262.46 in 2021 from \$259.35 in 2020.

- Excluding depreciation, operating expenses in 2021 decreased \$3.4 million or 3.2% over the amount for 2020. The recording of GASB 75 resulted in a decrease of \$688K related to the OPEB expense in 2021. This is offset by the 2021 pension expense related to recording GASB 68 of \$3.5 million.
- Nonoperating revenues increased by \$4.1 million or 3.2%. The primary reason nonoperating revenues increased relates to \$3.0 million for the annual reconciliation for the watercourse and green infrastructure billings credits adjustment for 2020 purposes. In addition, there is a \$983K increase in property taxes which was a planned and budgeted increase in the tax levy, and an increase of \$154K in other revenues.
- Nonoperating expenses in 2021 decreased by 2.1% or \$680,000 from 2020. Capital program expenditures decreased by \$1.4 million, interest expense decreased by \$2.3 million, and this was offset by donated land increases of \$3.0 million.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) CONT.



MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) CONTINUED

TABLE A-3 CAPITAL ASSETS (IN THOUSANDS)

	2020	2021	2022	\$ Change 2022 over 2021	Percentage Increase (Decrease) 2022 versus 2021
Land, land easements & land improvements	\$184,436	\$192,580	\$212,188	\$19,608	10.2%
Buildings	\$842,509	\$853,040	\$853,196	\$156	0.0%
Machinery & equipment	\$1,062,875	\$1,068,865	\$1,073,987	\$5,122	0.5%
Aeration and clarifier tanks	\$87,544	\$102,640	\$102,640	(\$0)	-0.0%
Watercourse improvements	\$363,842	\$366,565	\$366,565	\$0	0.0%
Intercepting sewer system & rights	\$2,504,193	\$2,508,584	\$2,509,341	\$757	0.0%
Construction in progress	\$294,105	\$339,408	\$421,789	\$82,381	24.3%
Sub-total	\$5,339,504	\$5,431,682	\$5,539,705	\$108,023	2.0%
Less: Accumulated depreciation	(\$2,054,263)	(\$2,155,478)	(\$2,257,535)	(\$102,057)	4.7%
Net capital assets	\$3,285,241	\$3,276,204	\$3,282,171	\$5,967	0.2%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of December 31, 2022, the District’s investment in capital assets amounted to \$3.3 billion (net of accumulated depreciation) as shown in Table A-3 below. The increase of \$6.0 million in net capital assets for 2022 reflects a \$102.1 million increase in accumulated depreciation which is less than the \$108.0 million increase in net additions to the asset base during 2022.

During 2022 and 2021 the District incurred capital expenditures to rehabilitate, upgrade or replace assets at its two water reclamation facilities and conveyance system; continued to work on flood management projects, as well as work on sustainability projects and 2050 Facilities Planning. In 2023, the District’s current ten-year capital expenditure forecast projects over \$990 million in project and program expenditures over the ten-year period from 2023 through 2032. During this ten-year period the capital improvement program continues its focus on asset management and sustainability rather than expansion of capacity.

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

DEBT ADMINISTRATION

General obligation indebtedness outstanding at December 31, 2022 amounted to \$728.2 million. Included in this amount are \$353 million of general obligation bonds issued by the District.

The remaining balance of \$375.1 million represents funds received by the District through the State of Wisconsin Clean Water Fund Loan Program, which provides low interest loans for use in the construction of wastewater treatment facilities. Interest on these loans is payable semi-annually with interest rates ranging from 1.49% to 3.00%.

On May 16, 2022, the District issued \$50 million of General Obligation Promissory Bonds, Series 2022A. The net proceeds from this issue provided funding for a portion of the District’s capital improvements program in 2021 through 2023. The Series 2022A issue was competitively sold by the District.

Fitch Ratings affirmed the District’s current bond rating on April 6, 2023, and Moody’s Investor’s Services and Standard & Poor’s affirmed the District’s current bond rating on April 10, 2023 and April 7, 2023. The current ratings are as follows:

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

At December 31, 2022, the District has an intergovernmental loan for \$13.6million. This loan is with City of Franklin for costs related to constructing the Ryan Creek Interceptor in accordance with District standards and which the District will purchase from Franklin. The District made payments to Franklin, beginning in 2015, equal to Franklin’s annual payments toward repaying its loan with the Clean Water Fund Loan Program used to finance the construction of the interceptor. On January 3, 2017, the District reimbursed Franklin for the sums Franklin has paid toward the Clean Water Fund Program loan through 2014.

Additional information on the District’s long-term debt can be in found in Note 7 to the financial statements and Exhibits B12 to B14 in the statistical section of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The average unemployment rate for Milwaukee County was 3.79 percent for 2022, a decrease from the 5.2 percent rate for 2021. This compares to the state’s unemployment rate of 2.9 percent and the national rate of 3.6 percent.
- Inflation in the metropolitan area was similar to the national consumer price index.
 - The Midwest Region inflation rate was 8.0% for 2022.
 - The average U.S. city rate was 8.0% for 2022.

- The equalized valuation for the District’s service area (including communities outside the District) increased by 12.4 percent in 2022, while 2022 user charge waste loads changed as follows:
 - Billable flows down 12.4%.
 - Pounds of Biochemical Oxygen Demand (BOD) down 0.9%.
 - Pounds of Total Suspended Solids (TSS) down 2.2%.

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

The District approved a \$117.7 million 2023 Operation and Maintenance Budget, an increase of \$7.6 million or 6.9% from 2022. The District’s user charge billings for 2023 are budgeted to increase 5.8% to \$95 million. The average District residential charge for 2023 increases \$8.39 to \$151.89 from \$160.28 or 5.5% from the 2022.

Items of note in the 2023 Operations and Maintenance (O&M) Budget include:

- Sewer user charge billings are increasing 5.8%, as the District enters the sixth year of a ten-year Veolia Water operating contract extension agreement that began in March of 2018.
- In the 2023’s O&M budget, the District returns the 2021 surplus of \$5.0 million, a 54.5% increase over 2022’s amount of \$3.5 million.
- Milorganite net revenue is projected to increase to \$11.8 million or a 7.3% increase from the 2022 budget, to reflect the 10% price increase that went into effect in June 2022. Total O&M expenditures are increasing 6.9% or \$7.6 million, compared to the 2022 O&M budgeted amount. The increase is due to an increase in the contribution to the retirement system, an increase for the operating contract, and to reflect the impact of inflation on purchased goods and services.

The District’s Commission approved a 2023 Capital Budget that included a tax levy of \$109.1 million, which is a 3.0% increase over the amount of the levy of the prior year. The tax rate decreased 8.7% from \$1.49 to \$1.36 per \$1,000 of equalized value. Included in the 2023 Capital Budget is the financing plan that projects tax levy increases of 3% per year from 2024 through 2027 and 5% thereafter; the tax rate increases from \$1.38 to \$1.64 per \$1,000 of equalized value in the financial plan.

The great majority of capital expenditures in the 2023 Capital Budget are for the continued effort to rehabilitate, replace, upgrade or improvement of existing District facilities and infrastructure, at over \$990 million over the next ten years. Extensive expenditures are planned for watercourse and flood management improvements at \$538 million in the ten-year long-range financing plan.

Finally, the ten-year long range financing plan provides for an average level of \$214 million expenditures for capital projects and programs, while the District maintains its average of 20 percent cash financing objective over the ten year period and maintains and stabilizes its outstanding debt as a percentage of equalized value in a range of 1.05% in 2024 to 1.85% in 2031.

REQUESTS FOR INFORMATION

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



EXHIBIT A-1

STATEMENTS OF NET POSITION

As of December 31, 2022 and 2021

In Thousands

	Fiscal Year	
	2022	2021
ASSETS		
Current unrestricted assets:		
Cash and cash equivalents	\$16,423	\$29,094
Investments	8,247	3,671
Receivables:		
Billed user charges	6,700	2,478
Unbilled user charges	14,500	14,551
Fertilizer sales	1,680	1,553
Other	3,103	2,519
Inventories:		
Operating and maintenance supplies	4,540	3,454
Fertilizer	664	1,783
Total Current Unrestricted Assets	55,857	59,103
Current restricted assets:		
Investments	10,706	10,600
Receivables:		
Tax levy	109,126	105,948
Capital charges – municipalities outside the District	24,549	24,800
Grant funds	713	363
Other	75	1
Prepaid expenses and other	113	307
Total Current Restricted Assets	145,282	142,019
Total Current Assets	201,139	201,122
Noncurrent assets:		
Investments	9,442	5,752
Designated assets:		
Cash and cash equivalents	58,235	48,842
Investments	25,767	13,512
Restricted assets		
Investments	46,352	52,444
Capital assets, at cost:		
Land	86,568	86,195
Land easements	98,011	78,777
Land improvements	27,609	27,608
Buildings	853,196	853,040
Aeration and clarifier tanks	102,640	102,640
Machinery and equipment	1,073,987	1,068,865
Intercepting sewer system	2,484,752	2,483,995
Interceptor rights	24,589	24,589
Watercourse improvement	366,565	366,565
Construction in progress	421,789	339,408
Total Capital Assets	5,539,706	5,431,682
Less: Accumulated depreciation	(2,257,535)	(2,155,478)
Net Capital Assets	3,282,171	3,276,204
Total Assets	3,623,106	3,597,876

See accompanying notes to financial statements.

	Fiscal Year	
	2022	2021
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources:		
Pension deferred outflows	5,531	7,554
Other post employment benefits deferred outflows	2,074	5,338
Unamortized loss on refunding	1,939	2,282
Total Deferred Outflows of Resources	9,544	15,174
LIABILITIES		
Current liabilities (payable from unrestricted current assets):		
Accounts payable	\$12,745	\$13,800
Accrued salaries and wages	995	1,025
Accrued vacation pay	1,414	1,401
Other	615	560
Total Current Liabilities (Payable from Unrestricted Current Assets)	15,769	16,786
Current liabilities (payable from restricted assets):		
Accounts payable	31,975	21,974
Retainers payable	1,655	1,384
Accrued interest	4,515	4,360
Long-term obligations due within one year	73,107	75,541
Total Current Liabilities (Payable from Restricted Assets)	111,252	103,259
Total Current Liabilities Payable	127,021	120,045
Noncurrent liabilities:		
Retainers payable	502	257
Long-term obligations:		
General obligation bonds, net of unamortized premium	350,119	323,508
Clean Water Fund Program loans	326,287	354,214
Intergovernmental loan	12,263	13,635
Total OPEB liability	97,674	130,887
Net pension liability	8,948	20,694
Accrued vested sick pay	134	114
Total Long-term Obligations	795,927	843,309
Total Liabilities	922,948	963,354
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources:		
Tax levies	109,126	105,948
Capital charges – municipalities outside the District	27,824	24,496
Pension deferred inflows	13,515	4,055
OPEB deferred inflows	22,212	5,096
Total Deferred Inflows of Resources	172,677	139,595
Total Liabilities and Deferred Inflows of Resources	1,095,625	1,102,949
NET POSITION		
Net Position:		
Investment in capital assets	2,552,510	2,547,876
Restricted - equipment replacement	16,032	15,983
Restricted – debt service	6,191	6,240
Unrestricted (deficit)	(37,708)	(59,998)
TOTAL NET POSITION	\$2,537,025	\$2,510,101

See accompanying notes to financial statements.

EXHIBIT A-2

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the fiscal years ended December 31, 2022 and 2021
In Thousands

	Fiscal Year	
	2022	2021
OPERATING REVENUES		
User charges	\$91,354	\$89,625
Fertilizer	11,295	10,828
Other	3,039	1,751
Total Operating Revenues	105,688	102,204
OPERATING EXPENSES		
Systems – operation and maintenance	69,089	69,231
Laboratory and research services	1,805	3,031
Industrial waste and conveyance monitoring	1,122	2,821
Finance, engineering, and administration	18,440	28,369
Depreciation and amortization	102,316	101,570
Total Operating Expenses	192,772	205,022
OPERATING LOSS	(87,084)	(102,818)
NONOPERATING REVENUES (EXPENSES)		
Property taxes - capital	105,868	102,733
Investment income	2,398	153
Net increase (decrease) in fair value of investments	(1,072)	(64)
Interest expense	(18,883)	(19,111)
Capital charges – municipalities outside the District	23,074	28,066
Gain (loss) on disposal of capital assets	(771)	49
Capital program expenditures	(5,863)	(9,532)
Land contributed to municipalities	(1,629)	(3,611)
Other	3,017	2,624
Total Nonoperating Revenues (Expenses), Net	106,139	101,307
Income before Capital Contributions	19,055	(1,511)
CAPITAL CONTRIBUTIONS	7,869	3,131
CHANGE IN NET POSITION	26,924	1,620
NET POSITION - Beginning of Year	2,510,101	2,508,481
NET POSITION - END OF YEAR	\$2,537,025	\$2,510,101

See accompanying notes to financial statements.

EXHIBIT A-3

STATEMENTS OF CASH FLOWS

For the fiscal years ended December 31, 2022 and 2021
In Thousands

	Fiscal Year	
	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$103,749	\$106,058
Payments for capital programs	(5,863)	(9,532)
Payments to suppliers	(86,304)	(85,243)
Payments to employees	(18,018)	(14,245)
Net Cash Provided (Used) by Operating Activities	(6,436)	(2,962)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(99,270)	(93,300)
Proceeds from long-term debt issued	70,966	64,313
Principal payments on long-term obligations	(75,579)	(95,517)
Interest paid on long-term obligations	(21,147)	(22,072)
Premium received on debt issued	2,253	3,866
Government grant receipts and other contributions	6,624	1,833
Tax levy receipts	105,868	102,733
Capital charges – municipalities outside the District	26,653	27,514
Net Cash Provided (Used) by Capital and Related Financing Activities	16,368	(10,630)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment income	2,398	153
Purchase of investments	(62,975)	(46,685)
Proceeds from sale and maturity of investments	47,368	39,608
Net cash provided (used) by investing activities	(13,209)	(6,924)
Net (decrease) increase in cash and cash equivalents	(3,277)	(20,516)
CASH AND CASH EQUIVALENTS - Beginning of Year	77,935	98,451
CASH AND CASH EQUIVALENTS - END OF YEAR	\$74,658	\$77,935
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE ACCOMPANYING STATEMENTS OF NET POSITION		
Current cash and equivalents	\$16,423	\$29,094
Current investments	8,247	3,671
Current restricted investments	10,706	10,600
Noncurrent investments	9,442	5,752
Noncurrent designated cash and cash equivalents	58,235	48,842
Noncurrent designated investments	25,767	13,512
Noncurrent restricted investments	46,352	52,444
Total cash and investments	175,172	163,915
Less: Noncash equivalents	(100,514)	(85,980)
CASH AND CASH EQUIVALENTS	\$74,658	\$77,935

EXHIBIT A-3 CONTINUED ON NEXT PAGE →

See accompanying notes to financial statements.

→ EXHIBIT A-3 CONTINUED FROM PREVIOUS PAGE

STATEMENTS OF CASH FLOWS

For the fiscal years ended December 31, 2022 and 2021

	Fiscal Year	
	2022	2021
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OTHER OPERATING ACTIVITIES		
Operating loss	\$(87,084)	\$(102,818)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	102,316	101,570
Postretirement benefits	(13,096)	2,709
Other nonoperating revenue	3,017	2,624
Capital program expenditures	(5,863)	(9,532)
Changes in current assets and liabilities:		
Current receivables and other assets	(4,956)	1,230
Prepaid expenses	194	178
Inventories	33	(1,593)
Accounts payable and other liabilities	(997)	2,670
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$(6,436)	\$(2,962)
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	\$(1,072)	\$(64)
Increase (decrease) in capital grants accrued	350	(128)
Capital charges receivable/deferral	(3,579)	552
Capital assets contributed by others	895	1,426
Gain (loss) on disposal of capital assets	(771)	49
Land contributed to municipalities	(1,629)	(3,611)

See accompanying notes to financial statements.



Riding bikes along the lakefront

NOTES TO FINANCIAL STATEMENTS

As of and for the years ended December 31, 2022 and 2021

NOTE 1 – BASIS OF PRESENTATION

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

of its wastewater treatment process for residential and commercial use.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following is a summary of the more significant policies.

FINANCIAL STATEMENT PRESENTATION AND BASIS OF ACCOUNTING

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

CASH EQUIVALENTS

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

INVESTMENTS

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

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

Investments are reported at fair value based on quoted market prices in accordance with GASB statement No. 72, *Fair Value Measurement and Application*. Fair values are based on methods and inputs as outlined in Note 3.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.) →

See accompanying notes and required supplementary information.

→ NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investment income, including changes in the fair value of investments and realized gains and losses, is recognized as revenue in the Statements of Revenues, Expenses, and Changes in Net Position.

The District invests in the Wisconsin Local Government Investment Pool (the Pool), which is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission (SEC), but operates under the statutory authority of Wisconsin Chapter 25. The Pool reports the fair value of its underlying assets annually. The District’s investment in the Pool is reported at fair value in the statements of net position. The fair value of the District’s investment in the Pool equals the net realizable value of the District’s share of the Pool (see Note 3). The Pool is authorized by Wisconsin statutes to enter into investments on behalf of government entities within Wisconsin and, in certain circumstances, to enter into derivative transactions to maximize the yield on its investments. However, specific information about the Pool’s derivative transactions is not available to the District. Participants in the Pool have the right to withdraw their funds on the same business day, if notification is received by the Pool by 11:00 am.

USER CHARGES

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

INVENTORIES

Inventories related to supplies are valued at the weighted average cost. Inventory held for sale is reported at the lower of cost or market.

PREPAYMENTS

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

RESTRICTED ASSETS

The District maintains specific investments held by the bank for safekeeping for funds intended for equipment replacement. The equipment replacement funds are classified as restricted assets and were approximately \$16,032,000 and \$15,983,000 in 2022 and 2021. Investments restricted for debt service were \$10,706,000 and \$10,600,000, respectively. Investments related to unspent bond proceeds primarily restricted for construction funds were \$30,320,000 and \$36,461,000 respectively.

DESIGNATED ASSETS

The District internally designates cash and cash equivalents and investments for its capital improvement program.

PROPERTY TAXES AND CAPITAL CHARGES

Property taxes levied have been designated by the District’s Commission to be legally available for capital expenditures, capital programs, and debt service requirements in the ensuing year. Taxes levied in 2022, to be collected in 2023, of \$109,126,000 have been included in deferred inflows of resources in the statements of net position at December 31, 2022, and are available for expenditure in 2023. Taxes levied in 2021, to be collected in 2022, of \$105,948,000 have been included in deferred inflows of resources in the statements of net position at December 31, 2021, and are available for expenditure in 2022.

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

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

CAPITAL CONTRIBUTIONS

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

CAPITAL ASSETS

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

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

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

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

VACATION PAY

Vacation pay is accrued as earned although vacation pay is to be used within one year, as an accommodation to workload variations, employees are allowed to accumulate vacation hours in excess of the current year allotment during the calendar year. However, all balances in excess of 150% of the current year allotment are reduced to the 150% level on December 31 of each year. The accrued vacation pay of \$1,414,000 and \$1,401,000 at December 31, 2022 and 2021, respectively, is classified as a current liability.

RETAINERS PAYABLE

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

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

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

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

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

Certain changes impacting the net pension liability and total OPEB liability are deferred as discussed in Note 10 and 11.

BOND PREMIUMS AND DISCOUNTS

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

VESTED SICK PAY

Prior to 1984, it was the District’s practice that employees could accumulate unused sick pay to a maximum of 240 days, and upon retirement could receive payment for one-half of their accumulated days. In 1984, the accumulated unused sick pay for management employees was frozen at the balance earned as of December 31, 1983. The Union employees continued to accumulate unused sick pay until 2012. The accumulated sick pay for Union employees was frozen at the balance earned as of April 30, 2012. As of December 31, 2022 and 2021, the District had no employees covered by a labor agreement. District Council 48, Local 366, AFSCME, AFL-CIO, which previously represented 82, voted to decertify in 2016 and the associated labor agreement expired April 30, 2016. The frozen sick pay of the District employees is \$305,000 and \$358,000 at December 31, 2022 and 2021, respectively. Of the total, \$134,000 and \$114,000 at December 31, 2022 and 2021, respectively, are classified as a long-term liability. The current portion is included with accrued salaries and wages.

PENSIONS

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the total OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

NET POSITION

Net position is displayed in three components as follows:

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

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

NOTES TO FINANCIAL STATEMENTS (cont.)

→ NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

CLASSIFICATION OF REVENUES AND EXPENSES

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

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

GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS

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

CAPITAL PROGRAM EXPENDITURES

The District offers funding to municipalities for planning, design, investigation, and construction of projects intended to reduce inflow and infiltration on private property. The District also offers funding to municipalities for the implementation of

green infrastructure. Actual costs reimbursed by the District to municipalities are shown as a nonoperating expense on the statements of revenues, expenses, and changes in net position.

LAND CONTRIBUTED TO MUNICIPALITIES

As part of its watercourse and flood abatement program, the District purchases natural wetlands to reduce the risk of future flooding problems. These properties are subsequently donated to local municipalities because they provide multiple benefits to the local community in the form of open space, wildlife habitat and passive recreation, while the District retains a conservation easement.

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENTS

GASB has approved, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 99, *Omibus 2022*, Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*, and Statement No. 101, *Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year’s presentation.

NOTE 3 – DEPOSITS AND INVESTMENTS

As of December 31, 2022, the District had the following investments and cash and cash equivalents and maturities:

Carrying Value	Investment Maturities (in Years)			
	Less than 1	1-2	3-5	
(In Thousands)				
Checking (overdraft)	\$ (1,662)	\$ (1,662)	\$ -	\$ -
Commercial Paper	2,692	2,692	-	-
U.S. Instrumentalities	26,366	22,856	3,510	-
U.S. Treasuries	39,388	17,318	10,450	11,620
Local Government Investment Pool	98,746	98,746	-	-
Corporate Bonds	4,080	1,873	2,207	-
Money Market	5,017	5,017	-	-
Certificates of Deposit	545	545	-	-
Total Cash and Investments	\$ 175,172	\$ 147,385	\$ 16,167	\$ 11,620

NOTE 3 – DEPOSITS AND INVESTMENTS (cont.)

As of December 31, 2021, the District had the following investments and cash and cash equivalents and maturities:

Carrying Value	Investment Maturities (in Years)			
	Less than 1	1-2	3-5	
(In Thousands)				
Checking (overdraft)	\$ (6,324)	\$ (6,324)	\$ -	\$ -
Commercial Paper	7,493	7,493	-	-
U.S. Instrumentalities	6,471	-	6,471	-
U.S. Treasuries	13,441	5,704	6,937	800
Local Government Investment Pool	135,321	135,321	-	-
Corporate Bonds	1,979	494	1,485	-
Money Market	5,000	5,000	-	-
Certificates of Deposit	534	534	-	-
Total Cash and Investments	\$ 163,915	\$ 148,222	\$ 14,893	\$ 800

The checking account bank balance was \$426,000 and \$372,700 at December 31, 2022 and 2021, respectively. Deposits in each local and area bank are insured by the FDIC in the amounts of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest and noninterest bearing). Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. During 2022 and 2021, the District was in compliance with its investment policy that all investments shall be limited to maturities not exceeding five years, and the District shall maintain at least \$10,000,000 of its total investment portfolio in instruments maturing in 60 days or less. During 2022 and 2021, investments with maturities of less than 180 days, based on par value, comprised on average, 70.40% and 97.22% respectively, of the District’s month-end investment portfolio balance.

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

The District investment policy further limits the purchase of commercial paper to issuers with a commercial paper program size of at least \$500,000,000, except for banks and companies located within the District’s boundaries. The District’s investment in corporate bonds at December 31, 2022 and 2021, ranged from AA by Standard & Poor’s, or A1 by Moody’s Investors Service.

As to the credit risk related to the District’s investment in the Local Government Investment Pool (LGIP), the investments are not insured. The Federal Deposit Insurance Corporation

(FDIC) insures the pro rata share of certificates of deposit held by the LGIP.

At December 31, 2022 and 2021, all of the District’s investment in U.S. Instrumentalities are rated either AA+ by Standard & Poor’s or Aaa by Moody’s Investors Service.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. The District places no limit on the amount invested in any one issuer.

As of December 31, 2022, the District had more than 5% of the District’s investments in the following issuer:

Issuer	Percentage
U.S. Treasury Note	22.25

As of December 31, 2021, the District had more than 5% of the District’s investments in the following issuer:

Issuer	Percentage
U.S. Treasury Note	7.90

In the case of deposits, in which the related risk is the event of a bank failure, the District’s deposits may not be returned to it. The District maintained certificates of deposit of \$500,000 at December 31, 2022 and 2021, respectively. These deposits, excluding \$45,000 of accrued interest at December 31, 2022 and \$33,000 of accrued interest at December 31, 2021, are fully insured through a combination of federal and state deposit insurance.

NOTE 3 – DEPOSITS AND INVESTMENTS (cont.) →

See accompanying notes and required supplementary information.

See accompanying notes and required supplementary information.

→ NOTE 3 – DEPOSITS AND INVESTMENTS (cont.)

FAIR VALUE MEASUREMENT

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date. Examples include U.S. Treasury securities and equity securities from active markets. The hierarchy gives the highest priority to Level 1 inputs.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly. Examples include government agency securities and derivatives valued using prices for similar locations or products on published exchanges.
- Level 3 inputs are unobservable inputs for an asset or liability.

The following valuation methods were used for the Districts’ recurring fair value measurements as of December 31, 2022 and 2021:

- Corporate Bonds, U.S. Instrumentalities, U.S. Treasuries, and Commercial Paper classified in Level 1 of the fair value hierarchy are valued using quoted market prices and all fall under the Level 1 category.

The District has the following recurring fair value measurements as of December 31, 2022 and 2021:

Investment Type	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<i>(In Thousands)</i>				
Corporate Bonds	\$ 4,080	\$ -	\$ -	\$ 4,080
U.S. Instrumentalities	26,366	-	-	26,366
U.S. Treasuries	39,388	-	-	39,388
Commercial Paper	2,692	-	-	2,692
Total Investments	\$ 72,526	\$ -	\$ -	\$ 72,526

Investment Type	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<i>(In Thousands)</i>				
Corporate Bonds	\$ 1,979	\$ -	\$ -	\$ 1,979
U.S. Instrumentalities	6,471	-	-	6,471
U.S. Treasuries	13,441	-	-	13,441
Commercial Paper	7,493	-	-	7,493
Total Investments	\$ 29,384	\$ -	\$ -	\$ 29,384

See accompanying notes and required supplementary information.



Milwaukee skyline from Lake Park at night

NOTE 4 – OPERATING CONTRACT AND EXPENSES

On June 27, 2016, the Milwaukee Metropolitan Sewerage District Commission approved a 10-year extension contract effective March 1, 2018 with Veolia Water Milwaukee, LLC (Veolia) as the operator of the District’s two wastewater treatment plants, biosolids management and field operations, and custodian of the operating and maintenance supplies inventory while retaining ownership of the assets. Any changes in inventory levels throughout the term of the agreement are recorded as inventory. The operation and maintenance and utility fees are subject to adjustments based on various indices. The total net expenditures related to the contract for the year ended December 31, 2022 were \$54,300,000 and for the year ended December 31, 2021 were \$53,354,000. Under the terms of the new contract with Veolia the District is liable for 75% of actual energy costs, except landfill gas costs which are paid entirely by the District and Veolia is responsible for the remainder. The District continues to operate its industrial waste pretreatment program, engineering, central lab monitoring and research, Milorganite® sales, marketing, and distribution.

NOTE 5 – FEDERAL AND STATE GRANTS

The District has been awarded federal grant funds for planning, design, and construction, and state grant funds for construction. Available and outstanding federal and state grants are presented as follows:

	Total Grant Awards		Outstanding Grants Receivable	
	Billed	Unbilled	Total	
<i>(In Thousands)</i>				
December 31, 2022:				
Federal	\$ 17,034	\$ 703	\$ -	\$ 703
State and other	\$ 10	\$ 10	\$ -	\$ 10
Totals	\$ 17,044	\$ 713	\$ -	\$ 713
December 31, 2021:				
Federal	\$9,538	\$ 363	\$ -	\$ 363
State and other	1,140	-	-	-
Totals	\$ 10,678	\$ 363	\$ -	\$ 363

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

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

See accompanying notes and required supplementary information.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022 was as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
(In Thousands)				
Capital assets not being depreciated:				
Land	\$ 86,195	\$ 373	\$ -	\$ 86,568
Construction in progress	339,408	115,545	33,164	421,789
Total Capital Assets Not Being Depreciated	425,603	115,918	33,164	508,357
Capital assets being depreciated:				
Land easements	78,777	19,234	-	98,011
Land improvements	27,608	1	-	27,609
Buildings	853,040	156	-	853,196
Aeration and clarifier tanks	102,640	-	-	102,640
Machinery and equipment	1,068,865	5,394	272	1,073,987
Intercepting sewer system	2,483,995	757	-	2,484,752
Interceptor rights	24,589	-	-	24,589
Watercourse improvements	366,565	-	-	366,565
Total Capital Assets Being Depreciated	5,006,079	25,542	272	5,031,349
Less accumulated depreciation:				
Land easements	13,211	3,422	-	16,633
Land improvements	14,881	424	-	15,305
Buildings	475,783	17,421	-	493,204
Aeration and clarifier tanks	47,757	1,400	-	49,157
Machinery and equipment	678,981	38,761	259	717,483
Intercepting sewer system	835,151	35,287	-	870,438
Interceptor rights	4,180	492	-	4,672
Watercourse improvements	85,534	5,109	-	90,643
Total Accumulated Depreciation	2,155,478	102,316	259	2,257,535
Total Capital Assets Being Depreciated, Net	2,850,601	(76,774)	13	2,773,840
Total Capital Assets, Net	\$ 3,276,204	\$ 39,144	\$ 33,177	\$ 3,282,171

See accompanying notes and required supplementary information.

NOTE 6 – CAPITAL ASSETS (cont.)

Capital assets activity for the year ended December 31, 2021 was as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
(In Thousands)				
Capital assets not being depreciated:				
Land	\$ 86,184	\$ 11	\$ -	\$ 86,195
Construction in progress	294,105	104,858	59,555	339,408
Total Capital Assets Not Being Depreciated	380,289	104,869	59,555	425,603
Capital assets being depreciated:				
Land easements	70,671	8,106	-	78,777
Land improvements	27,581	27	-	27,608
Buildings	842,509	10,531	-	853,040
Aeration and clarifier tanks	87,544	15,096	-	102,640
Machinery and equipment	1,062,875	6,346	356	1,068,865
Intercepting sewer system	2,479,604	4,391	-	2,483,995
Interceptor rights	24,589	-	-	24,589
Watercourse improvements	363,842	2,723	-	366,565
Total Capital Assets Being Depreciated	4,959,215	47,220	356	5,006,079
Less accumulated depreciation:				
Land easements	11,007	2,203	-	13,210
Land improvements	14,458	423	-	14,881
Buildings	458,684	17,099	-	475,783
Aeration and clarifier tanks	46,458	1,299	-	47,757
Machinery and equipment	639,610	39,726	354	678,982
Intercepting sewer system	799,911	35,240	-	835,151
Interceptor rights	3,688	492	-	4,180
Watercourse improvements	80,446	5,088	-	85,534
Total Accumulated Depreciation	2,054,263	101,570	354	2,155,478
Total Capital Assets Being Depreciated, Net	2,904,954	(54,350)	2	2,850,606
Total Capital Assets, Net	\$ 3,285,241	\$ 50,519	\$ 59,557	\$ 3,276,204

The District had construction contract commitments of approximately \$55,659,000 and \$41,237,000 as of December 31, 2022 and 2021, respectively.

The decrease in construction in progress may differ from the increase in capital assets due to discontinued projects, projects or assets from completed projects transferred or donated to other municipalities or other parties.

See accompanying notes and required supplementary information.

NOTES TO FINANCIAL STATEMENTS (cont.)

NOTE 7 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2022 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
(In Thousands)					
General obligation bonds	\$ 329,015	\$ 50,000	\$ (25,975)	\$ 353,040	\$ 22,880
Plus unamortized premium	20,468	2,253	(2,762)	19,959	-
Total Bonds Payable	349,483	52,253	(28,737)	372,999	22,880
State of Wisconsin Clean Water Fund	402,442	20,966	(48,265)	375,143	48,856
Subtotal	751,925	73,219	(77,002)	748,142	71,736
Intergovernmental loan	14,973	-	(1,339)	13,634	1,371
Net OPEB liability	130,887	-	(33,213)	97,674	-
Net Pension liability	20,694	-	(11,746)	8,948	-
Vested sick pay*	358	-	(53)	305	171
Total	\$ 918,837	\$ 73,219	\$ (123,352)	\$ 868,703	\$ 73,278

Changes in long-term obligations for the year ended December 31, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
(In Thousands)					
General obligation bonds	\$ 317,540	\$ 46,000	\$ (34,525)	\$ 329,015	\$ 25,975
Plus unamortized premium	19,490	3,866	(2,888)	20,468	-
Total Bonds Payable	337,030	49,866	(37,413)	349,483	25,975
State of Wisconsin Clean Water Fund	443,814	18,313	(59,685)	402,442	48,228
Subtotal	780,844	68,179	(97,098)	751,925	74,203
Intergovernmental loan	16,280	-	(1,307)	14,973	1,338
Net OPEB liability	128,803	2,084	-	130,887	-
Net Pension liability	18,938	1,756	-	20,694	-
Vested sick pay*	500	-	(142)	358	244
Total	\$ 945,365	\$ 72,019	\$ (98,547)	\$ 918,837	\$ 75,785

*Vested sick pay is frozen as discussed in Note 2.

The District has issued general obligations bonds to provide funds for the acquisition and construction of major capital assets. All general obligation bonds are backed by the full faith and credit of the District. Interest on these bonds is payable semiannually at varying interest rates ranging from 1.00% to 5.00% (effective interest rate of 3.00%). Debt service requirements are as follows:

	Principal	Interest	Total
Year	(In Thousands)		
2023	22,880	12,336	35,216
2024	23,240	11,451	34,691
2025	22,660	10,529	33,189
2026	23,485	9,705	33,190
2027	24,340	8,780	33,120
2028-2032	107,665	30,552	138,217
2033-2037	87,890	13,298	101,188
2038-2041	40,880	3,047	43,927
Total	\$ 353,040	\$ 99,698	\$ 452,738

NOTE 7 – LONG-TERM OBLIGATIONS (cont.)

The District has received funds through the State of Wisconsin Clean Water Fund Loan Program that met the definition of direct placement debt. Interest on these loans is payable semiannually at varying interest rates ranging from 1.49% to 3.00% (effective interest rate of 2.13%). Principal is payable annually in varying amounts. Debt service requirements are as follows:

	Principal	Interest	Total
Year	(In Thousands)		
2023	48,856	7,955	56,811
2024	49,251	6,820	56,071
2025	48,151	5,666	53,817
2026	44,311	4,572	48,883
2027	36,581	3,617	40,198
2028-2032	100,316	9,002	109,318
2033-2037	34,321	2,654	36,975
2038-2042	13,356	435	13,791
Total	\$ 375,143	\$ 40,721	\$ 415,864

The District has outstanding loan commitments available of \$17,754,456 and \$15,585,175 at December 31, 2022 and 2021, respectively, from the State of Wisconsin Clean Water Fund Loan Program. These commitments will be utilized for future construction of wastewater treatment facilities.

The State of Wisconsin Clean Water Fund Loan includes provisions that in the event of failure the loans allows for certain remedies including intercepting State aid, special assessment or declaring unpaid loan balance due and immediately payable, increase in interest rate, etc.

In 2010, the District entered into an intergovernmental loan agreement with the City of Franklin to finance the Ryan Interceptor (project). The City of Franklin is constructing the project which will ultimately become an asset of the District. The City of Franklin has obtained Clean Water Fund Loan financing for this project at 2.46%. The District’s obligation will equal the total principal and interest payments on that loan. The District has agreed to make payments to the City of Franklin beginning in 2015 and the debt is anticipated to be paid off in 2031. On January 3, 2017, the District made a payment to the City of Franklin to reimburse the City for the sums paid toward the loan through 2014. The outstanding amount at December 31, 2022 is \$13,635,000. Debt service requirements are as follows:

	Principal	Interest	Total
Year	(In Thousands)		
2023	1,371	319	1,690
2024	1,406	285	1,691
2025	1,440	250	1,690
2026	1,476	214	1,690
2027	1,512	177	1,689
2028-2031	6,429	321	6,750
Total	\$ 13,634	\$ 1,566	\$ 15,200

On April 21, 2005, the District issued \$57,115,000 of General Obligation Sewerage System Refunding Bonds, Series 2005A. The proceeds were used to purchase state and local government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Sewerage System Bonds, Series 2001A. Neither the defeased debt nor the funds held in trust are recorded on the District’s statement of net position. The difference between the acquisition price and the net carrying amount of the old debt was a loss of \$217,000, which is reported in the accompanying financial statements as a deferred outflow and is being amortized as a component of interest expense through 2022. The unamortized refunding loss was \$0 and \$6,000 as of December 31, 2022 and 2021, respectively. The remaining balance on the Series 2005A Bonds at December 31, 2022 and 2021, included in general obligation bonds, is \$0 and \$4,940,000 respectively.

NOTE 7 – LONG-TERM OBLIGATIONS (cont.) ➔

See accompanying notes and required supplementary information.

NOTES TO FINANCIAL STATEMENTS (cont.)

→ NOTE 7 – LONG-TERM OBLIGATIONS (cont.)

On May 6, 2015, the District issued \$100,000,000 of General Obligation Sewerage System Bonds, Series 2015A with an average interest rate of 3.7 percent. The proceeds were used to fund District capital improvements. The remaining balance on the Series 2015A Bonds at December 31, 2022 and 2021, included in general obligation bonds, is \$77,010,000 and \$81,975,000, respectively.

On October 21, 2015, the District issued \$47,765,000 of General Obligation Sewer System Refunding Bonds, Series 2015C. The proceeds were used to purchase U.S. government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Sewerage System Bonds, Series 2008F. Neither the defeased debt nor the funds held in trust are recorded on the District’s statement of net assets. The difference between the acquisition price of \$48,449,000 and the net carrying amount of the old debt was a loss of \$4,443,000, which was reported in the accompanying financial statements as a loss to long-term obligations and is being amortized as a component of interest expense through 2028. The unamortized refunding loss was \$1,939,000 and \$2,276,000 as of December 31, 2022 and 2021, respectively. The remaining balance on the Series 2015C Bonds at December 31, 2022 and 2021, included in general obligation bonds, is \$28,730,000 and \$37,430,000, respectively.

On June 12, 2017 the District issued \$80,000,000 of General Obligation Sewerage System Bonds, Series 2017A, with an average interest rate of 3.5 percent. The proceeds are being used to fund District capital improvements. The remaining balance on the Series 2017A Bonds at December 31, 2022 and 2021 included in general obligation bonds, is \$63,435,000 and \$66,295,000, respectively.

On April 15, 2020 the District issued \$80,000,000 of General Obligation Sewerage System Bonds, Series 2020A, with an average interest rate of 3.65 percent. The proceeds are being used to fund District capital improvements. The remaining balance on the Series 2020A Bonds at December 31, 2022 and 2021 included in general obligation bonds, is \$70,860,000 and \$74,735,000, respectively.

On July 12, 2020 the District issued \$27,690,000 of General Obligation Sewerage System Refunding Bonds, Series 2020D, with an interest rate of 4.0 percent. The proceeds were used to refund \$27,690,000 (Principal, no interest) of the 2010L bond with an interest rate of 3.9%. The difference between the acquisition price of \$27,690,000 and the net carrying amount of the old debt was \$34,000, which was not recorded as it wasn’t material. The refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new bonds) of \$2,263,995. The remaining balance on the Series 2020D Bonds at December 31, 2022 and 2021 included in general obligation bonds, is \$19,855,000 and \$21,950,000, respectively.

On May 17, 2021 the District issued \$46,000,000 of General Obligation Sewerage System Bonds, Series 2021A, with an average interest rate of 3.00 percent. The proceeds are being used to fund District capital improvements. The remaining balance on the Series 2021A Bonds at December 31, 2022 and 2021 included in general obligation bonds, is \$43,150,000 and \$46,000,000, respectively.

On May 16, 2022 the District issued \$50,000,000 of General Obligation Sewerage System Bonds, Series 2022A, with an average interest rate of 4.25 percent. The proceeds are being used to fund District capital improvements. The remaining balance on the Series 2022A Bonds at December 31, 2022 included in general obligation bonds, is \$50,000,000.

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

	2022	2021
<i>(In Thousands)</i>		
Equalized valuation as determined by the Supervisor of Assessments of the Wisconsin Department of Revenue	\$ 85,368,718	\$ 75,898,365
Statutory debt limit rate – Wisconsin Statutes Section 67.03	5%	5%
Statutory Debt Limit	4,268,436	3,794,918
General obligation indebtedness:		
Outstanding bonds issued by the District	(353,040)	(329,015)
Clean Water Fund Program loans	(375,143)	(402,442)
Legal Debt Margin	\$ 3,540,253	\$ 3,063,461

See accompanying notes and required supplementary information.

NOTE 8 – RISK MANAGEMENT

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

The District is self-insured for workers’ compensation and employer liability claims subject to certain limits of coverage. In addition, the District retains the risk for all comprehensive general liability claims. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. The liability for claims payable included with accounts payable in the statements of net position includes claims incurred but not reported (IBNR) totaling approximately \$10,000 and \$35,000 as of December 31, 2022 and 2021, respectively.

	2022	2021	2020
<i>(In Thousands)</i>			
Unpaid claims, beginning of year	\$ 35	\$ 40	\$ 40
Claims and premiums paid	(17)	33	17
Current year claims and changes in estimates	(8)	(38)	(17)
Unpaid Claims, End of Year	\$ 10	\$ 35	\$ 40

In addition, the District retains a certain level of risk related to employee health insurance, and uses commercial insurance for stop-loss purposes. A liability for claims incurred but not reported (IBNR) is estimated at year end based on a review of the historical data. As of December 31, 2022 and 2021, the IBNR reported in other current liabilities is \$615,000 and \$560,000, respectively.

	2022	2021	2020
<i>(In Thousands)</i>			
Unpaid claims, beginning of year	\$ 560	\$ 410	\$ 560
Claims and premiums paid	10,027	9,211	8,905
Current year claims and changes in estimates	(9,972)	(9,061)	(9,055)
Unpaid Claims, End of Year	\$ 615	\$ 560	\$ 410

The District does not allocate overhead costs or other non-incremental costs to the claims liabilities.

NOTE 9 – CONTINGENCIES AND COMMITMENTS

LITIGATION

There is not now pending, nor to the knowledge of the District threatened, any litigation restraining or enjoining the sale, issuance, execution or delivery of the Obligations or the authority of the District to levy taxes. There is not now pending, nor to the knowledge of the District threatened, any litigation questioning or affecting (i) the legal existence of the District or the title to office of its present officials, (ii) the authority of the District to own and operate its sewerage facilities, or (iii) the authority of the District to set rates and charges for its services.

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

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

Metropolitan Interceptor Sewer Contamination with PCB’s

Polychlorinated biphenyl (PCB) contamination has been identified in the District’s Basin H sewer near Capitol Drive. The sewer is directly downstream of an abandoned die casting facility with heavy PCB contamination. PCBs are present in the sewer at levels greater than 50 parts per million, triggering regulation by the United States Environmental Protection

NOTE 9 – CONTINGENCIES AND COMMITMENTS (cont.) →

See accompanying notes and required supplementary information.

NOTES TO FINANCIAL STATEMENTS (cont.)

→ NOTE 9 – CONTINGENCIES AND COMMITMENTS (cont.)

Metropolitan Interceptor Sewer Contamination with PCB’s Cont.

Agency (“EPA”) under the Toxic Substances Control Act. The area for proposed remediation extends for roughly 8,000 linear feet (1.5 miles) from Capitol Drive to downtown. The District prepared a Risk Based Work Plan, which EPA has approved for the remediation of Basin H, which was approved in December of 2015. The estimated cost to implement the Work Plan is approximately \$11.1 million, based on construction bids received in January 2022. Up to \$10.0 million of these losses, less a \$250,000 deductible, are covered by insurance.

PCB contamination has also been identified in a sewer running under Mitchell Park at levels exceeding 50 parts per million. The PCB contamination at this site is limited to a length of sewer of less than 1,000 feet. The District does not have an estimated cost for remediation but anticipates that it will be less than the cost to remediate the Basin H site.

PCB contamination has also been identified in a sewer running between South 56th Street and Bruce Street at 52.2 parts per million. This sewer has been unused in recent years. The District does not have an estimated cost for remediation, if it becomes necessary.

Threatened Claim by Employee

A long term District employee has hired a law firm and threatened to bring suit alleging federal and state law claims arising from gender and age discrimination. The District believes the claims to be without merit and anticipates that no liability will result from litigation should it occur.

Natural Gas Purchasing Commitment

On March 1, 2008 the District entered into an operating contract with Veolia Water for operations of the wastewater treatment facilities. As part of the contract the District became directly responsible for 75% of the natural gas costs at the plants. During 2008 management and the Commission determined it to be prudent to enter into forward transactions with a supplier to purchase natural gas for future periods. At December 31, 2022 the District had commitments to purchase \$8,575,122 of natural gas in future years, of which 75% will be paid for by the District and 25% will be paid for by Veolia. At December 31, 2021, the District had commitments to purchase \$6,891,250 of natural gas in future years, of which 75% will be paid for by the District and 25% will be paid for by Veolia. These purchases will be recorded as expenses and liabilities in the period in which the gas is delivered.

NOTE 10 – RETIREMENT SYSTEM

GENERAL INFORMATION ABOUT THE PENSION PLAN

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

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

Plan members are required by charter ordinance of the City of Milwaukee to contribute, or have contributed on their behalf, 5.5% of their salary or wages to the System. The District is required to contribute the remaining amounts necessary to fund the System. In 1970, the District began contributing the 5.5% on behalf of the employees. However, as a result of Wisconsin Act 10, the management/non-represented employees were required to begin making the 5.5% employee contribution in 2011. Effective, October, 2011, the management/non-represented employees began to make the 5.5% employee contribution. The represented employees were not required to begin the contribution at that time since they were covered by a labor agreement that expired on April 30, 2012. Beginning the first pay period in May, 2012, the represented employees began making the 5.5% employee contribution. For new hires starting after January 1, 2014, the contribution rate was reduced from 5.5% of salary and wages to 4% of salary and wages in accordance with overall benefit plan reductions. As of December 31, 2022 and 2021, the System recognized \$1,779,380 and \$1,728,062 in contributions from the District.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2022 and 2021, the District reported a liability (asset) of \$8,948,000 and \$20,694,000, respectively for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022 and 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuations as of the measurement dates. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement dates. The District’s proportion of the net pension liability (asset) was based on the

NOTE 10 – RETIREMENT SYSTEM (cont.)

District’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the District’s proportion was 1.9896031%, which was an increase of 0.0955558% from its proportion measured as of December 31, 2020. At December 31, 2020, the District’s proportion was 1.8940473%, which was a decrease of 0.0119397% from its proportion measured as of December 31, 2019. As part of the contract between Veolia and the District, beginning January 1, 2018 the District is responsible for the plan contributions for those Veolia employees who remain on the plan (based on the contract terms). The pension information for the year ended December 31, 2022, which is based on the plan information for the year ended December 31, 2021, includes both the District and the Veolia shares of the plan.

For the year ended December 31, 2022 and December 31, 2021, the District recognized pension expense of \$1,616,000 and \$5,130,000.

The District reported deferred outflows of resources and deferred outflows of resources related to pensions from the following sources as of December 31:

Deferred Outflows of Resources	2022	2021
Differences between expected and actual experience	\$ 1,080,000	\$ 1,810,000
Changes in actuarial assumptions	23,000	2,269,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,118,000	231,000
Employer contributions subsequent to the measurement date	3,310,000	3,244,000
Total	\$ 5,531,000	\$ 7,544,000

The District reported deferred inflows of resources and deferred inflows of resources related to pensions from the following sources as of December 31:

Deferred Inflows of Resources	2022	2021
Differences between expected and actual experience	\$ (4,000)	\$ (437,000)
Net differences between projected and actual earnings on pension plan	(13,057,000)	(3,117,000)
Changes in proportion and differences between employer contributions and proportionate share of contributions	(454,000)	(501,000)
Total	\$ (13,515,000)	\$ (4,055,000)

Deferred outflows related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in future periods. At December 31, 2022 the District reported \$3,310,000 in contributions made subsequent to the measurement date, which will be recognized in 2023 (1,583,000) and 2024 (1,727,000) when they are recognized by the plan in the actuarial report. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net Deferred Outflows (Inflows) of Resources
2023	\$ (1,620,000)
2024	(4,415,000)
2025	(2,631,000)
2026	(2,628,000)
Thereafter	-
Total	\$ (11,294,000)

NOTES TO FINANCIAL STATEMENTS (cont.)

→ NOTE 10 – RETIREMENT SYSTEM (cont.)

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

Actuarial valuation date	January 1, 2021
Measurement date of net pension liability (asset)	December 31, 2021
Actuarial cost method	Entry Age Normal – Level Percentage of Pay
Asset valuation method	5-year smoothing of difference between expected return on actuarial value and actual return on market value
Investment Rate of Return	7.50% per annum, compounded annually
Discount rate	7.5%
Inflation	2.50%
Salary increases	
General City	2.5% - 5.5%
Police & Fire	4.0% - 13.4%
Mortality	For regular retirees and for survivors, the RP-2014 Healthy Annuitant Mortality Table (using 111% of rates for males and 110% of rates for females) projected generationally with Scale MP-2016. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table (using 102% of rates for males and 98% of rates for females) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Non-annuitant Mortality Table projected generationally with Scale MP-2016.

Actuarial assumptions are based on an experience study for the period January 1, 2012 – December 31, 2016.

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

Actuarial valuation date	January 1, 2020
Measurement date of net pension liability (asset)	December 31, 2020
Actuarial cost method	Entry Age Normal – Level Percentage of Pay
Asset valuation method	5-year smoothing of difference between expected return on actuarial value and actual return on market value
Investment Rate of Return	7.50% per annum, compounded annually
Discount rate	7.5%
Inflation	2.50%
Salary increases	
General City	2.5% - 5.5%
Police & Fire	4.0% - 13.4%
Mortality	For regular retirees and for survivors, the RP-2014 Healthy Annuitant Mortality Table (using 111% of rates for males and 110% of rates for females) projected generationally with Scale MP-2016. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table (using 102% of rates for males and 98% of rates for females) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Non-annuitant Mortality Table projected generationally with Scale MP-2016.

Actuarial assumptions are based on an experience study for the period January 1, 2012 – December 31, 2016.

See accompanying notes and required supplementary information.

NOTE 10 – RETIREMENT SYSTEM (cont.)

Long-term Expected Rate of Return. The long term expected rate of return on pension plan investments was determined based on the results of an experience review performed by Conduent HR Consulting, LLC. Projected long term rates of return for each major asset class in the Retirement System’s target asset allocation as of December 31, 2022 and 2021 are summarized in the following table:

Asset Class	Actual	Long-term Expected Rate of Return
Public Equity	44.0%	7.3%
Fixed Income	23.0%	3.1%
Real Estate	9.1%	5.6%
Real Assets	3.9%	4.5%
Private Equity	10.0%	10.6%
Absolute Return	10.0%	2.9%
	100.0%	

Discount rate. The discount rate used to measure the total pension liability was 7.5% for 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the utility’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 percent, as well as what the Districts’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Proportionate Share of Net Pension Liability (Asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
2021	\$ 25,184,000	\$ 8,948,000	\$ 4,550,000

Sensitivity of the District’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 percent, as well as what the Districts’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Proportionate Share of Net Pension Liability (Asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
2020	\$ 35,917,000	\$ 20,694,000	\$ 8,042,000

NOTE 11 – OTHER POSTRETIREMENT BENEFITS (OPEB)

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

NOTE 11 – OTHER POSTRETIREMENT BENEFITS (OPEB) (cont.) →

See accompanying notes and required supplementary information.

NOTES TO FINANCIAL STATEMENTS (cont.)

→ NOTE 11 – OTHER POSTRETIREMENT BENEFITS (OPEB) (cont.)

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

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

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

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

Employees covered by benefit terms. At December 31, 2022, the following employees were covered by the benefit terms:

Retired Participants	486
Terminated vested participants	0
Active plan members	261
Total	747

At December 31, 2021, the following employees were covered by the benefit terms:

Retired Participants	494
Terminated vested participants	0
Active plan members	254
Total	748

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

TOTAL OPEB LIABILITY

At December 31, 2022, the District’s total OPEB liability of \$97,674,000 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date. At December 31, 2021, the District’s total OPEB liability of \$130,887,000 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

NOTE 11 – OTHER POSTRETIREMENT BENEFITS (OPEB) (cont.)

TOTAL OPEB LIABILITY (CONT.)

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3% per annum
Healthcare cost trend rates	6.75% decreasing to 5.0%
Retirees’ share of benefit-related costs	Represented Employees (contributions cease at age 65) Pre 1984 Retirees \$ 0 Post 1984 Retirees \$35 Single / \$70 Family Post 2004 Retirees \$45 Single / \$90 Family Post 1/1/2008 Retirees \$50 Single / \$100 Family Pre-Medicare coverage only for post 3/8/2010 hires. Non-Represented Employees Pre 2003 Hires \$ 0 Post 2003 Hires (pre-Medicare coverage only): Years of Service Retiree Contribution 15-20: 70% of Cost 20-24: 60% of Cost 25+: 50% of Cost UWS Transfers For employees who transferred to UWS, MMSD is liable for a portion of total benefits based on the ratio of service at MMSD to total service.

The discount rate of 1.84% was used as of January 1, 2022 and 4.05% as of December 31, 2022.

Mortality rates were based on the PubS(50%)/PubG(50%)-2010 Sex Distinct Mortality Table base rates for Union Participants; and PubG-2010 Sex Distinct Mortality base rates for All Others. Base rates projected to 2023 with scale MP2021, Sex Distinct.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3% per annum
Healthcare cost trend rates	7.0% decreasing to 5.0%
Retirees’ share of benefit-related costs	Represented Employees (contributions cease at age 65) Pre 1984 Retirees \$ 0 Post 1984 Retirees \$35 Single / \$70 Family Post 2004 Retirees \$45 Single / \$90 Family Post 1/1/2008 Retirees \$50 Single / \$100 Family Pre-Medicare coverage only for post 3/8/2010 hires. Non-Represented Employees Pre 2003 Hires \$ 0 Post 2003 Hires (pre-Medicare coverage only): Years of Service Retiree Contribution 15-20: 70% of Cost 20-30: 60% of Cost 30+: 50% of Cost UWS Transfers For employees who transferred to UWS, MMSD is liable for a portion of total benefits based on the ratio of service at MMSD to total service.

The discount rate of 2.00% was used as of January 1, 2021 and 1.84% as of December 31, 2021.

Mortality rates were based on the RP-2014 Mortality Table base rates (with Blue Collar adjustments for Union Participants) projected to 2025 with scale MP2021, Sex Distinct.

NOTE 11 – OTHER POSTRETIREMENT BENEFITS (OPEB) (cont.) →

NOTES TO FINANCIAL STATEMENTS (cont.)

→ NOTE 11 – OTHER POSTRETIREMENT BENEFITS (OPEB) (cont.)

CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Balances at December 31, 2020	\$ 128,802,656
Changes for the year:	
Service cost	1,721,143
Interest	2,518,003
Differences between expected and actual experience	(3,565,076)
Changes in assumptions or other inputs	7,215,753
Benefit payments	(5,805,053)
Net changes	2,084,770
Balances at December 31, 2021	\$ 130,887,426
Changes for the year:	
Service cost	1,815,346
Interest	2,357,706
Differences between expected and actual experience	(3,871,095)
Changes in assumptions or other inputs	(28,012,852)
Benefit payments	(5,502,419)
Net changes	(33,213,314)
Balances at December 31, 2022	\$ 97,674,112

Changes of assumptions and other inputs reflect a change in the discount rate from 2.00 percent in 2020 to 1.84 percent in 2021 and 4.05 percent in 2022, use of an updated mortality improvement scale and adjustment to trend rates as noted above.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the utility, as well as what the utility’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

As of December 31, 2022:

	1% Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB liability	\$ 109,512,000	\$ 97,674,000	\$ 87,735,000

As of December 31, 2021:

	1% Decrease (0.84%)	Discount Rate (1.84%)	1% Increase (2.84%)
Total OPEB liability	\$ 149,190,000	\$ 130,887,000	\$ 115,764,000

NOTE 11 – OTHER POSTRETIREMENT BENEFITS (OPEB) (cont.)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the utility, as well as what the utility’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of December 31, 2022:

	1% Decrease (5.75% Decreasing to 4.0%)	Healthcare Cost Trend Rates (6.75% Decreasing to 5.0%)	1% Increase (7.75% Decreasing to 6.0%)
Total OPEB liability	\$ 88,867,00	\$ 97,674,000	\$ 108,053,000

As of December 31, 2021:

	1% Decrease (6.0% Decreasing to 4.0%)	Healthcare Cost Trend Rates (7.0% Decreasing to 5.0%)	1% Increase (8.0% Decreasing to 6.0%)
Total OPEB liability	\$ 117,564,000	\$ 130,887,000	\$ 146,869,000

OPEB EXPENSE AND DEFERRED OUTFLOWs OF RESOURCES AND DEFERRED INFLOWs OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2022 and 2021, the utility recognized OPEB expense of \$(7,331,120) and \$5,117,542, respectively. The utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

As of December 31, 2022:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (3,597,000)
Changes of assumptions or other inputs	2,074,000	(18,615,000)
Total	\$ 2,074,000	\$ (22,212,000)

As of December 31, 2021:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 693,000	\$ (2,295,000)
Changes of assumptions or other inputs	4,465,000	(2,801,000)
Total	\$ 5,338,000	\$ (5,096,000)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2022	\$ 1,049,000
2023	(21,187,000)
Total	\$ (20,138,000)

NOTES TO FINANCIAL STATEMENTS (cont.) →

See accompanying notes and required supplementary information.

See accompanying notes and required supplementary information.

NOTE 12 – SUBSEQUENT EVENT

The utility evaluated subsequent events through June 8, 2023, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

DEBT ISSUE

The District issued \$62,000,000 in general obligation bonds dated May 15, 2023 for the purpose of funding its Capital Budget for the years 2022, 2023, and 2024.

See accompanying notes and required supplementary information.



Overlooking Pulaski Park rehabilitation project

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY

EMPLOYEE'S RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2022

Fiscal Year Ending	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/22	1.99%	\$ 8,948,000	\$ 18,449,616	48.50%	93.46%
12/31/21	1.89%	20,694,000	19,900,355	103.99%	83.79%
12/31/20	1.91%	18,938,000	19,498,251	97.13%	84.83%
12/31/19	1.93%	25,847,000	19,280,366	134.06%	78.81%
12/31/18	1.77%	6,435,000	18,587,334	34.62%	93.70%
12/31/17	1.93%	8,222,000	17,752,000	46.32%	91.87%
12/31/16	1.92%	8,075,000	17,030,000	47.42%	97.76%
12/31/15	1.93%	2,189,000	16,655,000	13.14%	97.76%

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

EMPLOYEE'S RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2022

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/22	\$ 1,779,380	\$ 1,779,380	\$ -	\$ 18,017,700	9.88%
12/31/21	1,728,062	1,728,062	-	18,449,616	9.37%
12/31/20	1,720,560	1,720,560	-	19,900,355	8.65%
12/31/19	1,729,771	1,729,771	-	19,498,251	8.87%
12/31/18	1,587,306	1,587,306	-	19,280,366	8.23%
12/31/17	1,546,382	1,546,382	-	18,587,334	8.32%
12/31/16	1,532,962	1,532,962	-	17,752,000	8.64%
12/31/15	1,517,102	1,517,102	-	17,030,000	8.91%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The District is required to present the last ten years of data; however, accounting standards allow the presentation of as many years as are available until 10 years are presented.

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

Changes of assumption: Changes in assumptions for 2020 include a change in the discount rate from 8.24% to 7.5% and a change in salary increases from 2.5% - 4.93% to 2.5% - 5.5% for general city employees and 4.0% - 9.47% to 4.0% - 13.4% for police and fire employees.

See accompanying notes to required supplementary information and independent auditors' report.

REQUIRED SUPPLEMENTAL INFORMATION (cont.)

HEALTH INSURANCE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
MOST RECENT FISCAL YEAR

	Fiscal Year				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 1,815,346	\$ 1,721,143	\$ 1,648,388	\$ 1,302,131	\$ 1,305,767
Interest	2,357,706	2,518,003	3,726,304	4,794,541	4,588,191
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(3,871,095)	(3,565,076)	(5,852,647)	(3,710,355)	(8,959,140)
Changes of assumptions	(28,012,852)	7,215,753	3,009,212	22,373,632	(6,758,198)
Benefit payments	(5,502,419)	(5,805,053)	(12,156,906)	(6,543,340)	(6,685,156)
Net Change in Total OPEB Liability	(33,213,314)	2,084,770	(9,625,649)	18,216,609	(16,508,536)
Total OPEB Liability - Beginning	130,887,426	128,802,656	138,428,305	120,211,696	136,720,232
Total OPEB Liability - Ending	\$ 97,674,112	\$ 130,887,426	\$ 128,802,656	\$ 138,428,305	\$ 120,211,696
Covered-employee payroll	\$ 22,485,718	\$ 21,681,045	\$ 21,541,903	\$ 21,283,501	\$ 21,217,853
Total OPEB liability as a percentage of covered-employee payroll	434.38%	603.70%	597.92%	650.40%	566.56%

The District is required to present the last ten years of data; however, accounting standards allow the presentation of as many years as are available until 10 years are presented.

See accompanying notes to required supplementary information and independent auditors’ report.



Overlooking Jones Island Reclamation Facility and Milwaukee

HEALTH INSURANCE
NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
MOST RECENT FISCAL YEAR

	Fiscal Year	
	2022	2021
Valuation date:	Actuarially determined contribution rates are calculated as of December 31, 2022, one year prior to the end of the fiscal year.	Actuarially determined contribution rates are calculated as of December 31, 2021, one year prior to the end of the fiscal year.
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	N/A	N/A
Amortization period	N/A	N/A
Asset valuation method	N/A	N/A
Discount rate	4.05 percent	1.84 percent
Healthcare cost trend rates	6.75 percent initial decreasing to an ultimate rate of 5.0 percent	7.5 percent initial decreasing to an ultimate rate of 5.0 percent
Salary increases	3.0 percent, average, including inflation	3.0 percent, average, including inflation
Investment rate of return	N/A	N/A
Retirement age	Rates of retirement are based on age only. Rates are shown below:	
	Age	Rate
	55	26-45%
	56	17-30%
	57	15-27%
	58	20-27%
	59	20-22%
	60	19%
	61	19-20%
	62	25-28%
	63-64	18-20%
	65	25-30%
	66	30%
	67-69	18-20%
	70	100%
Mortality	2010 Sex Distinct Mortality Table base rates for Union Participants; and PubG-2010 Sex Distinct Mortality base rates for All Others. Base rates projected to 2023 with scale MP2021, Sex Distinct.	RP-2014 Mortality Table base rates projected to 2025 with scale MP2021, Sex Distinct

Benefit changes. There were no changes to the benefits.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

See accompanying notes to required supplementary information and independent auditors’ report.



Milwaukee Riverwalk



STATISTICAL SECTION

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

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and wellbeing have changed over time.
EXHIBIT B-1, B-2

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue sources.
EXHIBIT B-3, B-4, B-5, B-6, B-7, B-8, B-9, B-10, B-11

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the government's ability to issue additional debt in the future.
EXHIBIT B-12, B-13, B-14, B-15

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.
EXHIBIT B-16, B-17

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report related to the services the government provides and the activities it performed.
EXHIBIT B-18, B-19

EXHIBIT B-1

NET POSITION BY COMPONENTS

For the Fiscal Years ended December 31, 2013 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
	(In Thousands)				
Investment in Capital Assets	\$2,552,510	\$2,547,876	\$2,523,541	\$2,525,563	\$2,513,765
Restricted - Equipment Replacement	16,032	15,983	15,856	15,442	15,082
Restricted - Debt Service	6,191	6,240	14,957	3,668	2,842
Unrestricted	(37,708)	(59,998)	(45,873)	(26,570)	(14,736)
	\$2,537,025	\$2,510,101	\$2,508,481	\$2,518,103	\$2,516,953

	Fiscal Year				
	2017	2016	2015	2014	2013
	(In Thousands)				
	\$2,501,652	\$2,489,929	\$2,471,795	\$2,486,416	\$2,464,531
	14,694	14,667	14,509	14,411	14,411
	6,800	18,622	23,861	18,143	19,439
	57,067	43,659	54,269	37,543	57,420
	\$2,580,213	\$2,566,877	\$2,564,434	\$2,556,513	\$2,555,801

EXHIBIT B-2

CHANGE IN NET POSITION

For the Fiscal Years ended December 31, 2013 through 2022

Year	Operating Revenue	Operating Expenses	Operating Income/ (Loss)	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) Before Capital Contributions	Capital Contributions	Change In Net Position
(In Thousands)							
2022	\$105,688	\$192,772	\$(87,084)	\$106,139	\$19,055	\$7,869	\$26,924
2021	102,204	205,022	(102,818)	101,307	(1,511)	3,131	1,620
2020	99,306	207,520	(108,214)	96,497	(11,717)	2,095	(9,622)
2019	99,129	208,284	(109,155)	107,677	(1,478)	2,628	1,150
2018	96,744	169,668	(72,924)	106,500	33,576	2,682	36,258
2017	89,615	184,454	(94,839)	106,986	12,147	1,189	13,336
2016	86,261	181,117	(94,856)	95,439	583	1,860	2,443
2015	83,609	175,417	(91,808)	94,858	3,050	3,070	6,120
2014	78,806	175,605	(96,799)	91,507	(5,292)	6,004	712
2013	78,397	167,921	(89,524)	88,125	(1,399)	3,016	1,617
2012	78,634	162,924	(84,290)	72,440	(11,850)	4,241	(7,609)
2011	78,515	158,675	(80,160)	91,201	11,041	2,049	13,090

EXHIBIT B-3

OPERATING REVENUE BY SOURCE

For the Fiscal Years ended December 31, 2013 through 2022

Year	Total Operating Revenue	Sewer User Charge	Fertilizer	Other
(In Thousands)				
2022	\$105,688	\$91,354	\$11,295	\$3,039
2021	102,204	89,625	10,828	1,751
2020	99,306	87,055	11,359	892
2019	99,129	86,146	11,851	1,132
2018	96,744	84,965	10,313	1,466
2017	89,615	78,301	10,272	1,042
2016	86,261	76,582	9,054	625
2015	83,609	73,940	8,603	1,066
2014	78,806	70,029	7,993	784
2013	78,397	69,572	7,667	1,158
2012	78,634	69,578	7,827	1,229
2011	78,515	69,570	7,252	1,693

EXHIBIT B-4

OPERATING EXPENSES

For the Fiscal Years ended December 31, 2013 through 2022

Year	Total Operating Expenses	System-Operation & Maintenance	Laboratory & Research Services	Industrial Waste & Conveyance Monitoring	Finance, Engineering & Administration	Depreciation
(In Thousands)						
2022	\$192,772	\$69,089	\$1,805	\$1,122	\$18,440	\$102,316
2021	205,022	69,231	3,031	2,821	28,369	101,570
2020	207,520	69,173	3,114	3,333	31,252	100,648
2019	208,284	68,058	3,191	4,043	33,868	99,124
2018	169,668	59,490	832	(601)	13,591	96,356
2017	184,454	56,415	2,812	3,161	28,115	93,951
2016	181,117	57,348	2,582	3,470	25,756	91,961
2015	175,417	57,618	2,388	3,274	22,231	89,906
2014	175,605	58,754	2,449	3,444	23,311	87,647
2013	167,921	57,130	2,448	3,227	22,331	82,785
2012	162,924	55,177	2,511	3,458	21,803	79,975
2011	158,675	56,896	2,170	3,280	20,121	76,208

EXHIBIT B-5

NONOPERATING REVENUE AND EXPENSES

For the Fiscal Years ended December 31, 2013 through 2022

Year	Total Non-Operating Revenues (Expenses)	Property Taxes	Capital Charges Municipalities Outside the District	Investment Income and Change in Fair Value of Investments	Interest Expenses	Gain (Loss) on Disposal of Capital Assets	Land Contributed to Municipalities	Capital Program Expenditures and Other
(In Thousands)								
2022	\$106,139	\$105,868	\$23,074	\$1,326	\$(18,883)	\$(771)	\$(1,629)	\$(2,846)
2021	101,307	102,733	28,066	89	(19,111)	49	(3,611)	(6,908)
2020	96,497	101,750	25,073	1,082	(21,382)	(1,499)	(655)	(7,872)
2019	107,677	100,094	32,175	4,119	(21,950)	(1,552)	(1,811)	(3,398)
2018	106,500	98,328	31,700	2,984	(23,603)	(1,251)	(87)	(1,571)
2017	106,986	98,250	31,523	1,225	(20,364)	1,034	(18)	(4,664)
2016	95,439	95,798	25,912	799	(22,816)	(1,766)	(649)	(1,839)
2015	94,858	93,239	28,433	402	(23,450)	(791)	(515)	(2,460)
2014	91,507	90,919	29,396	437	(24,260)	(2,110)	(722)	(2,153)
2013	88,125	88,626	28,424	(53)	(24,293)	(1,582)	(176)	(2,821)
2012	72,440	86,485	27,562	491	(22,663)	(5,033)	(8,782)	(5,620)
2011	91,201	85,212	24,864	736	(21,783)	87	-	2,085

EXHIBIT B-6

USER CHARGE REVENUE BY MUNICIPALITY
WITHIN THE DISTRICT

For the Fiscal Years ended December 31, 2013 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Municipality					
City of Cudahy	\$2,507,142	\$2,375,743	\$2,101,264	\$2,110,450	\$2,138,977
City of Franklin	2,716,003	2,703,643	2,629,404	2,509,674	2,468,702
City of Glendale	1,232,124	1,207,469	1,098,322	1,101,266	1,078,316
City of Greenfield	2,551,364	2,547,750	2,451,481	2,357,957	2,349,736
City of Milwaukee	50,966,369	50,161,673	48,809,191	48,790,374	48,987,466
City of Oak Creek	3,292,714	3,121,781	2,927,283	2,836,893	2,773,581
City of St. Francis	718,106	728,162	659,248	624,456	678,143
City of Wauwatosa	4,099,143	4,037,818	3,959,937	4,020,248	3,793,471
City of West Allis	5,063,977	4,615,797	4,935,678	4,551,867	4,356,397
Village of Bayside	284,317	281,506	264,564	263,091	259,506
Village of Brown Deer	885,004	1,100,552	949,520	931,792	904,192
Village of Fox Point	467,569	443,068	412,308	414,897	408,707
Village of Greendale	977,620	966,427	913,795	890,028	866,391
Village of Hales Corners	550,940	551,425	527,187	512,776	513,223
Village of River Hills	123,062	120,148	112,963	112,998	112,498
Village of Shorewood	851,826	869,298	809,418	803,096	837,409
Village of West Milwaukee	713,210	769,913	859,048	792,182	892,546
Village of Whitefish Bay	913,925	896,492	856,325	861,492	838,158
Total Within the District	\$78,914,415	\$77,498,665	\$75,276,936	\$74,485,537	\$74,257,419

Fiscal Year				
2017	2016	2015	2014	2013
\$2,057,456	\$1,960,292	\$1,804,675	\$1,618,550	\$1,507,280
2,210,560	2,202,361	2,143,999	2,040,662	2,006,441
984,641	1,008,386	953,839	900,806	934,241
2,120,970	2,107,906	2,036,361	1,945,286	1,944,800
45,350,427	43,968,676	42,484,064	40,235,500	40,211,422
2,454,978	2,367,729	2,222,514	2,133,231	2,069,149
590,960	585,989	561,119	540,392	540,870
3,404,955	3,259,792	3,178,030	2,961,982	2,997,566
4,088,271	4,066,099	3,896,350	3,726,150	3,717,622
238,859	238,959	234,505	239,170	230,494
819,350	809,479	777,074	735,633	721,924
372,589	375,364	372,582	363,849	361,777
814,645	792,771	796,170	788,101	742,539
470,888	469,508	456,334	436,428	434,642
97,527	89,271	88,063	84,893	84,355
652,279	709,321	691,074	676,706	662,621
922,139	944,055	961,138	917,770	971,000
748,213	731,223	724,679	697,095	687,053
\$68,399,707	\$66,687,181	\$64,382,570	\$61,042,204	\$60,825,796

EXHIBIT B-7

USER CHARGE REVENUE BY MUNICIPALITY OUTSIDE THE DISTRICT

For the Fiscal Years ended December 31, 2013 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Municipality					
City of Brookfield	\$1,312,890	\$1,234,961	\$1,166,221	\$1,207,706	\$1,086,410
City of Mequon	1,511,103	1,486,575	1,390,897	1,384,843	1,374,444
City of Muskego	1,532,721	1,414,436	1,404,050	1,341,710	1,320,220
City of New Berlin	2,567,120	2,461,941	2,352,120	2,313,763	2,178,966
City of South Milwaukee*	32,637	34,765	29,709	33,192	29,349
Village of Butler	335,542	418,758	577,608	503,015	252,748
Village of Caledonia	39,475	32,953	30,292	30,328	29,134
Village of Elm Grove	408,359	382,777	374,264	370,608	362,836
Village of Germantown	2,014,802	2,078,980	1,948,784	1,984,674	1,697,876
Village of Menomonee Falls	2,451,214	2,355,110	2,284,694	2,272,210	2,164,756
Village of Thiensville	233,554	225,512	219,219	218,530	210,618
Total Outside the District	\$12,439,417	\$12,126,768	\$11,777,858	\$11,660,579	\$10,707,357

**Household Hazardous Waste Program Charges Only*

Fiscal Year				
2017	2016	2015	2014	2013
\$995,317	\$985,854	\$969,822	\$917,553	\$898,795
1,246,411	1,281,186	1,234,929	1,206,940	1,094,553
1,156,039	1,130,497	1,132,336	1,092,905	1,054,548
1,950,333	1,956,174	1,978,663	1,859,908	1,818,911
30,331	30,568	25,146	30,496	28,042
432,882	404,769	224,889	175,348	174,544
19,519	25,636	27,062	26,174	25,528
328,731	337,961	337,445	325,919	310,463
1,568,676	1,613,777	1,536,335	1,387,769	1,413,618
1,980,487	1,936,950	1,897,058	1,777,329	1,745,112
192,587	191,595	193,249	186,370	181,708
\$9,901,313	\$9,894,967	\$9,556,934	\$8,986,711	\$8,745,822

EXHIBIT B-8

USER CHARGE RATES

For the Fiscal Years ended December 31, 2013 through 2022

	Flow (Cents Per 1000 Gallons)	Biochemical Oxygen Demand (BOD) (Cents Per Pound)	Total Suspended Solids (TSS) (Cents Per Pound)
Year			
2022	\$1.48096	\$0.10883	\$0.21451
2021	\$1.53935	\$0.10607	\$0.20235
2020	\$1.41098	\$0.12070	\$0.19814
2019	1.31058	0.13062	0.17931
2018	1.25965	0.13589	0.17541
2017	1.12748	0.12730	0.16289
2016	1.11377	0.11869	0.16275
2015	0.96079	0.11781	0.15807
2014	0.88437	0.10061	0.15815
2013	0.86507	0.09992	0.15924

Volumetric rate computed for domestic strength sewage using the equivalencies of 310 mg/l BOD equals 2.585 pounds per thousand gallons and 370 mg/l TSS equals 3.086 pounds per thousand gallons. This rate is applicable to the entire residential class and noncertified commercial users located within the District’s Service Area.

Connection Charge (Dollars Per Year)	Volumetric (Dollars Per 1,000 Gallons)	Average Household (Dollars Per Year)	Million of Gallons of Sewage Treated
\$42.19	\$2.42426	\$151.89	63,100
\$36.61	\$2.43799	\$147.35	57,900
\$33.13	\$2.33445	\$144.63	75,500
32.44	2.20158	140.22	85,600
30.34	2.15224	137.37	76,900
23.98	1.95923	124.04	71,800
21.71	1.92283	122.42	68,200
30.21	1.75313	125.17	67,100
30.68	1.63250	120.68	68,480
29.84	1.61478	118.20	73,900

EXHIBIT B-9

WASTEWATER LOADINGS BY CUSTOMER CLASS

For the Fiscal Years ended December 31, 2013 through 2022

	Fiscal Year			
	2022	2021	2020	2019
PARAMETER				
BILLABLE FLOW (1,000 GALLONS)				
RESIDENTIAL	14,829,197	14,872,271	15,524,966	15,871,716
NON-CERTIFIED COMMERCIAL	9,927,811	9,816,601	9,587,243	10,209,402
CERTIFIED COMMERCIAL	1,302,734	1,244,243	1,130,532	1,318,774
CERTIFIED INDUSTRIAL	3,656,993	3,721,948	3,795,953	3,894,129
TOTALS	29,716,735	29,655,063	30,038,693	31,294,020
BIOCHEMICAL OXYGEN DEMAND (POUNDS)				
RESIDENTIAL	38,333,474	38,444,821	40,132,030	41,028,387
NON-CERTIFIED COMMERCIAL	25,663,387	25,375,916	24,783,024	26,391,302
CERTIFIED COMMERCIAL	3,085,128	2,731,832	2,468,187	2,917,626
CERTIFIED INDUSTRIAL	43,337,603	44,829,909	42,851,140	41,009,544
TOTALS	110,419,592	111,382,478	110,234,381	111,346,859
TOTAL SUSPENDED SOLIDS (POUNDS)				
RESIDENTIAL	45,762,905	45,895,821	47,910,050	48,980,102
NON-CERTIFIED COMMERCIAL	30,637,229	30,294,028	29,586,241	31,506,207
CERTIFIED COMMERCIAL	3,715,218	3,250,803	2,927,322	3,426,033
CERTIFIED INDUSTRIAL	14,719,375	17,571,657	17,251,306	17,835,600
TOTALS	94,834,727	97,012,309	97,674,919	101,747,942
CONNECTIONS				
RESIDENTIAL	268,261	267,828	267,411	266,788
NON-CERTIFIED COMMERCIAL	37,397	37,309	37,039	37,068
CERTIFIED COMMERCIAL	1,707	1,751	1,764	1,770
CERTIFIED INDUSTRIAL	661	669	685	691
TOTALS	308,025	307,557	306,898	306,317

Fiscal Year					
2018	2017	2016	2015	2014	2013
BILLABLE FLOW (1,000 GALLONS)					
16,051,283	16,492,164	16,864,146	17,640,483	17,769,153	17,613,063
10,311,636	10,305,654	10,416,779	10,297,948	10,399,901	10,353,855
1,520,052	1,615,067	1,679,723	1,602,378	1,684,463	1,710,422
3,935,501	3,899,933	3,819,379	3,754,697	3,675,147	3,936,045
31,818,472	32,312,819	32,780,026	33,295,507	33,528,663	33,613,385
BIOCHEMICAL OXYGEN DEMAND (POUNDS)					
41,492,565	42,632,247	43,593,817	45,600,648	45,940,473	45,536,920
26,655,586	26,640,109	26,927,382	26,620,196	26,888,015	26,768,965
3,291,454	3,430,903	3,595,322	3,550,589	3,673,331	3,663,473
42,821,001	44,791,831	42,082,946	38,786,074	39,320,945	43,583,211
114,260,606	117,495,090	116,199,467	114,557,507	115,822,764	119,552,569
TOTAL SUSPENDED SOLIDS (POUNDS)					
49,534,260	50,894,825	52,042,750	54,438,534	54,832,149	54,350,489
31,821,701	31,803,254	32,146,176	31,779,465	32,092,121	31,950,040
3,928,144	4,104,044	4,302,174	4,244,553	4,380,708	4,366,923
18,564,724	19,444,039	19,499,076	18,590,657	18,622,057	18,653,681
103,848,829	106,246,162	107,990,176	109,053,209	109,927,035	109,321,133
CONNECTIONS					
266,115	265,519	265,067	264,492	264,015	264,034
37,164	37,145	37,409	37,137	37,160	37,164
1,791	1,957	1,979	1,995	2,000	2,030
687	677	684	694	699	721
305,757	305,298	305,139	304,318	303,874	303,949

EXHIBIT B-10

TEN LARGEST SEWER USERS

For the Fiscal Years ended December 31, 2013 through 2022

			2022		2013	
			Sewer Revenue		Sewer Revenue	
Customer		Type of Business	Amount	%	Amount	%
Molson Coors	a	Brewery	\$3,497,776	3.8%	\$3,034,139	4.4%
Smithfield Packaged Meats	b	Process meat products	1,006,489	1.1%	388,245	0.6%
D.R. Diedrich & Co.		Leather tanning and finishing	927,179	1.0%	799,328	1.1%
Milwaukee Water Works-Howard		Water utility	659,300	0.7%	506,300	0.7%
Gehl Foods, LLC		Food preparation	512,525	0.6%	398,212	0.6%
Wisconsin Paperboard		Paperboard mill	510,078	0.6%	367,208	0.5%
Chris Hansen/Lincoln		Food preparation	491,492	0.5%	360,047	0.5%
Crystal Springs Treatment		Centralized waste treatment	370,303	0.4%		
Milwaukee Region Medical Center	c	Health services	354,917	0.4%		
Covanta Environmental Sol		Centralized waste treatment	231,221	0.3%		
Malteurop North America	d	Malt manufacturing			540,569	0.8%
Jonas Chem Works Hi-Mar	d	Centralized waste treatment			406,571	0.6%
Cargil Meat Solutions	e	Meat packing plants			444,376	0.6%
Subtotal (10 largest)			\$8,561,279	9.4%	\$7,244,995	10.4%
Balance from other customers			82,792,553	90.6%	62,326,623	89.6%
Grand Totals			\$91,353,832	100.0%	\$69,571,618	100.0%

a F/K/A/ Miller Coors
b Subsidiary of Smithfield Foods
c F/K/A/ Milwaukee County Hospital
d Business was dissolved
e Closed Milwaukee Operations

EXHIBIT B-11

PROPERTY TAX INFORMATION

For the Fiscal Years ended December 31, 2013 through 2022

Year	Equalized Value of Taxable Property	Tax Levies	Tax Rate Per \$1,000 Equalized Value
2022	\$80,065,106,800	\$109,126,440	\$1.36
2021	\$71,058,905,300	\$105,947,860	\$1.49
2020	\$64,920,299,800	\$102,872,540	\$1.58
2019	61,889,256,300	101,853,429	\$1.65
2018	59,060,994,300	100,101,650	1.69
2017	57,011,085,700	98,380,000	1.73
2016	56,188,121,100	98,380,000	1.75
2015	55,010,987,700	95,980,000	1.74
2014	54,607,126,500	93,639,000	1.71
2013	53,567,657,800	91,222,000	1.70

Due to varying assessment policies in the municipalities of the District, the District uses equalized value of taxable property for tax rate purposes.
Equalized valuations are net of the Tax Incremental District valuations.
Equalized valuations amounts provided by Department of Revenue - State of Wisconsin.

EXHIBIT B-12

BONDED DEBT LIMIT AND RATIO OF BONDED DEBT TO EQUALIZED VALUE

For the Fiscal Years ended December 31, 2013 through 2022

	Fiscal Year			
	2022	2021	2020	2019
Equalized Value ⁽¹⁾	\$85,368,718,800	\$75,898,364,800	\$69,616,173,600	\$65,909,579,500
Debt Limit (5% of equalized value) ⁽²⁾	\$4,268,435,940	\$3,794,918,240	\$3,480,808,680	\$3,295,478,975
Outstanding Bonds Issued by the District	\$353,040,000	\$329,015,000	\$317,540,000	\$262,395,000
Clean Water Fund Program Loans	\$375,142,943	\$402,441,825	\$443,814,451	\$486,837,724
Total General Obligation Debt ⁽³⁾	\$728,182,943	\$731,456,825	\$761,354,451	\$749,232,724
Legal Debt Margin	\$3,540,252,997	\$3,063,461,416	\$2,719,454,229	\$2,546,246,251
Percentage of Bonded Debt to Equalized Value	0.85%	0.96%	1.09%	1.14%

⁽¹⁾ Includes Tax Increment District valuation reported by State of Wisconsin, Department of Revenue.
⁽²⁾ Per Wisconsin Statutes Section 67.03
⁽³⁾ In accordance with GASB 44 the debt applicable to the limit may be offset only by amounts that the applicable law expressly allows. Wisconsin Statue 67.03 states that the aggregate indebtedness of the entity is subject to the debt limit.

Fiscal Year					
2018	2017	2016	2015	2014	2013
\$62,864,827,600	\$60,253,027,200	\$59,145,532,800	\$57,445,674,300	\$57,151,739,300	\$56,031,757,800
\$3,143,241,380	\$3,012,651,360	\$2,957,276,640	\$2,872,283,715	\$2,857,586,965	\$2,801,587,890
\$286,475,000	\$312,940,000	\$270,040,000	\$305,615,000	\$233,835,000	\$265,665,000
\$529,148,687	\$567,252,821	\$611,184,396	\$654,385,332	\$689,893,418	\$704,591,497
\$815,623,687	\$880,192,821	\$881,224,396	\$960,000,332	\$923,728,418	\$970,256,497
\$2,327,617,693	\$2,132,458,539	\$2,076,052,244	\$1,912,283,383	\$1,933,858,547	\$1,831,331,393
1.30%	1.46%	1.49%	1.67%	1.62%	1.73%

EXHIBIT B-13

PER CAPITA DEBT, PERSONAL INCOME AND UNEMPLOYMENT RATE

For the Fiscal Years ended December 31, 2013 through 2022

Year	Outstanding General Obligation Debt ⁽¹⁾	Inter-Governmental Loan	District Population	Milwaukee County Personal Income (Thousands)	District Personal Income Per Capita	Outstanding Debt		Milwaukee County Unemployment Rate
						Per Capita	Percentage of Personal Income	
2022	\$728,182,943	\$ 13,634,560	918,888		-	\$ 792.46	-	3.7%
2021	\$731,456,825	\$ 14,973,400	926,588	\$ 51,904,010	56,016	\$ 789.41	1.41%	5.4%
2020	761,354,451	16,280,069	923,566	48,197,546	52,186	\$ 824.36	1.58%	8.2%
2019	749,232,724	17,555,341	925,661	46,433,612	50,163	\$ 809.40	1.61%	4.0%
2018	815,623,687	18,799,970	929,584	45,123,754	48,542	\$ 877.41	1.81%	3.6%
2017	880,192,821	20,014,693	924,594	42,937,677	46,439	\$ 951.98	2.05%	4.0%
2016	881,224,396	21,200,228	927,947	41,268,719	44,473	\$ 949.65	2.14%	5.0%
2015	960,000,332	22,357,276	928,743	41,201,661	44,363	\$ 1,033.66	2.33%	5.8%
2014	923,728,418	23,486,522	928,689	39,697,233	42,745	\$ 994.66	2.33%	7.0%
2013	970,256,497	24,588,635	929,373	39,213,035	42,193	\$ 1,043.99	2.47%	8.3%

⁽¹⁾ In accordance with GASB 44 the debt applicable to the limit may be offset only by amounts that the applicable law expressly allows. Wisconsin Statue 67.03 states that the aggregate indebtedness of the entity is subject to the debt limit.

Note:

Intergovernmental loan is with the City of Franklin to finance the Ryan Creek Interceptor.
Personal income for Milwaukee County includes City of South Milwaukee. Data for current year not yet available.
District population excludes City of South Milwaukee and includes portion of Village of Bayside outside Milwaukee County.

Sources:

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

EXHIBIT B-14

COMPUTATION OF OVERLAPPING DEBT

For the fiscal years ended December 31, 2022

Name of Government Unit	Net Debt Outstanding	Percentage of Debt Within District Boundary	Amount of Debt Within District Boundary
Villages & Cities:			
Village of Bayside	\$9,161,107	100.00%	\$9,161,107
Village of Brown Deer #	20,703,382	100.00%	20,703,382
Village of Fox Point #	12,180,400	100.00%	12,180,400
Village of Greendale	27,145,000	100.00%	27,145,000
Village of Hales Corners	13,555,000	100.00%	13,555,000
Village of River Hills	5,660,000	100.00%	5,660,000
Village of Shorewood	44,299,853	100.00%	44,299,853
Village of West Milwaukee	8,500,000	100.00%	8,500,000
Village of Whitefish Bay	49,290,231	100.00%	49,290,231
City of Cudahy#	15,300,000	100.00%	15,300,000
City of Franklin	67,974,561	100.00%	67,974,561
City of Glendale	47,586,551	100.00%	47,586,551
City of Greenfield	92,160,000	100.00%	92,160,000
City of Milwaukee	1,091,494,836	100.00%	1,091,494,836
City of Oak Creek	88,740,000	100.00%	88,740,000
City of Saint Francis	23,969,862	100.00%	23,969,862
City of Wauwatosa	135,305,000	100.00%	135,305,000
City of West Allis	65,424,074	100.00%	65,424,074
Total Cities and Villages	\$1,818,449,857		\$1,818,449,857
School Districts:			
Brown Deer	\$38,318,929	100.00%	\$38,318,929
Cudahy	11,725,000	100.00%	11,725,000
Fox Point-Bayside	1,695,000	100.00%	1,695,000
Franklin	51,970,000	100.00%	51,970,000
Glendale-River Hills	1,060,000	100.00%	1,060,000
Greendale #	41,435,000	100.00%	41,435,000
Greenfield	38,017,000	100.00%	38,017,000
Maple Dale-Indian Hill	14,510,000	100.00%	14,510,000
Milwaukee Area Technical College	97,950,000	78.75%	77,135,625
Milwaukee Public	53,898,925	100.00%	53,896,415
Nicolet High School	79,925,000	99.34%	79,397,125
Oak Creek-Franklin	51,970,000	100.00%	51,970,000
Shorewood *	45,940,000	100.00%	45,940,000
Saint Francis	35,560,000	100.00%	35,560,000
Wauwatosa	101,410,000	100.00%	101,410,000
West Allis-West Milwaukee	11,895,000	93.06%	11,069,487
Whitefish Bay	5,628,000	100.00%	5,628,000
Whitnall	12,649,368	100.00%	12,649,368
Total School Districts	\$695,557,222		\$673,386,949
Milwaukee County	\$436,005,453	98.00%	\$427,285,344
Total Overlapping Debt	\$2,950,012,532		\$2,919,122,149

Sources: Milwaukee County Department of Administration, Wisconsin Department of Revenue.

12/31/2022 data not received. 12/31/2021 data presented.
* 12/31/2022 and 12/31/2021 data not received. 12/31/2020 data presented.

EXHIBIT B-15

TEN LARGEST TAXPAYERS FOR MILWAUKEE COUNTY

For the fiscal years ended December 31, 2012 and 2020

Name of Business	Type of Business
NORTHWESTERN MUTUAL LIFE INSURANCE CO.	INSURANCE
FROEDTERT HEALTH	HOSPITAL
MAYFAIR MALL LLC	SHOPPING MALL
MANDEL GROUP	REAL ESTATE
IRGENS DEVELOPMENT PROPERTIES	REAL ESTATE
WEIDNER INVESTMENTS	REAL ESTATE
BERRADA PROPERTIES	REAL ESTATE
US BANK CORP	BANKING
AURORA HEALTH	HEALTH CARE
CHILDRENS HOSPITAL OF WISCONSIN	HOSPITAL
METROPOLITAN ASSOCIATES	REAL ESTATE
BAYSHORE TOWN CENTER LLC	SHOPPING MALL
BRE SOUTHRICH MALL LLC	SHOPPING MALL
WAL-MART/SAMS CLUB	RETAILER
COLUMBIA ST. MARY'S	HEALTH CARE
MARCUS CORPORATION/MILW. CITY CENTER/PFISTER	HOTELS, THEATERS & RESTAURANTS
Total for Ten Largest	

Source:
Largest Industrial Taxpayer - Milwaukee County
Non-Industrial Taxpayer - MMSD

2022		2013	
Equalized Valuation	Percentage of Total Equalized Valuation	Equalized Valuation	Percentage of Total Equalized Valuation
\$669,633,585	0.82%	\$305,534,319	0.56%
492,616,260	0.60%	-	
476,634,748	0.58%	376,624,530	0.69%
465,192,073	0.57%	142,394,023	0.26%
391,404,591	0.48%		
361,312,317	0.44%		
267,312,642	0.33%		
263,859,445	0.32%	262,408,538	0.48%
239,263,537	0.29%		
208,208,580	0.26%		
		125,725,125	0.23%
		319,668,170	0.59%
		154,151,933	0.28%
		143,990,983	0.26%
		113,595,463	0.21%
		128,948,768	0.24%
\$3,835,437,778	4.70%	\$2,073,041,852	3.80%

EXHIBIT B-16

POPULATION BY MUNICIPALITY

For the Fiscal Years ended December 31, 2013 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Municipality					
Bayside	4,463	4,180	4,290	4,304	4,339
Brown Deer	13,023	12,852	12,518	12,246	12,346
Cudahy	18,134	18,093	18,007	18,071	18,208
Fox Point	6,770	6,733	6,826	6,571	6,652
Franklin	35,895	36,646	36,514	35,996	35,779
Glendale	13,472	12,411	12,463	12,483	12,587
Greendale	14,815	14,393	14,335	14,366	14,345
Greenfield	37,709	36,856	36,659	36,968	36,366
Hales Corners	7,658	7,546	7,555	7,593	7,622
Milwaukee	577,309	587,976	587,072	590,547	595,555
Oak Creek	37,374	37,608	36,529	35,830	35,739
River Hills	1,595	1,562	1,553	1,558	1,568
St. Francis	9,156	9,811	9,658	9,381	9,434
Shorewood	13,807	13,495	13,472	13,479	13,315
Wauwatosa	48,638	48,604	48,478	48,314	47,781
West Allis	60,068	59,614	59,517	59,780	59,590
West Milwaukee	4,097	4,127	4,120	4,124	4,159
Whitefish Bay	14,905	14,081	14,000	14,050	14,199
Total District population	918,888	926,588	923,566	925,661	929,584
Total population served by the District ⁽²⁾	1,074,823	1,081,817	1,077,196	1,078,367	1,079,701
2013 = 100%	100.1%	100.7%	100.3%	100.4%	100.5%
Total state population	5,949,155	5,901,473	5,854,594	5,843,443	5,816,231
2013 = 100%	104.1%	103.2%	102.4%	102.2%	101.7%

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

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

Fiscal Year					Percentage Change 2013-2022
2017	2016	2015	2014	2013	
4,341	4,365	4,376	4,376	4,380	1.9%
12,340	12,305	12,217	12,157	12,086	7.8%
18,186	18,192	18,250	18,224	18,227	-0.5%
6,648	6,678	6,690	6,676	6,630	2.1%
36,046	35,741	35,655	35,702	35,810	0.2%
12,604	12,724	12,753	12,773	12,845	4.9%
14,263	14,123	14,135	14,144	14,165	4.6%
36,294	36,404	36,473	36,687	36,770	2.6%
7,619	7,652	7,670	7,678	7,691	-0.4%
591,076	594,667	595,787	595,993	596,500	-3.2%
35,560	35,206	34,791	34,707	34,695	7.7%
1,577	1,577	1,581	1,584	1,587	0.5%
9,435	9,458	9,475	9,465	9,462	-3.2%
13,228	13,134	13,178	13,183	13,189	4.7%
47,389	47,160	46,947	46,766	46,705	4.1%
59,652	60,164	60,329	60,272	60,300	-0.4%
4,158	4,181	4,193	4,197	4,205	-2.6%
14,178	14,216	14,243	14,105	14,126	5.5%
924,594	927,947	928,743	928,689	929,373	
1,072,574	1,075,208	1,074,811	1,074,101	1,074,130	
99.9%	100.1%	100.1%	100.0%	100.0%	
5,783,278	5,775,120	5,753,324	5,732,981	5,717,110	
101.2%	101.0%	100.6%	100.3%	100.0%	

EXHIBIT B-17

PRINCIPAL PRIVATE SECTOR EMPLOYERS

For the fiscal years ended December 31, 2013 AND 2022

Employer	2022			2013		
	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
Advocate Aurora Health	29,503	6.67%	1	24,462	5.57%	1
Froedtert Health	14,058	3.18%	2	8,982	2.05%	3
Ascension Wisconsin	10,449	2.36%	3	11,171	2.55%	2
Roundy's Inc.	7,800	1.76%	4	8,400	1.91%	4
The Medical College of Wisconsin Inc.	6,554	1.48%	5	5,417	1.23%	8
GE Healthcare	6,000	1.36%	6	5,800	1.32%	7
Quad/Graphics Inc.	5,800	1.31%	7	6,900	1.57%	6
Children's Hospital and Health System	5,309	1.20%	8			
Kohl's Corp.	5,000	1.13%	9	7,800	1.78%	5
Northwestern Mutual	5,000	1.13%	10	5,000	1.14%	9
ProHealth Care, Inc.				4,819	1.10%	10
Total for Ten Largest	95,473	21.59%		88,751	20.22%	
Total Milwaukee County Employment	442,178	100.00%		438,862	100.00%	

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

Source:
Employee count from Milwaukee Business Journal August 18, 2022 Addition.
Total County Employment from Wisconsin's Workforce and Labor Market Information System.

EXHIBIT B-18

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY

For the Fiscal Years ended December 31, 2013 through 2022

	Full-time Equivalent Employees as of December 31,					Full-time Equivalent Employees as of December 31,				
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Engineering/Inspection/Construction/Water Quality										
Engineering	58	55	33	33	26	28	26	44	43	46
Planning	26	24	50	51	52	52	53	29	32	27
Contract Compliance	10	10	10	10	9	8	8	8	7	6
Lab/Monitoring	61	62	60	59	59	59	59	60	63	60
Administration										
Office of the Executive Director	4	8	6	5	4	5	2	5	5	5
Legal Services	7	6	6	5	6	6	6	6	6	7
Internal Services	71	62	64	63	68	67	68	68	63	65
Total Employees	237	227	229	226	224	225	222	220	219	216

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

EXHIBIT B-19

OPERATING AND CAPITAL INDICATORS

For the Fiscal Years ended December 31, 2013 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Wastewater Treatment					
Miles of Sewers	362	362	362	362	362
Number of Water Reclamation Facilities	2	2	2	2	2
Treatment Capacity (MGD)	600	600	600	600	600
Storage Capacity (millions of gallons)	521	521	521	521	521
Amount Treated Annually (millions of gallons)	63,100	57,900	75,500	85,600	76,900
Percentage of Wastewater Captured	98.8%	99.3%	97.3%	99.3%	98.4%
Percentage of Treatment Capacity Utilized	52%	48%	63%	71%	64%
Number of Inline Storage System Events	45	45	53	68	46
Number of Overflows	2	3	4	2	9
Greenseams Acres Acquired to Date	5,225	5,066	4,676	4,082	3,711
Household Hazardous Waste (lbs collected) ¹	1,115,340	1,275,101	1,202,051	1,243,724	1,248,441
Milorganite® Production (tons)	41,849	44,260	43,359	49,105	47,722
Milorganite® Tons Sold	46,524	37,237	48,679	45,796	44,753
Average selling price per ton shipped	\$266.82	\$262.46	\$259.35	\$250.58	\$226.34

¹ Does not include medicine collection pounds.
Sources:
MMSD O&M and Capital Budgets, MMSD Annual Capacity, Management, Operation, and Maintenance (CMOM) Program Report, and MMSD real estate records.

Fiscal Year				
2017	2016	2015	2014	2013
359	360	362	362	347
2	2	2	2	2
600	600	600	600	600
521	521	521	521	521
71,800	68,200	67,100	68,300	73,900
100.0%	99.8%	98.9%	99.5%	98.5%
60%	56%	56%	57%	61%
52	46	47	47	42
1	2	2	3	2
3,647	3,433	3,183	3,058	2,682
1,181,059	1,155,611	832,357	909,919	866,609
48,418	40,274	43,816	45,408	47,954
45,349	43,728	43,284	45,498	47,672
\$222.29	\$220.22	\$198.52	\$178.57	\$164.15



MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

260 W SEEBOTH ST
MILWAUKEE, WI 53204

[MMSD.COM](https://www.mmsd.com)